

Part 2A of Form ADV: *Firm Brochure*

Wellesley Asset Management, LLC

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03/09/2011

This brochure provides information about the qualifications and business practices of Wellesley Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 781-235-4310 or phil@wellesleyasset.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Wellesley Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, 127009 (known as our CRD number).

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010.

Wellesley Asset Management, LLC's ("WAM") Brochure, dated 03/09/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of our new Disclosure Brochure, this Item 2 will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new 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. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 Advisory Business

WAM is an SEC-registered investment adviser with its principal place of business located in MA. WAM began conducting business in 2003.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Philip Melville Laughlin, Managing Member / 99% Shareholder

WAM offers the following advisory services to our clients:

Individual Portfolio Management

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy.

During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis only. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Commercial paper
- Municipal securities
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

AMOUNT OF MANAGED ASSETS

As of 03/08/2011, we were actively managing \$51,400,000 of client assets on a discretionary basis.

Item 5 Fees and Compensation

Individual Portfolio Management

Our annual fee for portfolio management has two components, the base fee and the performance fee.

To qualify for our portfolio management service, a client must demonstrate a net worth of at least \$1,500,000 and provide WAM with at least \$400,000 of investable assets for each account under management.

1 Base Fee

The annual Base Fee for Portfolio Management services will be charged at 1.20% of assets under management.

Clients will be invoiced in arrears after the end of each calendar quarter based upon the market value of the client's account at the end of the previous quarter, using trade date balances (as opposed to settlement date balances).

Base fees on funds added or withdrawn during a quarter will be pro-rated based upon the number of days such funds were in the client's account during the quarter.

2 Performance Fee

This component of the fee schedule is based on a percentage of the difference between the Client's Account performance and the performance of the S&P 500 index.

The performance fee to be charged will be 15% of the account's performance above the S&P 500's performance (including dividends) during the same time period.

There will be no performance fee charged to accounts which have performed under the S&P 500's performance (including dividends) during the same time period.

WAM will calculate and assess the performance fee annually in arrears as of the end of December, both for initial partial years and for subsequent full years, using trade date balances.

The performance fee for the prior year will be charged in January of the subsequent year.

For the purpose of calculating performance fees, the 1.20% base fee deduction will reduce account returns during the year actually charged, while performance fee deductions will not be considered to reduce account returns.

The specific method for calculating the performance fee is as follows:

- Multiply (i.e., index) the beginning of year account balance by the S&P 500 performance (including dividends) for the year;
- Multiply any additions made to the account by the S&P 500 performance (including dividends) from the date of the addition to the end of the year;
- Add the two (or more) numbers together to reach the amount of money the portfolio would have had at year-end if it had been invested in the S&P 500 index.
- Compare that total to the actual end of year portfolio value. The difference is the portfolio's over-performance or under-performance versus the S&P 500 in dollars.
- Multiply the dollar over-performance by the performance fee (15%) to calculate the performance fee.

When funds are withdrawn from an account during the year:

- Multiply (i.e., index) the beginning of year account balance by the S&P 500 performance (including dividends) for the period from the beginning of the year to the date of withdrawal;
- Subtract the withdrawn amount from the above indexed figure;
- Multiply the remaining balance by the S&P performance (including dividends) for the period from the date of withdrawal to the end of the year. This is the amount of money the portfolio would have had at year-end if it had been invested in the S&P 500 index.
- Compare that total to the actual end of year portfolio value. The difference is the portfolio's over-performance or under-performance versus the S&P 500 in dollars.
- Multiply the dollar over-performance by the performance fee % to calculate the performance fee.

ALSO, prior to starting any of the above calculations:

- Reduce the beginning balance by the performance fee earned for the prior year, but deducted in January of the current year. The effect and intent is to avoid reducing the most recent year's portfolio performance by the performance fee actually paid in that year, but applicable to the prior year. For example, the adjustment avoids reducing 2011 performance by the performance fee earned for 2010 performance but not paid until January 2011.

No performance fee will be charged if the end of year Account balance is less than Client's net capital contributions to the Account (initial investment plus subsequent additions less subsequent withdrawals).

If the client elects to terminate this contract, the 15% performance fee will be charged based upon the performance of the account versus the S&P 500 index performance for the measuring period going back from the termination date to the end of the prior December (or to the commencement date of the account, if the account is terminated in the commencement year) and will be payable upon termination.

The performance-based fee may create an incentive for WAM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. The client must understand the proposed method of compensation and its risks prior to entering into an Investment Management Agreement with WAM.

Performance-based fees can only be offered to those individuals that meet the SEC's definition of "qualified client" pursuant to Section 205-3 of the Investment Adviser's Act of 1940. The term "qualified client" means:

- (i) A natural person who or a company that immediately after entering into the contract has at least \$750,000 under the management of the investment adviser;
- (ii) A natural person who or a company that the investment adviser entering into the contract (or any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
 - (A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$1,500,000 at the time the contract is entered into; or
 - (B) Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(51)(A)) at the time the contract is entered into; or
- (iii) A natural person who immediately prior to entering into the contract is:

- (A) An executive officer, director, trustee, general partner, or person serving in a similar capacity, of the investment adviser; or
- (B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

Limited Negotiability of Advisory Fees: Although WAM has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Under certain circumstances, WAM's account minimum requirement may be negotiable.

Discounts, not generally available to our advisory clients, may be offered to immediate family members.

GENERAL FEE INFORMATION

Security Valuation. WAM uses closing market prices provided by Fidelity Investments to value all securities in client portfolios.

Termination of the Advisory Relationship. A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice, and any earned, unpaid fees will be due and payable.

Direct Debiting of Advisory Fees. Advisory fees may be directly debited from a client account with the client's permission.

Mutual Fund Fees: All fees paid to WAM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including,

but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to WAM's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Short-term Gains and Losses for Tax Purposes. Clients should note that WAM may engage in short-term transactions on behalf of client accounts. Such transactions may result in short-term gains or losses for federal and state tax purposes. Clients should review the consequences of such tax consequences with his/her accountant or tax counsel.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of any fees in advance of services rendered.

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

Performance-Based Fees

As we disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from the client. Such a performance-based fee is calculated based on a share of capital

appreciation of the assets of the client, in excess of the S&P 500 performance.

To qualify for a performance-based fee arrangement, a client must demonstrate a net worth of at least \$1,500,000 or otherwise meet the SEC's definition of "qualified client" (see Item 5).

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser; accordingly, we take the following steps to address these conflicts:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and employees to earn more compensation from advisory clients who pay performance-based fees;
2. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
3. Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to that client's needs and circumstances;
4. We have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client accounts;
5. We periodically compare holdings and performance of all accounts with similar strategies to

identify significant performance disparities indicative of possible favorable treatment;

6. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

Clients must understand the performance-based fee method of compensation and its risks prior to entering into a management contract with us.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

Item 7 Types of Clients

WAM provides advisory services to the following types of clients:

- Individuals (including high net worth individuals)
- Charitable organizations
- Corporations or other businesses not listed above

Client Qualification. To qualify for WAM's Portfolio Management service, a client must

- demonstrate a net worth of at least \$1,500,000, or otherwise meet the definition of "qualified client" as described in Item 5 of this Brochure and

- provide WAM with at least \$400,000 of investable assets for each account under management.

Please refer to Item 5 of this Brochure for additional information.

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

Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Quantitative Analysis. We perform computer simulations of various investment strategies and stock selection criteria using up to 30 years of historical data to assess which stocks to buy and when to sell the stocks we have purchased.

Fundamental Analysis. From the stocks which meet our quantitative analysis criteria, we then perform fundamental analysis.

Fundamental analysis is an attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investment Strategies

WAM provides Investment Supervisory Services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions with each client, WAM determines the client's investment suitability and manages client portfolios based on that investment suitability.

WAM manages advisory accounts solely on a discretionary basis. Advisory clients provide WAM with authorization (within the Advisory Agreement), allowing WAM to determine the types and amounts of securities to be bought and sold for their accounts, without WAM being required to make specific notice to the client.

Account supervision is guided by the investment objectives and strategies agreed upon by WAM and each client.

WAM's Portfolio Management service is designed to select and manage small capitalization and micro capitalization stocks (hereinafter referred to as "small cap" and "micro cap" respectively) for client portfolios.

The small cap and micro cap stocks selected by WAM usually have a market capitalization (number of shares outstanding multiplied by the stock price) of \$1.5 billion or less at the time of investment. Small and micro cap stocks generally represent publicly traded companies that are less well established, but in many cases faster-growing than mid-cap stocks or large cap stocks. Since these stocks are less established and have relatively low trading volume, they are usually more volatile than mid-cap and large cap stocks.

WAM generally diversifies client investments within this small and micro cap category. However, clients should understand that WAM's management strategy generally does not address client investments outside of the small and micro cap category.

On limited occasions, WAM may include mid and large cap stocks in client portfolios. However, in these situations, WAM's continued general focus will be on the selection and management of small and micro cap stocks.

Because investments made in small and micro cap stocks involve certain additional degrees of risk, WAM will only provide its Portfolio Management service to clients when consistent with the client's stated tolerance for risk and suitability.

WAM's specific investment strategy is to invest in "value" stocks that fall within WAM's criteria of attractive stocks for client portfolios.

WAM will also invest in stocks which contain both value and growth characteristics (for example, growing companies which are nevertheless priced attractively on value indicators, relative to their growth).

WAM will create a portfolio generally consisting of individual equities. WAM will normally employ the use of money market funds for cash sweeps of uninvested cash. WAM may on occasion invest in exchange traded funds (ETFs) for brief periods of time, normally not longer than one month.

Other than the use of money market funds and ETFs (for brief periods), WAM will not generally include mutual fund investments in client portfolios.

WAM will allocate the client's assets among various investments taking into consideration the stated and determined needs of the client. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf.

Clients will retain individual ownership of all securities.

WAM does not use margin transactions as an investment strategy. Those client accounts which are authorized for margin may occasionally carry a small margin balance to allow for round lot stock purchases or to accommodate fluctuations in securities' purchase prices.

However, WAM's policy is to avoid margin balances and to keep margin balances, when they do occur, below 1% of the client account's value.

When new accounts are opened, WAM recommends to clients that the account not have a margin capability.

Account Performance Variability. Performance of individual client accounts will vary as the securities held in different accounts will vary.

WAM's priority list of stocks to buy change on a continuous basis as new information becomes available. Different timing of client additions to and withdrawals from their accounts generally result in variability of stocks held versus other accounts, as does different timing of cash available to invest in an account (from a stock sale in the account).

Additionally, the low liquidity of many of WAM's stocks often dictates that WAM is frequently unable to buy the same stocks for all accounts.

Specific Products. WAM provides two separate investment products within the approach described in the Service Description section, above. The methodologies employed in the two products are similar, but are applied to companies with different ranges of market capitalization:

1. **Micro-cap Value Product.** In this product, WAM generally invests in companies with market capitalizations between \$30 million and \$500 million at the time of investment.

On limited occasions, WAM may invest in companies with market capitalizations which are outside this range.

2. **Small-cap/Micro-cap Value Product.** In this product, WAM generally invests in companies with market capitalizations of \$1.5 billion or less at the time of investment.

On occasion, WAM may also invest in companies with market capitalizations greater than \$1.5 billion.

The two products will not be combined within a single client account. Clients who wish to invest in both products will need to establish separate accounts for each product.

The minimum investment for each account is \$400,000.

Other Investment Strategies: WAM may also offer other individualized investment strategies to certain clients based upon their specific risk tolerance and interests, which strategies are not generally offered to its clients or potential clients.

These strategies may invest in different equity market capitalizations and have different fee structures and other varying details versus the strategies and products described in this Brochure. WAM currently intends to manage only one account investing primarily in U.S. large capitalization stocks. This strategy is otherwise not being offered to investors.

Risk of Loss. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

Business Continuity Risk. Long-term incapacitation of either Phil Laughlin or Gadi Toledano will most likely require termination of WAM's services.

Should this occur, the remaining WAM person (Phil Laughlin or Gadi Toledano) will implement an orderly liquidation of client stocks and subsequent distribution of the resulting cash to all clients.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither WAM nor any of its management personnel have any reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Gadi Toledano, Investment Advisor Representative and Consultant for WAM, is the Managing Director of Orion Consulting (A.I. 2003) Ltd, which provides consulting services to WAM and to Psagot Investment House in Israel ("Psagot") on global markets and the management of its mutual funds. Apax Partners is the majority owner of Psagot.

Mr. Toledano will not solicit WAM clients to invest with Psagot.

Mr. Toledano also provides consulting services to F.C. (Flying Cargo) Ltd.

Additionally, Gadi Toledano, through Orion Consulting (A.I. 2003) Ltd provides investment supervisory services for two individuals, investing in various types of bonds and funds.

One of the two individuals is also a client of WAM's. No investments are made by Orion for these individuals in the same type of securities in which WAM invests for its clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

WAM and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

WAM's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to PHIL@WELLESLEYASSET.COM, or by calling us at 781-235-4310.

WAM and individuals associated with our firm are prohibited from engaging in principal transactions.

WAM and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the express policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account on the same day, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price, and transaction costs will be charged to each client account at the broker's individual rate. In the instances where there is a partial fill of a

particular batched order, we will allocate all purchases pro-rata, with each account paying the average price.

Our employee accounts will be excluded in the pro-rata allocation, until all client account orders have been 100% filled.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account on the same day. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all persons associated with this advisory practice that have access to advisory recommendations ("access persons"). The transactions and holdings of these

access persons are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.

6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

Item 12 Brokerage Practices

As WAM does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct WAM as to the broker-dealer to be used.

In directing the use of a particular broker-dealer, it should be understood that WAM will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

WAM participates in the Fidelity Institutional Wealth Services (hereinafter "FIWS") program, sponsored by Fidelity Brokerage Services, Inc. (hereinafter "Fidelity"), a FINRA-registered

broker-dealer. Clients in need of brokerage and custodial services will generally have Fidelity recommended to them, provided that such recommendation is consistent with WAM's fiduciary duty.

As part of the FIWS program, WAM receives benefits that it would not receive if it did not offer investment advice in connection with the FIWS program

WAM clients must independently evaluate Fidelity before opening an account. The factors considered by WAM when making this recommendation are, among other factors:

- the broker-dealer's ability to provide professional services
- WAM's experience with the broker-dealer
- the broker-dealer's reputation
- the broker-dealer's quality of execution services and costs of such services

WAM reserves the right to refuse acceptance of any client account that directs the use of a broker-dealer other than Fidelity.

Block Trading (Aggregation) Policy. WAM may aggregate trades for itself or for its associated persons with client trades, providing that the following conditions are met:

- 1) WAM's policies for the aggregation of transactions are hereby fully disclosed in this Brochure and will be disclosed separately to WAM's clients and the broker-dealer(s) through which such transactions will be placed;
- 2) WAM will not aggregate transactions unless it believes that aggregation is consistent with its fiduciary duty for its clients and is consistent with the terms of WAM 's investment advisory agreement with each client for which trades are being aggregated;

- 3) No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all WAM's transactions in a given security on a given business day, with transaction costs charged to each client account at the broker's individual rate;
- 4) WAM will prepare, before entering an aggregated order, a written statement ('Allocation Statement') specifying the participating client accounts and how it intends to allocate the order among those clients;
- 5) If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement with reasonable limits for minimum transaction sizes. If associated persons of WAM are participating in a partially filled client block trade for their personal accounts, these associated persons will abstain from the partial fill trade allocation in favor of advisory clients.
- 6) Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved by WAM 's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed;
- 7) WAM's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- 8) Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement;

- 9) WAM will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
- 10) Individual advice and treatment will be accorded to each advisory client.

Item 13 Review of Accounts

Individual Portfolio Management

Reviews

While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, the accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Philip M. Laughlin (Managing Member) and Gadi Toledano (IA Representative).

Reports

In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances, holdings and market assessment.

For these reports, WAM uses Advent Axys software to calculate time-weighted returns and to compare these returns to the S&P 500 index (including dividends).

Item 14 Client Referrals and Other Compensation

It is WAM's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

Other Compensation

This firm and all officers and representatives are prohibited from receiving incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

As indicated in this Disclosure Brochure (under Item 12), WAM utilizes the services of the Fidelity Institutional Wealth Services ("FIWS") program sponsored by Fidelity Brokerage Services, Inc. ("Fidelity").

WAM receives no cash compensation for its participation in the FIWS Program and there is no linkage (except in certain circumstances) between the investment advice given to clients and WAM's participation in the FIWS program.

However, there are economic benefits received by WAM which would not be received if WAM did not give investment advice to clients in connection with the FIWS program.

These benefits include:

- a dedicated trading desk that exclusively services FIWS participants
- a service group dedicated to WAM's accounts
- access to a real-time order matching system

In addition, other benefits are received, including but not necessarily limited to:

- the ability to 'block' client trades
- electronic download of trades, balances and positions
- access to an electronic interface with FIWS' software
- duplicate and batched client statements, confirmations and year-end summaries
- the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements)
- availability of third-party research and technology; periodic newsletters and educational programs
- access to Fidelity mutual funds
- access to AdvisorChannel.com (internet access to statements, confirmations and transfer of asset status)
- access to Account View
- discounts from a broad array of vendors, including consultants, technology providers, computer, administrative products and services and insurance, among others.

The benefits received through participation in the FIWS program do not depend upon the amount of transactions directed to, or amount of assets custodied by, Fidelity.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements and their fee statements from WAM to verify the accuracy of the calculation, among other things. Clients should

contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of client accounts.

Item 16 Investment Discretion

Clients hire us to provide discretionary asset management services. We place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

As previously disclosed in Item 4 of this brochure, our firm does not provide non-discretionary asset management services.

Item 17 Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, (2) making all elections relative to any mergers, acquisitions, bankruptcy proceedings or other type events pertaining to the client's investment assets, and (3) filing claims in class action settlements.

Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

Item 18 Financial Information

WAM has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

WAM has not been the subject of a bankruptcy petition at any time during the past ten years.

Part 2B of Form ADV: *Brochure Supplement*

Philip M. Laughlin

Wellesley Asset Management, LLC

135 Benvenue Street

Wellesley, MA 02482

(781) 235-4310

3/09/2011

This brochure supplement provides information about Philip M. Laughlin that supplements the Wellesley Asset Management, LLC brochure. You should have received a copy of that brochure.

Please contact Philip M. Laughlin if you did not receive Wellesley Asset Management, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Philip M. Laughlin is available of the SEC's website at www.adviserinfo.sec.gov.

Item 2 Personal, Educational Background and Business Experience

Full Legal Name Philip M. Laughlin

Title Managing Member and Investment Advisor Representative

Year of Birth 1947

Education

- Yale University, Bachelor of Art in Political Science, graduated in 1969
- Harvard University, Graduate School of Business, graduated in 1976 with an MBS

Business Background:

- Managing Member, Wellesley Asset Management, LLC
04/2003 to present.
- Director, LeMaitre Vascular, Inc.
04/2001 to 05/2003.
- President / COO / CEO / Board Member, Organogenesis, Inc.
COO, 10/1999 to 12/1999
CEO, 01/2000 to 05/2001.
- President, Cardiac Surgery /, Corporate Senior Vice President / Member Executive Committee, Medtronic, Inc.
07/1995 to 08/1999.

- President, North America (1993 to 1995); President, U.S. (1989 to 1993), Clintec Nutrition Company (a 50/50 partnership between Baxter International, Inc. and Nestle, S.A.)

04/1989 to 07/1995.

- Vice President of Operations, Global Business Group; Area Managing Director, Australia / New Zealand / Far East; and various other management positions of Baxter International, Inc.

1976 to 1989.

Item 3 Disciplinary Information

Mr. Laughlin has no history of any disciplinary events required to be disclosed..

Item 4 Other Business Activities

Mr. Laughlin is not engaged in any other business or occupation.

Item 5 Additional Compensation

Mr. Laughlin receives no cash compensation for WAM's participation in the FIWS Program (as described in Item #12 and Item #14 of WAM's Disclosure Brochure).

Item 6 Supervision

As Managing Member of Wellesley Asset Management, Inc., Philip M. Laughlin is responsible for all supervision, formulation and monitoring of investment advice offered to clients.

Mr. Laughlin, along with Gadi Toledano, an Investment Adviser Representative and Consultant of Wellesley Asset Management, Inc., reviews and oversees all material investment policy changes and conducts periodic testing to ensure client objectives and mandates are being met.

Part 2B of Form ADV: *Brochure Supplement*

Gadi Toledano

Wellesley Asset Management, LLC
135 Benvenue Street
Wellesley, MA 02482
(781) 235-4310

3/09/2011

This brochure supplement provides information about Gadi Toledano that supplements the Wellesley Asset Management, LLC brochure. You should have received a copy of that brochure.

Please contact Philip M. Laughlin if you did not receive Wellesley Asset Management, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Gadi Toledano is available of the SEC's website at www.adviserinfo.sec.gov.

Item 2 Personal, Educational Background and Business Experience

Full Legal Name Gadi Toledano

Title Investment Adviser Representative and Consultant

Year of Birth 1950

Education

- Hebrew University (Jerusalem), Bachelor of Arts in Economics, graduated in 1974
- Indiana University, Graduate School of Business, graduated in 1976 with an MBA.

Business Background:

- Investment Adviser Representative / Consultant, Wellesley Asset Management, LLC
04/2003 to present.
- Managing Director, Orion Consulting (A.I. 2003) Ltd
04/2003 to present.
- Managing Director (and other management positions) of F.C. (Flying Cargo) Logistics Services Ltd
06/1999 to 12/2003.
- Managing Director, Orion Consulting (Y.O.) Ltd. Primary business was providing investment advice to Bank Leumi (Israel) on the management of its equity mutual funds.
01/1994 to 06/1999

- Vice President of Logistics / Operations (and various other management positions), Baxter International, Inc

01/1977 to 07/1993.

Item 3 Disciplinary Information

Mr. Toledano has no history of disciplinary events required to be disclosed.

Item 4 Other Business Activities

Mr. Toledano is Managing Director of Orion Consulting (A.I. 2003) Ltd (“Orion”) and provides his consulting services to WAM through Orion.

Also through Orion, he provides consulting services to Psagot (Israel’s largest investment house) on the management of its equity mutual funds and manages bond investments for two individuals.

Mr. Toledano devotes more than 80% of his time to Wellesley Asset Management, LLC activities.

Item 5 Additional Compensation

Mr. Toledano receives no cash compensation for WAM’s participation in the FIWS Program (as described in Item #12 and Item #14 of WAM’s Disclosure Brochure).

Item 6 Supervision

As Managing Member of Wellesley Asset Management, Inc., Philip M. Laughlin is responsible for all supervision, formulation and monitoring of investment advice offered to clients. Mr. Toledano, along with Philip M. Laughlin, Managing Member of Wellesley Asset Management, Inc., reviews and oversees all material investment policy changes and conducts periodic testing to ensure client objectives and mandates are being met.