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This brochure provides information about the qualifications and business practices of Watts Gwilliam & Co., LLC. If you have any questions about the contents of this brochure, please contact us at 888-324-8998 or email jeff@wattsgwilliam.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 Watts Gwilliam & Co. also is available on the SEC's website at: www.adviserinfo.sec.gov.

NOTE: While Watts Gwilliam may refer to itself as a "registered investment advisor" or "RIA", Clients should be aware that registration itself does not imply any level or skill or training.

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Advisory Services and Fees

Watts Gwilliam & Company LLC was established in May of 2004. The founding members include Jeffrey Stephen Watts, D. Bradford Gwilliam and David Bruce Watts. As of March 2011, the firm has total assets under management of \$151,000,000.

The principle business of Watts Gwilliam & Co., LLC, consists of furnishing “investment supervisory services” to clients. This activity includes the providing of ongoing advice concerning investment of monies consistent with each client’s circumstances, objectives, and preferences. Our investment management process includes an assessment of each client’s individual needs, goals, risk appetite, time horizon, restrictions and account holdings. We attempt to structure each client’s investment allocation in the context of these considerations.

On certain occasions, we advise clients on matters not directly involving securities. This general guidance, commonly considered Financial Planning, may include advice related to issues such as retirement, education, and estate planning. Often, the results of this planning is used to better advise the client on issues related to the investment supervisory services discussed previously.

Watts Gwilliam & Co. may, from time to time, manage accounts on a fully discretionary basis. This is done only at the client’s written request. In this case, investment decisions may be transacted without the prior knowledge of the client. In these instances, we implement an investment program that is considered prudent, appropriate, and suitable to the nature of the account and our understanding of the client’s general characteristics.

In addition to the services discussed above, we may be hired as a “sub-advisor” on other investment platforms. In these situations, advisors unaffiliated with Watts Gwilliam & Co. outsource the investment supervisory services of certain clients to our firm. Details of these arrangements are further discussed in the section entitled Other Financial Industry Activities and Affiliations.

The advisor does not issue periodicals about securities by subscription, issue special reports about securities, or issue any charts, graphs, formulas, or other devices which clients may use to evaluate securities on their own.

Watts Gwilliam & Co. offers its services for a fee based on a percentage of assets under management. At times, the advisor may instead propose a fixed fee. Fees paid by the client are disclosed on the signed client agreement.

Table 1 presents the fee schedule for investment accounts managed by Watts Gwilliam & Co.. Fees are generally not negotiable, though we reserve the right to negotiate for unusually large accounts or based on other circumstances (range and extent of services, etc.). Fixed fees for financial planning services are based on the complexity of the planning and agreed to by the client in advance. We project our fixed fees to range from \$500 to \$3,500 for the initial plan development. Update sessions and follow up work may require separate arrangements. At times, the advisor may decide to waive these fees, or, apply fees paid for financial planning services toward the client’s annual assets under management fees. In addition to the asset based fees included in Table 1, additional costs set forth by the account custodian may apply. While our

custodians do not charge account fees, some investments charge a transaction fee to purchase and sell. We minimize these costs by using non-transaction cost investments as much as possible. Our low-turnover investment philosophy also tends to limit transactions and favor investments with low imbedded fees.

Table 1: Watts Gwilliam & Co. Fee Schedule

<u>Assets Under Management</u>	<u>Annual Fee</u>
<\$500,000	1.25%
\$500,000-\$999,999	1.00%
\$1,000,000-\$1,999,999	0.85%
>\$2,000,000	Negotiable

Minimum Annual Fee

Rather than impose arbitrary asset minimums, we have established a minimum annual household fee of \$2,500. This account minimum may have the effect of making our services impractical for certain accounts. Watts Gwilliam & Co. may decide to waive this minimum based upon certain criteria such as anticipated future earning capacity, anticipated future additional assets, related accounts, account composition, pro bono activity, etc.

Billing Process

Watts Gwilliam & Co. bills client accounts for a given quarter on the first business day of that quarter by applying one-fourth of the applicable annual fee to the closing market value on the just-concluded quarter's last trading day. An account billed on the first business day of January, for example, applies one-fourth of the appropriate household rate to the account's market value on the last trading day of December. Accounts are billed on the first business day of January, April, July and October.

When an account is first placed under Watts Gwilliam & Co.'s management, billing begins on the first business day of the account being managed. In this case, fees are calculated on a daily, pro-rata basis, based on the number of days remaining in the quarter. The fee is applied to the initial value of the account on the first day of Watts Gwilliam & Co.'s management.

If an account is fully removed from Watts Gwilliam & Co.'s management during a billing quarter, the already-billed quarterly fee is pro-rated on the same basis as specified in the preceding paragraph and the difference between the assessed fee and the pro-rated fee is refunded promptly to the client. Clients may close accounts without penalty on the last day of any month, upon written notification of Watts Gwilliam & Co.

Types of Clients

Watts Gwilliam & Co. provides investment advisory services to individuals, participants in pension and profit sharing plans, trusts, estates, charitable organizations, and corporate or business entities.

Types of Securities

Watts Gwilliam & Co. provides investment advice on the following types of securities: equities securities (exchange listed, over-the-counter, and foreign-issuer securities), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, United States government securities, option contracts on securities, intangible futures contracts and interests in partnerships. We also invest in mutual fund shares, exchange traded index funds (ETF) and structured investments. Investing in securities involves risk of loss.

Some of our clients invest in call options through our Income Producing Option Model (IPOM). IPOM seeks to provide income through the receipt of option premiums, while providing the client appreciation in the underlying stock, or index, to an upper price target. In most cases, the upper price target is chosen by the client. While investing in IPOM, clients typically continue to hold the underlying stock position and thus maintain the downside risk in the stock. If the stock position losses value, the client's return is the loss in stock price less the returns of IPOM. The underlying stock may also appreciate above the clients target price. In this case, the client may not fully participate in the appreciation above the target. Choosing price targets should be done with consideration of both the potential results of IPOM and the potential opportunity costs if the stock were to rise above the price targets. Clients who use IPOM without owning the underlying stock (naked options) are subject to additional risks. These risks are disclosed on the IPOM application, and further discussed on the IPOM Proxy Disclosure. These risks should be carefully considered prior to investing.

Methods of Analysis, Sources of Information, and Investment Strategies

When managing client portfolios, Watts Gwilliam & Co. generally places an emphasis on strategic asset allocation. As such, investments are generally done with a long-term time horizon. This helps minimize both taxes and trading expenses. In certain situations, such as clients with large, single stock positions, Watts Gwilliam & Co. manages a covered call options strategy through its Income Producing Option Model (IPOM). IPOM can be used on both concentrated stock and equity index positions. The model seeks to provide investors appreciation to an upper target price (as selected by the investor) with a simultaneous income stream generated through the option premium. Investors in IPOM are provided with additional education and disclosure documents.

From time to time, and where suitable to client circumstances and preferences, we may use short sales, margin transaction and short-term trading strategies.

Watts Gwilliam & Co. uses a combination of charting, technical and fundamental methods to assess risks and opportunities in the equity markets.

Throughout the investment process, we review numerous sources of information such as financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses and filings with the Securities and Exchange Commission, rating services and company press releases.

Proxy Voting

We do not complete or participate in proxy voting for clients.

Education & Business Standards

Watts Gwilliam & Co. requires any officer or employee who determines or gives investment advice to clients to demonstrate clear command of the firm's investment discipline, its principles and implementation, and its suitability for clients. Watts Gwilliam & Co. takes its fiduciary responsibility very seriously, and ensures, to the maximum possible extent, that its professionals meet high standards of financial sophistication as evidenced by education and/or experience. Employees are also expected to follow the company's written ethical standards and company statement of values.

Education and Business Background of Founding Members

Jeffrey S. Watts, Founding Member

Born 1973

Education:

Brigham Young University; BS Business Finance

Employment

Watts Gwilliam & Company; May 2004-present

Merrill Lynch Pierce Fenner & Smith; May 1998-May 2004

D. Bradford Gwilliam, Founding Member

Born 1974

Education:

Arizona State University; BS Business Finance

Employment

Watts Gwilliam & Company; May 2004-present

Merrill Lynch Pierce Fenner & Smith; May 1999-May 2004

Pilgrim Securities; September 1998-May 1999

Bank of America Investments; January 1996-September 1998

David B. Watts, Founding Member

Born 1973

Education:

Brigham Young University; BS Business Finance

Employment

Watts Gwilliam & Company; May 2004-present

Merrill Lynch Pierce Fenner & Smith; December 1997-May 2004

Other Business Activities

Certain of Watts Gwilliam & Co.'s associated persons are also licensed insurance agents. Within this capacity, they may recommend the purchase of insurance products, such as life insurance and index annuities. These advisors may be compensated by the insurance company for selling insurance. This does present a potential conflict of interest and all such transactions are done with proper disclosures.

In addition to giving investment advice, associated persons may, from time to time, act as a managing member, general partner, or consultant to limited partnerships and private placement investments. In such cases, we may be entitled to receive a portion of the offering's fees and profit

sharing arrangements. Details of these arrangements are outlined in the offer's disclosure documents.

Currently, members of Watts Gwilliam & Co. are general partners in the Real Estate Growth & Income Fund, LLC. The fund seeks to generate income and capital appreciation by investing in residential real estate. Some of the fund's investors are also clients of Watts Gwilliam & Co., LLC. The fund is closed to new investors. David Watts, Brad Gwilliam, and Jeffrey Watts advise on the strategic direction of the fund and are responsible for servicing the clients. Financial transactions associated with the fund are done by Jerry Coleman, a non-member of Watts Gwilliam & Co. and supervised by an independent bookkeeper. David, Brad and Jeffrey oversee and inspect all financial transactions but are not given financial authority to move money or complete financial transactions.

Other Financial Industry Activities and Affiliations

Watts Gwilliam & Co. may be hired as a "sub-advisor" on other investment platforms. In these situations, advisors unaffiliated with our firm outsource the investment supervisory services of certain clients to Watts Gwilliam & Co. This can be done through a "solicitor agreement" in which case the referring advisor is paid a referral fee. Details of a solicitor agreement are found on a solicitor disclosure document signed by the client prior to Watts Gwilliam & Co. managing the assets. Solicitors can include other investment advisers, accounting firms and law firms. Using Watts Gwilliam & Co. as a sub-advisor can also be done through a signed tri-party agreement. The tri-party agreement outlines the details of the relationship, including the responsibilities of the Manager (Watts Gwilliam), the Advisor (referring advisor) and the Client.

Participation or Interest in Client Transactions

From time to time, our officers, and other employees, may invest alongside the firm's clients. This is done to both align the interests of the firm personnel and firm clients and as an expression of confidence in our portfolio management efforts. It is also acknowledged that we perform investment management for clients with varying investment goals and risk profiles. As such, the investment advice may differ between clients and investments made by the company's officers. When a decision is made to purchase, or sell, a security, priority will always be given to the client's orders before those of a related or associated person to the advisor.

Conditions for Managing Accounts

See Minimum Account Fee (above)

Review of Accounts

Individual accounts are generally reviewed daily by a member of our investment committee and/or the advisor who oversees the particular account. This process is facilitated by the fact that Watts Gwilliam & Co. runs model portfolios, not unique accounts for each household. While some client portfolios are created, and managed, outside our investment models, using models creates efficiency in overseeing client assets. Certain clients may impose restrictions on their holdings. In cases of such restrictions, we work carefully to align the portfolio as closely as possible to our models. Accounts are monitored on a portfolio management system that provides current and comprehensive information concerning account performance, asset allocation (both globally across all household accounts and on accounts individually), and the progress of individual positions in the portfolio.

Account reviews are a routine firm function and monitored through practice management software. Reviews can also be triggered, or intensified, by unexpected performance, shifting market conditions, or changing client preferences or circumstances. In both routine and unusual circumstances, the central purpose of the review process is to ensure that the firm's clients understand both what and how their accounts are doing. An additional purpose is to reaffirm that the client's investment mix remains suitable for their changing needs.

Clients receive monthly statements for each of their investment accounts. The production of these statements is generally outsourced to the account custodian. Upon request, clients may receive more detailed reports through the firm's portfolio management software, and may access account information using our custodian's internet resources. We advise clients to compare custodian statements with any separate adviser statements.

Watts Gwilliam & Co. typically meets with clients in person on a quarterly or semiannual basis. Some clients may desire more, or less, frequent meetings. During these meetings, client accounts are thoroughly reviewed and any changes in the client's needs and goals are discussed. While scheduling client meetings in advance is preferred, clients may visit the office at any time. In addition to these written or formal methods, the firm communicates regularly with its clients through email and telephone.

Investment and Brokerage Discretion

Watts Gwilliam & Co. generally manages accounts on a discretionary basis. The firm's discretion is constrained by the broad contours of our investment discipline, which focuses on diversifying in many assets classes and types. Clients may place restrictions on the level of discretion used by our advisors. The ability to exercise discretion and trade client accounts is limited to trading authority. Watts Gwilliam & Co. is not authorized to move money outside of the client's account.

Our firm manages money for many investors with concentrated stock positions. While our firm does not assist clients in establishing these positions, we may be hired to assist the client in diversifying. Watts Gwilliam & Co. does not exercise discretion on the liquidation of these kinds of positions. Instead, we work with clients to establish a structured exit strategy. Client's with such positions utilizing the firms Income Producing Option Model (IPOM) choose price targets that are placed in the option model. These price targets may represent a desired future sell price or an upper price limit the client has selected in which limited, or no additional appreciation is expected.

Watts Gwilliam & Co. uses Fidelity Investments and Charles Schwab as its custodians for private client assets. The firm has chosen these custodians on the basis of reasonable, straightforward commission structure, integrity, and financial stability. As a function of using the services of these custodians for its private clients' assets, the firm enjoys access to certain research reports to which we might not otherwise have access. The availability of these reports is in no way a function of the number or type of trades the firm executes on behalf of its clients. Watts Gwilliam & Co. receives no cash benefits or equipment from the custodians.

In addition to the custodians listed above, Watts Gwilliam & Co. may, from time to time, utilize other custodians for transactions not available through Fidelity or Schwab. Such cases are

generally not applicable to most of the firm's clients. However, when such cases arise, only custodians that are widely recognized for their financial size, strength and series are used.

Code of Ethics

Watts Gwilliam & Co. has a duty of utmost good faith to act solely in the best interests of each of our clients. Our clients entrust us with their funds, which in turn places a high standard on our conduct and integrity. Our fiduciary duty compels all employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying our Code of Ethics, and represents the expected basis of all of our dealings with our clients. Our written code of ethics includes standards of conduct, protection of material, non-public information, and personal conduct. A copy of our code of ethics is available upon request.