

Part 2A of Form ADV: *Firm Brochure*

McAdams Wright Ragen, Inc.

925 Fourth Avenue
Suite 3900
Seattle, WA 98104

Telephone: 206-664-8850
Email: ssackett@mwrinc.com
Web Address: www.mwrinc.com

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This brochure provides information about the qualifications and business practices of McAdams Wright Ragen, Inc. ("MWR"). If you have any questions about the contents of this brochure, please contact us at 206-664-8850 or ssackett@mwrinc.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 McAdams Wright Ragen is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 45899.

Item 2 Material Changes

This item is used to provide our clients with a summary of new and/or updated information that represents a “material” change from our prior Brochure. The only change we believe is material is that we have added regulatory disclosure concerning a settlement with FINRA and the Nasdaq Stock Market in January 2012. The settlement was related to MWR’s broker-dealer trading and market making activities, not to its advisory activities, and the details about it are found under Item 9, Disclosure Information, Disclosure #4, on pages 19 and 20 of this Brochure.

Each year, we will provide existing clients with a summary of any material changes to this and subsequent Brochures within 120 days of our December 31 year-end. We will also provide clients with other interim disclosures about material changes as necessary.

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Item 4 Advisory Business

McAdams Wright Ragen, Inc. (“MWR”) is registered with the Securities and Exchange Commission as a broker-dealer, and as such is also engaged in providing brokerage services to its clients for compensation. MWR clears its transactions through and custodies client assets with National Financial Services LLC (“NFS”). MWR is an SEC-registered investment advisor with its principal place of business located in Washington. MWR began conducting business in 1998.

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

- Manzanita Capital, Inc., Holding Company/Equity Owner

MWR offers the following advisory services to our clients:

GENERAL SERVICES AND APPROACH

MWR focuses on selection of individual stocks and bonds when building client portfolios. While we recommend and provide advice on other types of investments, individual stocks and bonds are our primary area of interest and where we have the most experience.

In most cases, advice is formulated and rendered by the individual representative who maintains the client relationship. The firm itself does not issue global advice with respect to individual client portfolios, although we maintain a research department that issues reports on individual equity securities, and we maintain an Investment Committee that make recommendations strictly with respect to the McAdams Wright Ragen Capital Management Equity Composite (the “Composite”). A minority of client portfolios are managed with reference to the Equity Composite.

The firm’s research is used more generally for managed accounts, but individual representatives still make the majority of investment decisions and investment selections for a given client. The firm’s representatives have a wide degree of latitude in formulating investment advice.

INVESTMENT SUPERVISORY SERVICES (“ISS”) INDIVIDUAL PORTFOLIO MANAGEMENT

MWR 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 approach and create and manage a portfolio based on that approach. 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, values and concerns about investing, future plans and goals, and other dynamics that may affect the management relationship but are not necessarily specifically financial.

Investment decisions are generally made by the individual representative servicing the client’s account. We manage these advisory accounts on a discretionary or non-discretionary basis as indicated in the Client Agreement. 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.

The firm’s Investment Committee oversees only the selection of securities included in the Composite; the Investment Committee does not oversee individual portfolios.

The Chair of the Investment Committee, Heather Rock, also provides investment advice directly to clients and may or may not make recommendations concerning individual portfolios with reference to

the Composite. Members of the Investment Committee may be added or removed based on the judgment of the Chair. For approximately the past two years, the Investment Committee has consisted of two members—Ms. Rock and one other person she had selected (currently the Interim Director of Research). Ms. Rock has no plans to add additional members to the Investment Committee.

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
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- MWR is authorized to enter into any type of investment transaction that it deems appropriate for its clients, pursuant to the terms of the account. MWR does not currently advise clients on any types of investments other than those identified in this section. Note that advice on insurance products such as variable life or variable annuities is generally limited to review of existing sub-account allocations or assistance with evaluating the consequences of early termination.

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

FINANCIAL PLANNING

MWR provides financial planning services through some of its representatives, when that service is specifically contracted for. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client in achieving his or her financial goals and objectives.

In general, the financial plan may address any or all of the following areas; the agreement between MWR and the client will specify which areas will be addressed.

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review general coverage and discuss the role of proper coverage for life, health, disability, long-term care, liability, home and automobile. For more in-depth review, the representative will likely refer clients to an outside professional with greater expertise in insurance.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income. This analysis is generally conducted in consultation with the client's tax advisors and estate planning counsel.
- **ESTATE:** Our focus on estate planning is general and is concerned with ensuring that the client has engaged competent legal and tax assistance from attorneys and CPAs in the estate planning field. MWR does not provide in-depth advice on estate planning but recognizes that this is a critical aspect of life planning for many clients.

We gather required information through in-depth interview and surveys and other data-gathering tools that we ask clients to complete. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

SERVICES THROUGH THIRD-PARTY ADVISORS

Most advice offered by MWR to clients is provided directly by the individual representative.

MWR also offers investment management services to some clients through Envestnet Management, Inc.'s ("Envestnet") Managed Account Solutions Program (the "Program"). Envestnet is an investment advisor registered with the SEC that is independent of our firm.

Fees for Program services are shared among the Program Sponsor, MWR and the third-party manager. These fees are discussed in more detail in Item 5, Fees and Compensation.

Envestnet's Managed Account Solutions Program.

Through the Program, MWR offers its clients access to a range of investment management services. These services consist of two general types: model asset allocation portfolios and separately managed accounts. In the first type, Envestnet will manage client accounts through a selection of proprietary model asset allocation portfolios positioned at various points along the risk/return spectrum. Each model portfolio is designed to meet a particular investment goal and will be managed based on the goals of the portfolio rather than the individual circumstances of any client account. Depending upon the service, the model portfolios will typically contain either mutual funds or exchange-traded funds (“ETFs”).

In the second type of service, Envestnet offers clients access to an actively managed investment vehicle chosen from a roster of independent asset managers (each a “Sub-Manager”) from a variety of investment disciplines. Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually owned securities that can be tailored to fit a client’s investing preferences. Envestnet has performed due diligence on sets of Sub-Managers and makes these Sub-Managers available to clients through the Program. MWR representatives will assist the client in determining an appropriate asset allocation among the available Sub-Managers based on the investment style and asset classes employed by the Sub-Managers. Envestnet provides separate disclosure to client concerning the Sub-Manager in the Program and the related fees and charges.

For all Program services, MWR and the client will compile pertinent financial and demographic information to develop a personal Statement of Investment Selection designed to meet the client’s goals and objectives. The client’s information is then forwarded to Envestnet for review and acceptance. In preparing the Statement of Investment Selection, Envestnet’s computer systems analyze client information and recommend an appropriate investment strategy based on the client’s needs and objectives, time horizon, risk tolerance and any other pertinent factors. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums.

Envestnet’s system proposes an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes. We will then assist the client with selecting the appropriate service based on Envestnet’s analysis and recommendations.

On an ongoing basis, we will monitor the performance of Envestnet and the Sub-Managers, as applicable. If we determine that a particular service or Sub-Manager is not providing sufficient services to the client, or is not managing the client’s portfolio in a manner consistent with that client’s personal investment needs and approach, then we will suggest that the client move their account to a different service and/or Sub-Manager. Under this scenario, our firm assists the client in selecting a new service or Sub-Manager.

Where the firm has shared discretionary authority as provided in the Client Agreements, the client’s representative may elect to change investment managers without the specific consent of the client. Nonetheless, we will provide specific disclosure of the selections and obtain client consent with respect to all fees and other Program costs associated with such a change.

At least annually, we meet or talk with the client to review and update, as necessary, the client’s personal investment approach. However, should there be any material change in the client’s personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision to our management of the client’s investments is warranted.

Clients will receive a separate disclosure document (Brochure(s) and other material) prepared by Envestnet describing in detail the services offered within the Program. Clients are encouraged to

review the disclosure document to learn more about the particular characteristics of each of the services offered within the Program.

OTHER THIRD PARTIES

In some cases, MWR will agree to manage client assets along with a third-party manager. Where this happens, the client will enter into both an MWR Client Agreement and a management agreement in the form provided by the other manager. Fees will be assessed and charged by both MWR and the third party, in accordance with these agreements. Because the assets will typically be custodied with National Financial Services LLC, MWR's clearing firm and sole qualified custodian, fees for both advisors will generally be processed through MWR, based on client consent and the terms of the respective agreements.

OTHER SERVICES

The firm's representatives occasionally offer advice on a periodic basis or monitor securities held away from the firm or its designated custodian. These services and fees, if applicable, will be described in the Client Agreement.

AMOUNT OF MANAGED ASSETS

As of March 3, 2012, we were actively managing \$2,165,953,391 of clients' assets on a discretionary basis plus \$226,676,515 of clients' assets on a non-discretionary basis.

Item 5 Fees and Compensation

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

Our annual asset based fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.2% to 2.00%.

Annual asset-based fees may vary, depending on the type of account, type of services, asset mix and the value of the account assets. The specific method of fee calculation is described in the individual Client Agreement. When an account is opened on a date other than the first day of a calendar quarter, a prorated fee is charged.

If a managed account is an IRA account, an annual custodian fee is also charged by NFS, which acts as both our clearing broker and the IRA custodian.

Our fees are billed quarterly, in advance, at the beginning of each quarter based upon the average value (market value or fair market value in the absence of market value) of the client's account at the end of prior three months (or such fewer months as the client was with MWR). Under certain circumstances, there may be a few accounts which pay fees in arrears and/or more or less frequently than quarterly. Fees will be debited from the account in accordance with the fee schedule appended to the Client Agreement.

FINANCIAL PLANNING FEES

MWR's financial planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our financial planning fees are calculated and charged on an hourly basis, ranging from \$200 to \$250 per hour for advisory associates and from \$125 to \$175 per hour for planning analysts. Although the

length of time it will take to provide a financial plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Where MWR makes specific investment recommendations as part of the financial plan, clients are not under any obligation to use MWR to implement the recommendations and may choose to use unaffiliated brokers or agents to implement investment recommendations.

COMMISSIONS AND RELATED CHARGES

Both management personnel and representatives providing direct advice to clients are licensed as registered representatives of a broker-dealer. Some are also licensed as insurance agents or brokers. We use this dual licensing arrangement to provide commission-based services to brokerage clients and to provide execution services to our advisory clients.

In their separate capacities, the firm's representatives are able to implement investment recommendations for advisory clients for separate and typical compensation (e.g., commissions, 12b-1 fees or other sales-related forms of compensation). This creates a conflict of interest to the extent that we recommend a client invest in a security which results in a commission being paid to us.

Clients are not under any obligation to engage our licensed brokers when considering implementation of advisory recommendations pursuant to a financial plan. The implementation of any or all recommendations is solely at the discretion of the client, and very few of our advisory clients enter into an agreement to pay both commissions and fees, even though the representative servicing the account has the ability to do so.

For discretionary accounts, MWR does not generally permit representatives to charge both commissions on transactions and a management fee. In some cases, however, clients may pay both a commission and fee, such as when participating in an initial public offering. This will be clearly disclosed at the time of the transaction.

Two representatives charge specific minimums (\$50 per trade or 5 cents per share) for non-discretionary accounts. This is disclosed in the fee agreement, where applicable, and may be negotiated.

While the firm endeavors to purchase and hold no-load mutual funds (that is, funds that don't charge a separate commission) in advisory accounts, in some cases the funds held in a client's account, especially those transferred in from other firms, will pay ongoing 12b-1 fees to the firm and to the representative, in addition to any management fees charged by MWR.

MWR monitors daily transactions in client accounts and reverses commissions charged, when those commissions are not explicitly agreed to in the Client Agreement or the result of individually-negotiated compensation arrangements.

ENVESTNET, MANAGED ACCOUNT SOLUTIONS & THIRD-PARTY ADVISOR CHARGES

Each MWR client that participates in the Envestnet or Managed Account Solutions Program (the "Program") pays a single "wrap" asset-based fee, charged through Envestnet that covers Envestnet's services, the underlying manager fees, custody and brokerage fees, as well as MWR's advisory fees (which Envestnet pays to MWR). The fees paid by clients participating in the Envestnet program differ depending on the Envestnet services used, the third-party managers used, the amount of assets in the

clients' own accounts and the total amount of MWR client assets in the Envestnet program. Although the fees vary and may be individually negotiated, they generally range between 0.2% and 2% per annum.

The program may cost clients more or less than purchasing such services separately. For example, an account that trades relatively infrequently may pay more in wrap fees than the account would pay if being charged for management and execution separately. Clients considering Envestnet's program should review Envestnet's wrap fee brochure for more information. Clients who participate in the program will also execute separate account agreements directly with Envestnet.

MWR is assessed a minimum annual account fee of \$425 for accounts on the Envestnet platform and is allocated an annual trade threshold of 80 trades per account. This means that the first 80 trades are not assessed a ticket charge, but that charges for subsequent trades are assessed and passed through to MWR in accordance with its current clearing fee schedule. Equity trades are charged to MWR at approximately \$7 per transaction, with additions for exchange fees, and reductions for volume discounts.

Envestnet's minimum account sizes are \$100,000 per manager for separately managed accounts, \$250,000 for multi-manager accounts, and \$50,000 for mutual fund portfolios and alternative investments. Account allocations to separate managers are subject to a minimum fee of \$500 per manager, per quarter. While exact fees will vary depending on the manager and the account size, as a general guideline clients should understand that investing less than \$100,000 with a given separate manager may result in assessment of the minimum fee of \$500 per manager, per quarter (\$2,000 per year). Clients should consult with their representative to determine how fees will be applied based on their actual allocation.

Clients participating in the MAS Wrap Strategists Portfolio Programs will receive specific program information produced by the third-party manager. The Russell Investments Russell Model Strategies are subject to transaction charges paid directly by MWR of approximately \$11 per transaction, with discounts applied based on MWR's overall volume of trading through NFS. Clients do not pay these transaction fees as a separate commission or execution charge. Rather, they are assessed an asset based charge (2.0% annual maximum rate) shared among the platform sponsor and MWR, and disclosed to each client in the Statement of Investment Selection provided at account opening. There is not a separate fee assessed by Russell Investments; instead, Russell is compensated by the management fee assessed on the Russell funds used in the Program. These charges and expenses are detailed in the Russell Investments prospectuses, and more information is provided in the disclosures accompanying the Statement of Investment Selection. There is a minimum account charge of \$300 per year.

MWR believes that its fees are competitive with fees charged by other investment advisors for comparable services. Comparable services may be available, however, from other sources for lower fees than those charged by MWR.

OTHER FEES

Fees for certain portfolio monitoring services are charged on either a flat or fixed fee basis and disclosed in the Client Agreement.

GENERAL INFORMATION

Limited Negotiability of Advisory Fees: Although MWR has established the fee structures described above, we retain the ability to negotiate alternative fees on a client-by-client basis. Client facts,

circumstances and needs are considered in determining the fee structure. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports to be provided, among other factors. The specific annual fees are identified in the Agreement between the advisor 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.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Commissions/Ticket Processing: Fees or other transaction charges may apply to some transactions executed through MWR and cleared through National Financial Services (“NFS”). Certain advisory representatives assess a ticket charge of approximately \$10 per trade on advisory accounts under \$1 million. In addition, two representatives may elect to assess a minimum commission charge of \$50 per transaction or 5 cents per share on all transactions executed in non-discretionary accounts.

In cases where MWR does not pass through to the client a ticket charge or commission, MWR is nonetheless assessed a transaction charge by its clearing broker, NFS. While MWR believes the reduction or elimination of these charges in client accounts is ultimately beneficial to clients, the arrangement may create a conflict of interest in that MWR could have an incentive to trade less frequently where the firm incurs an unreimbursed expense for transactions. Because trading decisions are made at the individual representative level, rather than at a centralized firm level, we believe the impact of this potential conflict is minimized.

The firm does not, in most cases, assess both fees and commissions on advisory accounts; however, see the limited exceptions above.

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. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. When an account is terminated, the prepaid fees relating to any month or months other than the month in which the account is closed are refunded (or, for an account that pays fees in arrears, a pro-rated fee is charged on termination for the period the account existed).

Mutual Fund Fees: All fees paid to MWR 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 to be paid by the client and to thereby evaluate the advisory services being provided. It is important to understand that when mutual funds are held in an advisory account, the client is paying two management fees on the same assets—one fee to MWR as advisor and one fee to the mutual fund advisor in the form of internal expenses.

MWR does not usually recommend mutual funds that charge an initial or deferred sales charge, but may recommend mutual funds that pay ongoing 12b-1 fees. In most cases these fees do not exceed an annual charge of 0.25% (25 basis points) of the assets.

Wrap Fee Programs and Separately Managed Account Fees: Clients participating in separately managed account programs (Envestnet or Managed Account Solutions) may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisors, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

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 MWR's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Account minimums are also negotiable. 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 advisors for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

MWR does not charge performance-based fees.

Item 7 Types of Clients

MWR provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

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

METHODS OF ANALYSIS

MWR maintains a research department that publishes reports on securities for internal and external use. In addition, individual representatives recommend securities not covered by MWR's research department. In all cases, investing in securities involves risk in terms of a temporary or permanent loss of capital which clients should be prepared to bear.

The firm's research analysts form stock recommendations based on fundamental analysis, with an emphasis on a bottom-up approach. Fundamental analysis seeks to determine the intrinsic value of a company. Companies which are trading at a sufficient discount to their intrinsic value are considered worth buying and are sold once their intrinsic value is realized in the market. Intrinsic value can be derived by either summing the present value of the company's projected cash flows or applying a multiple against earnings, book value or other financial metric.

This method contrasts with technical analysis, or top-down or momentum based investing. Adherents of these latter techniques do not examine the subject company's financial statements or attempt to determine an intrinsic value. The primary risk of fundamental analysis is that the analyst's determination of intrinsic value is wrong, due to faulty or incomplete consideration, or that realization of that value in the market takes too long or never occurs.

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

Fundamental Analysis. The firm's research analysts and representatives examine financial statements, competitive positions, management competency, and future prospects of a company in trying to assign a value to a security that the analyst or representative believes is appropriate. We 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. Inherent in this type of analysis is a belief that patterns *can be* identified and that past patterns will tend to be repeated in the future.

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. Various forms of technical analysis are used by a limited number of the firm's representatives but are *not* generally used by MWR's Research Department.

- ***Charting.*** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

- ***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.

Securities analysis is inherently subjective. We endeavor to describe our assumptions and rationale for a recommendation in our published research and in discussions with clients.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- We believe the securities to be currently undervalued, and/or
- We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and could result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Trading. We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- Having a long-term investment in a security that was designed to be a short-term purchase, or
- The potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains. Few MWR representatives pursue trading strategies.

Short sales. MWR rarely engages in short selling on behalf of managed accounts, which means that a potentially useful strategy is generally not available to our clients. When executing a short sale, we borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

1. *Losses can be infinite but profits are limited.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
2. *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
3. *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
4. *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

Margin transactions. MWR seldom recommends the use of margin for managed accounts as an investment strategy, but may do so when the representative and client determine that its use would be appropriate or serve a particular need. When using margin, MWR will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. We may use margin when selling puts, as described in Option Transactions, below.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call," and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested. In addition, the clearing broker charges interest on all debit balances, which increases investment costs.

A more common use of margin by MWR and its representatives is that, where appropriate, we recommend that a client establish a margin account with the clearing broker to aid in cash management. For example, if we are selling one stock and purchasing another stock with the proceeds, we can use the margin account to cover short-term debit balances. National Financial Services offers an "auto journal" function that results in the establishment of a margin account and the journaling of securities and funds between cash and margin in response to day-to-day cash and trading needs. Clients may elect to turn off this capability on their brokerage accounts.

Option transactions. We may use options as an investment strategy but typically limit our advice to writing covered calls and the writing of puts. This is a limited aspect of our investment advisory services.

An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price (the “strike price”) within a specific period of time. Investors buy a call if they believe that the stock will increase substantially before the option expires. Investors can also sell options they don’t already own. This is called “writing” an option or “selling to open.” Selling strategies are the ones used most frequently by MWR representatives.
- A put gives the buyer of the option the right to sell a specific security at a certain price (the “strike price”) within a specific period of time. Investors buy a put if they believe that the price of the stock will fall before the option expires. Investors can also sell options they don’t already own. This is called “writing” an option or “selling to open.” Selling strategies are the ones used most frequently by MWR representatives.

We may use options to “hedge” a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio. We would typically do this only in unique circumstances, based on specific portfolio needs or specific risk management requirements.

Our most common strategy is the use of “covered calls,” in which we sell a call on a security you already own. In this strategy, you receive a fee (the option premium) for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price, or strike price.

In rare cases, we use a “spreading strategy,” in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

Writing puts. We may recommend that you write puts on securities that you are interested in owning but may not wish to purchase outright at the time. In selling the put, you receive the fee or option premium and take on the obligation to purchase the stock at the strike price should the buyer of the put choose to exercise his option to sell. Should the price subsequently decline below the strike price, you will be obligated to purchase the shares from the option buyer at the pre-agreed price. If you have adequate segregated cash in your account to cover the purchase, this is considered a “covered put.” If you do not have adequate cash in your account to cover the purchase of the underlying security, it is considered “uncovered” and you must maintain a margin account and will be assessed interest on any debit balance, in addition to the risks of market fluctuation and forced liquidation to cover debit balances as discussed above.

Besides the use of margin, there are two significant risks to this strategy. First, if the stock price increases dramatically, you will not participate in that upside. No matter how high the stock price goes, your profits are limited to the premium you received when you sold the put. In this case, you would have been better off simply buying the stock in the first place.

The other risk is if the stock plummets dramatically. You will be obligated to buy the stock at a strike price that may be significantly higher than the prevailing market price.

Writing puts is usually most appropriate when the stock is somewhat volatile and you have a long-term perspective—meaning you are interested in holding the stock for several years should you acquire it.

Other Strategies. The firm typically takes a longer-term view of securities holdings, often following a “buy-and-hold” approach. Other strategies, however, may be appropriate in light of individual client circumstances, specific market conditions, or the opinion of the client’s advisory representative regarding a particular security.

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.

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.

The following are disciplinary events relating to our firm and/or our management personnel:

Disclosure Item 1

Brokerage firms are required to register with the state authorities in the jurisdictions where their clients live, or to rely on specific exemptions from registration. Registration typically involves the filing of an application and the payment of a fee. It also provides the state regulators an opportunity to evaluate whether they want a particular firm or representative to do business in their state.

In mid-2007, the firm discovered that it had been relying on an exemption from registration in the State of Missouri that was no longer applicable. MWR voluntarily approached the State of Missouri in August of 2007 to notify them of the transactions executed while unregistered. In response to this disclosure, the Missouri Securities Division alleged—consistent with MWR’s own admission—that the firm transacted business in the state of Missouri as a broker/dealer without being registered or exempt from registration, in violation of Section 409.4(A). RSMO.

The matter was resolved on October 17, 2007 by consent requiring MWR to pay a monetary fine in the amount of \$2,500 to the Missouri Secretary of State’s Investor Education and Protection Fund, as well as its own costs and attorney’s fees. MWR paid the amount on or around October 10, 2007. In addition, the firm was prohibited from transacting business as a broker/dealer or employing or associating with agents who transact business in Missouri without registration. Subsequent to execution of the consent and payment of the fine, registration was granted to McAdams Wright Ragen, Inc. on October 18, 2007.

Disclosure Item 2

FINRA alleged that McAdams Wright Ragen, Inc. failed to immediately execute, route or display 100 customer limit orders in NASDAQ securities in its public quotation. The alleged violations were found in a review of the period April 1 through September 30, 2004. The matter was resolved by Acceptance, Waiver & Consent (AWC) on July 27, 2007. Without admitting or denying the findings, McAdams

Wright Ragen, Inc. consented to the described sanction and to the entry of findings and was fined \$5,000.

The firm addressed the system problem that contributed to this issue. It appears to have been an isolated matter and the firm's review concluded that no public customer was harmed as a result.

Disclosure Item 3

Mitchell Mark Almy and Registration in the State of Massachusetts

In October of 2006 MWR submitted to the Central Registration Depository (The "CRD") of FINRA an application for securities industry registration seeking registration of its representative, Mitchell Almy, as an agent of MWR in Massachusetts. Mr. Almy had been the subject of a prior disciplinary action initiated by FINRA (then the NASD), in October of 2003, when Mr. Almy worked for a different brokerage firm.

That FINRA disciplinary action related to allegations that Mr. Almy had engaged in trading activity that violated FINRA Rules 2110, 2120, 3310, and IM-3310, as well as Section 10(B) of the Securities Exchange Act of 1934 and Rule 10b-5 with respect to his trading activities in the proprietary accounts of his form firm, Mitchell Securities. (See complaint #CMS030253) The complaint alleged that during the period February 27, 2002 through March 6, 2002, Mr. Almy knowingly and intentionally engaging in a course of violative conduct that allowed Mr. Almy to buy shares of securities at prices that were lower, and sell shares at prices that were higher, than he would otherwise have been able to obtain, thereby generating improper profits of approximately \$685 for his prior firm.

On or about October 31, 2003, while still with the prior firm, Almy consented to sanctions by FINRA in which he was fined \$20,000 and suspended from association with any FINRA member in any capacity for one month to resolve the above mentioned FINRA regulatory action.

When MWR submitted Mr. Almy's registration to the state of Massachusetts in October of 2006, this fine and suspension caused the Massachusetts Division of Securities to place special supervisory conditions on Mr. Almy's registration as an agent. The conditions were effective for two years from the date of registration and have since expired. They are described below.

With respect to non-institutional Massachusetts customers, which are effective for two years, (A) Almy shall be supervised, on a heightened basis; (B) MWR shall not permit Almy to have any principal, supervisory, or managerial duties (this was subsequently amended by the State to clarify that these duties could not be exercised over non-institutional accounts) while associated with MWR; (C) MWR shall not permit Almy to possess or exercise discretion in the handling of Massachusetts customer accounts; (D) on a quarterly basis, MWR shall monitor and report on Almy's Massachusetts customers with respect to the customers' satisfaction with Almy's services; (E) Should Almy become the subject of any written or oral customer complaint concerning allegations arising from his conduct of securities business, MWR shall notify the Director, in writing within 10 business days of MWR's receipt of such complaint; (F) should Almy become the subject of any regulatory investigation, internal investigation, arbitration preceding, or securities-related litigation; (G) Almy shall not perform any principal, supervisory, or managerial duties while associated with MWR (again, note that this was subsequently amended by the State of Massachusetts); (H) Almy shall not possess or exercise discretion in the handling of Massachusetts customer accounts; (I) Almy shall notify Robert Shick, the branch manager, or his designee, of the receipt of any customer complaint, oral or written, concerning allegations arising from his conduct as a registered representative; (J) Almy shall notify Mr. Shick, or his designee, of the intention of any arbitration preceding, regulatory investigation, or securities related litigation concerning allegations arising from his conduct of securities business no later than the end of the fifth business day after which he is made aware of the proceeding, investigation or litigation; (K) Almy shall

notify Mr. Shick, or his designee of any inaccuracy in any representation made to the Division herein or the order, Almy shall submit to MWR and the Director an affidavit stating that he has fully complied with all conditions of part 11 of the order. In the event that Almy cannot submit the required affidavit, he shall instead submit a statement explaining why the affidavit cannot be submitted.

McAdams Wright Regan agreed to the Massachusetts undertaking and ensured that all required oversight with respect to non-institutional Massachusetts clients was followed. No conditions necessitating the notice provisions ever arose and the conditions expired in October of 2008.

We note that Mr. Almy's disciplinary action took place at a prior firm. MWR has seen no evidence of activity similar to that found in the FINRA complaint since Mr. Almy joined us. We also considered the fact, in extending an offer of employment to Mr. Almy, that he and his staff had independently determined the activity was violative prior to FINRA's discovering it and had independently decided to cease engaging in those trading practices.

Disclosure Item 4

McAdams Wright Ragen is both a broker-dealer and an investment advisor. Part of its brokerage business includes trading and market making. This business activity is subject to numerous regulations and ongoing oversight by FINRA and by specific Exchanges, such as the Nasdaq Stock Market. Beginning in June of 2009, FINRA performed an examination of MWR's trading and market making activities and found a number of alleged rule violations. Regulatory examinations are often concluded with no action, a cautionary action, or some other action that may include sanctions or fines. In this case, the matter was concluded in January of 2012 with an Acceptance, Waiver & Consent ("AWC") in which MWR, without admitting or denying the findings, consented to FINRA's and Nasdaq's sanctions and the entry of findings. The firm was, as a result of entering into the AWC, censured and fined \$22,000 by FINRA and \$7,500 by Nasdaq. MWR was also required to revise its written supervisory procedures.

The allegations include: (1) that MWR failed to correctly mark the sell side of riskless principal transactions (in which the firm simultaneously buys and sells a security in response to a customer order) as "short." This led to a related failure to correctly report those sales as "short." (2) That in some cases MWR (acting through its clearing firm) failed to disclose on customer confirmations that a transaction was executed at an average price. (3) That on one occasion the firm reported the incorrect price on a customer confirmation and also failed to disclose that it was acting as principal. (4) In five cases of non-Nasdaq transactions, MWR failed to document that it had obtained three dealer quotations to demonstrate the best inter-dealer market. (5) The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable laws, regulations, and rules addressing quality of market topics, a finding connected to the written supervisory procedure deficiencies noted in item 6, as well as the alleged violations in items 1-4. (6) Various deficiencies in the firm's written supervisory procedures as well as failure to provide, in some cases, documentation that the firm had actually performed the supervisory reviews described in its written procedures concerning order handling and other trading rules.

The order marking allegation (and the related claim that MWR failed to accurately report the trades as short) arose due to the firm's belief that riskless principal trades did not meet the definition of a short sale and that they should therefore not be reported as short. Upon learning of its mistake, MWR immediately altered the automated settings in its order management system and began marking and reporting them as FINRA & Nasdaq requested.

The firm's clearing firm was inaccurately confirming customer average price transactions by not using the required disclosure language. This has been corrected.

In the case where MWR confirmed an inaccurate price and failed to disclose that it had acted as principal, the firm's trader had made a data entry error in which he entered the average price per share as 1.2224 instead of 1.2225. The total discrepancy for the entire trade was \$1.20. The trade was supposed to be a riskless principal transaction (same price to both the firm and the customer) but since MWR inadvertently earned an undisclosed \$1.20, the trade should have been reported as "principal," not "riskless principal," in addition to notifying the customer on the confirmation of the .0001 cents per share difference.

The five transactions in which it was alleged that MWR did not obtain inter-dealer quotations were for unlisted preferreds, which are priced using a methodology similar to bonds (i.e., on a yield/quality basis rather than the supply and demand method used for equities). The firm did not believe that the inter-dealer quotations were appropriate for preferreds since they generally indicate a price unrelated to yield/quality, and therefore did not document them as required by the applicable rule. MWR subsequently implemented a procedure to comply with the letter of the rule by documenting the inter-dealer quotations, even when they are irrelevant to the price the client will and should obtain. The firm will also continue to satisfy the spirit of the rule by applying appropriate pricing methodologies to determine best execution obligations and satisfy its duties to its customers.

Item 10 Other Financial Industry Activities and Affiliations

FIRM Registrations:

In addition to MWR being an investment advisor, our firm is registered as a FINRA member broker-dealer.

MANAGEMENT PERSONNEL Registrations:

MWR is both a registered broker-dealer and a registered investment advisor. Management personnel of MWR are separately licensed as registered representatives in their capacity as brokers. These individuals, in their capacity as brokers, can effect securities transactions for which they will receive separate, yet customary compensation.

Clients should be aware that the receipt of additional compensation in our capacity as brokers creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. MWR endeavors at all times to put the interest of its clients first as part of our fiduciary duty. We take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- We generally prohibit the receipt of both commissions and fees for managed accounts. Exceptions to this are clearly disclosed to clients;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's representatives and supervisors conducts regular reviews of client accounts and all transactions to verify that recommendations made to a client are suitable for the client's needs and circumstances;

- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- 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.

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

MWR 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.

MWR 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.

MWR'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, beyond our routine investment banking and research functions, 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 ssackett@mwrinc.com, or by calling us at 206-664-8850.

MWR or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions with advisory clients.

We generally prohibit principal trades with advisory clients due to the regulatory prohibitions and administrative requirements associated with these transactions. Clients should understand that in many cases, our agency fixed income executions are not as favorable as they would be if MWR could execute the transactions on a principal basis. This is due to the nature of the fixed income market place and the fact that we have limited ability to control pricing policies of other firms.

We always endeavor to execute transactions consistent with our best execution obligations but have some restrictions on our capacities due to the regulatory environment. To the extent we are limited to the offerings provided by other firms, clients who are able to buy from or sell to MWR's inventory (generally brokerage clients) may receive better executions than advisory clients. Clients should discuss with their representatives the relative value of commission-based (brokerage) fixed income accounts versus fee-based (managed) fixed income accounts.

MWR may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction where our firm acts as an investment advisor in relation to a transaction in which any person controlled by or under common control with our firm, acts as broker for both the advisory client and for another person on the other side of the transaction.

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.

MWR permits its shareholders, officers and employees to personally invest in securities of the same classes as are purchased for clients and to own securities of issuers whose securities are subsequently purchased for clients. MWR's internal policy prohibits each MWR registered representative or sales assistant from purchasing or selling securities for any of that person's Associated Accounts on the same day ahead of a purchase or sale for any client assigned to that representative or sale assistant. (An "Associated Account" of an MWR registered representative or sales assistant is an account or selected related accounts of that person, as well as accounts and related accounts of other MWR personnel and affiliates that are assigned to that person.)

Typically, if an issue is purchased or sold for an advisory client and any Associated Account on the same day, the client and the Associated Account shall pay or receive the same price; provided that (a) if the client's order is entered after the order for an Associated Account on the same day, the client shall receive the more favorable price, and (b) if the client order is entered before the order for an Associated Account on the same day, both accounts will receive the actual prices at which their respective trades are executed.

This policy means that if the price of the security drops during the day after a client's purchase order is entered, an Associated Account that purchases after the client may receive a more favorable price than the client account. This policy may be modified in exceptional cases for non-discretionary accounts upon approval of the Compliance Officer. Examples of possible exceptions include cases where the firm is unable to contact the client or the client delays acting on the recommendation. In these cases, the firm may permit the Associated Account to trade ahead of the client account and, possibly, receive a better price.

The firm's representatives and employees are not required to trade for themselves or clients in accordance with the ratings assigned to specific securities by our research department. While the firm typically prohibits a representative from trading personally in a manner inconsistent with recommendations to his or her own customers, the firm does not prohibit such activity globally. For example, it is possible that one representative may recommend a buy of a particular security while another representative simultaneously recommends its sale. The firm does require that its representatives make appropriate recommendations for all clients and that they establish a reasonable basis for those recommendations.

In addition, if MWR changes its opinion on a stock covered by its analysts, it will not permit any Associated Accounts to purchase or sell the securities of that company for 48 hours after the change ("48 Hour Rule").

For purposes of the 48 Hour Rule, the firm will generally restrict trading only in accounts where the employee holds a beneficial interest or the employee's spouse, the employee's parents, the employee's children, or another relative is supported to a material degree by the employee. Other advisory accounts held by relatives of employees will not be subject to this restriction.

MWR and its shareholders, officers and employees may also buy or sell specific securities for their own accounts based on personal investment considerations, which MWR does not deem appropriate to recommend for clients.

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 shared equally and on a pro-rata basis. 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 from the pro-rata allocation of partial fills, but will routinely participate with clients in aggregated transactions that fill completely on the same terms and conditions as clients.

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. 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 regularly review all accounts and holdings maintained by our firm itself, as well as all employees. Firm and employee transactions and holdings are reviewed on a regular basis by our branch supervisors and by the firm's Compliance Department.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice offered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.

11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions is subject to disciplinary action.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer. Please refer to Item 10 for a detailed explanation of this relationships and important conflict of interest disclosures.

Item 12 Brokerage Practices

MWR custodies client accounts with its clearing broker, National Financial Services (“NFS”). While we occasionally enter into arrangements to custody assets with other firms, as a practical matter all advisory accounts will be held at NFS and transactions will be executed through that firm, in MWR’s capacity as a broker.

In selecting NFS as its clearing broker, MWR considered and continues to monitor a number of factors, including, but not limited to, its ability to execute, clear and settle trades; its systems for maintaining and managing customer accounts and monitoring compliance; and its reputation and financial strength and stability. MWR also considered NFS’s ability to provide other common brokerage services such as block trading and block positioning, willingness to execute related or unrelated difficult transactions in the future, order of call, and the availability of stocks to borrow for short trades.

Additional information on the specific conflicts that arise as a result of MWR using NFS to custody accounts and execute transactions for advisory clients is discussed below in Item 14, Customer Referrals and Other Compensation.

DIRECTED BROKERAGE—USE OF OTHER BROKERS

If a client directs MWR to use a specific broker other than NFS, MWR has not negotiated the terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker; MWR does not have any responsibility for obtaining for the client from any such broker the best prices or particular commission rates with or through any such broker, and the client may not obtain rates as low as it might otherwise obtain if MWR had discretion to select broker-dealers other than those chosen by the client.

Brokers other than MWR and NFS to whom MWR directs its clients’ brokerage transactions (which occurs rarely) may offer MWR and its affiliates non-monetary benefits or “soft dollars.” These soft dollars would take the form of research, other services regarding securities investments and other products and services, and such brokers also may solicit or refer clients to MWR. These benefits would influence MWR and its affiliates to select one broker rather than another to perform services for MWR’s clients.

Any research acquired through “soft dollar” arrangements is used to service the firm’s accounts as a whole, not just those accounts that may have paid for the research in the form of higher commissions. In almost all cases, however, the securities traded pursuant to a soft dollar arrangement will be widely distributed in client accounts and the associated costs will therefore also be widely distributed. The vast majority of research obtained by MWR is generated in-house or is made available through NFS.

AGGREGATED/BLOCK TRADES

For discretionary clients, MWR requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to clients for these transactions.

Clients must include any limitations on this discretionary authority in the written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

MWR will create “block” or aggregated trades where possible and when advantageous to clients. This blocking of trades permits the trading of larger amounts of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trades are possible only for those clients for whom we hold discretionary authority. Further, because block trades are relatively time-consuming to generate and monitor, the representative may decide in some cases—particularly where a stock is highly liquid and trades in large volumes—to enter individual orders rather than a block.

This practice may result in different clients receiving different prices for the same security, although we believe that the differences will typically be small. Aggregation can result in the market moving from where the representative first determined to buy or sell. This can be the result of timing (i.e., that it simply took longer to enter the order and the price moved) or the result of entering limit orders to ensure that the block does not unduly affect quoted prices for the security. When entering a limit order, there is always risk that the trade will not execute at all or that only some shares in the block will trade.

Nonetheless, block trading may allow us to execute equity trades in a more equitable manner, at an average share price. MWR block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client’s advisory agreement with MWR, or our firm’s order allocation policy.
- 2) The client’s representative must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client’s investment objectives and with any investment guidelines or restrictions applicable to the client’s account.
- 3) The representative must reasonably believe that the order aggregation will benefit each client, and will enable MWR to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a “20-20 hindsight” perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, an electronic order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. Adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions (if any) on a pro rata basis in proportion to the client’s participation. Under the client’s agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) MWR's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on MWR's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another, except to the extent that smaller accounts are more likely to be excluded from a pro rata allocation as a result of the desire to avoid the allocation of odd-lots or fractional shares.

Item 13 Review of Accounts

INVESTMENT SUPERVISORY SERVICES ("ISS")

INDIVIDUAL PORTFOLIO MANAGEMENT & ENVESTNET/MANAGED ACCOUNT SOLUTIONS

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed by the assigned representative at least quarterly. 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 the individual representative or portfolio manager.

Daily and periodic supervisory reviews are conducted by the firm's Branch Managers and Compliance personnel. These individuals include: John Ramseyer, Senior Vice President and Branch Manager of the Seattle Office; Brian Westlund, Senior Vice President and Manager of the Bellevue Office; Rob Shick, Senior Vice President and Manager of the Portland Office; Dan Sullivan, Senior Vice President and Manager of the Yakima Office; and Rod Carter, Senior Vice President and Manager of the Mount Vernon Office. Heather Rock, Senior Vice President and Chair of the Investment Committee reviews all transactions executed on behalf of the firm's Equity Composite. Michelle Heyne is the Chief Compliance Officer and oversees reviews conducted by Compliance personnel.

Suitability and the investment experiences of a client are reviewed by a Principal at the time each account is opened and periodically thereafter during routine examinations of individual offices and accounts. All transactions are reviewed by a Principal on a daily basis. In addition, a Principal may complete additional reviews by referring to the New Account Form, contacting individual portfolio managers and discussing relevant issues, and possibly contacting the customer concerning the activities in the account.

The firm's Compliance personnel review all transactions daily, focusing on oversight review of the Branch Managers. Compliance also reviews and approves investment management agreements, confirms the accuracy of fee billing, and conducts periodic review of accounts based on exception criteria established by the firm's Chief Compliance Officer.

REPORTS: Clients receive monthly and quarterly statements of account holdings from the account custodian, National Financial Services. Clients also receive confirmations of transactions from

National Financial. These may be provided as the transactions occur, or if the client elects, on a quarterly basis. In addition, as agreed between the representative and the client, we provide quarterly or other period-specific reports summarizing account performance, balances and holdings. Additional performance reports are produced and distributed as agreed by clients and advisory representatives.

Clients using the Envestnet/Managed Account Solutions platform receive extensive quarterly reports of performance, holdings, and transactions. The reports also contain market analysis and other information.

FINANCIAL PLANNING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for financial planning clients unless otherwise contracted for.

REPORTS: Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

Item 14 Client Referrals and Other Compensation

MWR does not engage solicitors or pay related or non-related persons for referring potential clients to our firm.

OTHER COMPENSATION

CLEARING FIRM COMPENSATION

With respect to our clearing arrangement with National Financial Services (“NFS”) and as disclosed above, advisory account transactions for which MWR acts as broker are generally executed on an agency basis through National Financial Services. In selecting National Financial Services as its clearing broker, MWR considered and continues to monitor a number of factors, including, but not limited to, its ability to execute, clear and settle trades; research made available over the National Financial Services platform; its systems for maintaining and managing customer accounts and monitoring compliance; its reputation and financial strength and stability. MWR also considered National Financial Service’s ability to provide other common brokerage services such as block trading and block positioning, willingness to execute related or unrelated difficult transactions in the future, order of call, and the availability of stocks to borrow for short trades.

Due to the exclusive nature of MWR relationship with NFS, as discussed in Item 12, Brokerage Practices, above, accounts could pay higher transaction costs for some trades than they would pay to other brokers for the same or similar transactions. However, MWR selected NFS only after determining in good faith that in general the costs for the services NFS provides to MWR and its clients and the commission rates paid by MWR and its clients are reasonable in relation to the costs that would be charged by other clearing brokers providing the same or similar services.

MWR receives certain discounts from NFS, which vary depending on the volume of trades that MWR originates. This could give MWR an incentive to generate more frequent trading in its clients’ accounts than if it did not receive these discounts. In addition, when interest rates are at high enough levels to make it feasible, MWR receives from NFS rebates on client balances in NFS-affiliated money market funds, free credit balances and margin debits. These incentives create conflicts of interest and influence MWR’s judgment in determining whether to clear transactions through NFS.

MWR regularly reviews the commission rates and clearing charges paid by its advisory clients to determine that they are competitive with commissions paid by clients of investment advisors that provide services similar to MWR.

ENVESTNET

The third-party management program, Envestnet, provides various services that benefit MWR and its advisory associates, such as billing services and proposal and recordkeeping tools. In addition, Envestnet offers training and conferences (including payment for travel and other services or entertainment that may not be strictly related to understanding the product) to associates who generate significant levels of assets under management with Envestnet. These benefits, economic and otherwise, create a conflict of interest and may influence the associate to choose Envestnet over a similar provider that may not offer the same benefits to the firm or its employees.

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 qualified custodian, National Financial Services (“NFS”), calculates and debits the fees to be charged. This is accomplished through MWR’s entry of client fee schedules into NFS’s billing system. NFS prints billing information on the clients account statement, including the basis for the charge, such as assets, percentage charged, and number of days in the billing cycle. 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 calculates the amount of the fee to be deducted based on information MWR inputs, it is important for clients to carefully review their custodial statements 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.

In addition to the periodic statements that clients receive directly from their custodians, we also may send account statements, such as performance reports and holdings analyses, directly to our clients on a periodic basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current. The reports provided by MWR are not intended as a substitute or replacement for the statements provided by the account custodian.

Item 16 Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case 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 and obtaining MWR's agreement concerning any limitation. Clients may also change/amend such limitations by once again providing us with written instructions. MWR will evaluate the practicality of the restrictions and may determine that some limitations cannot effectively be implemented. Clients of course have the option in these cases of rescinding discretionary authority entirely.

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, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. 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.

National Financial Services ("NFS"), the broker through which MWR clears its clients' and securities transactions, has arranged to forward proxy materials that it receives with respect to MWR's client accounts directly to the clients.

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

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. MWR has no additional financial circumstances to report.

Neither MWR nor its parent, Manzanita Capital, has ever been the subject of a bankruptcy petition.

McAdams Wright Ragen's Privacy Policy

McAdams Wright Ragen, Inc. ("MWR") and National Financial Services LLC ("NFS") have an agreement that NFS will provide trade execution, clearing, custody, and related activities for your MWR investment account. In connection with these services, NFS is required to communicate its position as it pertains to the privacy of customer information. NFS has separately sent you their privacy statement.

Please take a moment to review our privacy policy and to learn the steps we take to protect your information, as well as how we use that information to service your account.

MWR Privacy Policy

MWR will never sell your personally-identifiable financial information or make it available to unaffiliated third parties for marketing purposes. If you are a former customer, your information is treated in the same manner as the information of current customers. Nevertheless, under the terms of an industry Protocol with certain other brokerage firms, your MWR representative may use your contact information (for example, your name, address, e-mail address and phone number) in the event your representative joins one of these firms. We place a high value on the confidentiality of our relationship with our customers.

All financial services companies need to share clients' personal information to run their everyday business. For example, we share information with NFS to complete transactions executed on your behalf and to establish and maintain accounts on your behalf. Information sharing with non-affiliates is governed by agreements that strictly limit access and use of client data to the purposes contracted for. You are not able to limit all information sharing because Federal law permits certain types of sharing and because limiting all information sharing would prevent us from providing even basic services to you.

How and why MWR obtains information.

In order to facilitate the servicing of your account, MWR may receive nonpublic personal information about you from any of the following sources:

- From your applications or forms (examples include name, address, Social Security number, birth date, assets and income)
- From transactional activity in your account (examples include trading history and balances)
- From verification services and consumer reporting agencies (to ensure the accuracy of application data, confirm identity, or to assess creditworthiness if you apply for NFS's credit products)
- From other sources with your consent (for example, from other institutions if you transfer positions into MWR)

How does MWR use your personal information?

We use your personal information to operate our business and to provide services to you in accordance with our professional obligations. For example, we use your information to evaluate investment opportunities and to formulate appropriate recommendations or investment advice based on your personal circumstances. Additionally, we may use your information to process, service, and maintain accounts and transactions; respond to inquiries and requests; verify income, asset and obligation information; resolve disputes; prevent fraud; make contact with identified persons in the event of an emergency; monitor and archive communications; and perform risk control. Additionally, we may use your personal information to verify your identity, including, where applicable, verification in accordance with the USA PATRIOT Act. We also use personal information to comply with legal and regulatory requirements, to oversee activity in your account, and in accordance with applicable laws, rules, and regulations.

How MWR protects your information.

MWR has always considered the protection of sensitive information to be a sound business practice and a foundation of customer trust. We employ information protection controls in keeping with industry standards and practices, and we regularly adapt these physical, electronic and procedural controls to respond to changing requirements and advances in technology.

Within MWR and among our service providers, we restrict access to your information to those who require that access in order to provide products and services to you. We may share the personal information that we collect about our customers, prospects or former customers with:

- Affiliates under common ownership and control, generally for the purpose of providing a service you have requested or for securing compliance, legal, or other professional services to aid us in the execution of our business. We will not share your personal information with affiliates for marketing purposes.
- Unaffiliated service providers (for example, fulfillment companies and securities clearinghouses; vendors who provide software or services to assist us with operational or compliance-related duties; professionals we may engage for our business purposes, such as attorneys or consultants).
- Government agencies and law enforcement officials (for example, for tax reporting or under court order).
- Other organizations, as permitted by the laws that protect your privacy (such as for fraud prevention).
- Other organizations, with your consent (for example, if you request personalized performance reporting or ask that information be shared with your attorney or accountant).

When we share your information with outside service providers, our policies require us to confirm that the other entity will protect your information. Contracts and other agreements with these third parties contain affirmations of compliance with applicable privacy requirements.

Privacy Online.

MWR considers privacy, security, and service in our online operations to be just as critical as in the rest of our business. We therefore employ the safeguards described above, along with the following Internet-specific practices.

MWR uses a variety of proven protections to maintain the security of your online session. For example, we make use of firewall barriers, encryption techniques and authentication procedures. We also use cookies and similar files that may be placed on your hard drive for security purposes, to facilitate site navigation and to personalize the appearance of our site.

When you visit MWR's Internet sites, we may collect technical and navigational information, such as computer browser type, Internet protocol address, pages visited and average time spent on our Web sites. This information may be used, for example, to alert you to software compatibility issues, or it may be analyzed to improve our Web design and functionality.

Your connection to MWR.

For your convenience, MWR offers several options for accessing your account information. You can review your information independently using your statements, or through our Internet services. You may also e-mail, write, or call us with your request for information. If we serve you through an investment professional, please contact them directly. Specific Internet addresses, mailing addresses, and telephone numbers are listed on your statements and other correspondence.

How can you verify that your personal information is accurate?

Our intention is to keep personal information only for so long as is necessary for business purposes; to meet legal and regulatory requirements; and to keep our records current and complete. Your basic account information is provided to you at the time you open your account, and periodically thereafter. If your information changes or if you are aware of an inaccuracy in our records, please contact your representative. Please do not send any personal information via nonsecure methods of communications, including via public electronic communications such as e-mail, which generally are not secure.