

## **Part 2A of Form ADV: Firm Brochure**

### **Item 1 Cover Page**

Foretich, Robert McClelland is an Investment Advisory Firm. Foretich, Robert McClelland is physically located at 1220 11<sup>th</sup> St, Anacortes, WA 98221. The mailing address is PO Box 998, Anacortes, WA 98221. The telephone number for Foretich, Robert McClelland is 206-621-8638 and the FINRA CRD number is 106439.

### **SUMMARY**

Foretich Robert McClelland serves as a fiduciary for every client. Foretich Robert McClelland provides investment advice to individuals and high net worth individuals. Foretich Robert McClelland recommends other investment advisers. Foretich Robert McClelland invests no assets directly for investors, but delivers services as a consultant through the use of third party contracts with other investment advisers. Foretich Robert McClelland delivers its services primarily by using another investment adviser's:

1. list of third party registered investment advisers
2. computer generated risk tolerance and suitability recommendations
3. computer based automatic record-keeping and performance measurement

The investment adviser that provides this service to Foretich, Robert McClelland is Envestnet Asset Management, 35 East Wacker Drive, Chicago, IL 60601. Telephone, 888-612-9300. FINRA CRD # 111694.

Foretich Robert McClelland charges its investment clients fees only. Fees are based on the amount of assets under management. Foretich Robert McClelland does not collect commissions. On occasion Foretich Robert McClelland will propose an hourly fee or a fixed fee for investment advice; hourly fees or fixed fees are negotiable and agreed to with the investor in advance and paid in arrears.

This brochure provides information about the qualifications and business practices of Foretich Robert McClelland. If you have any questions about the contents of this brochure, please contact us at 206-915-4149. 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 Foretich Robert McClelland also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 2 Material Changes**

Material changes at Foretich Robert McClelland in 2011:

The adviser is switching from federal, SEC registration to state registration.

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#### Item 4 Advisory Business

Foretich Robert McClelland has been in business since 1991. Foretich Robert McClelland invests no assets directly for investors, but delivers services as a consultant through the use of third parties, primarily Envestnet Asset Management. Types of investments utilized are American traded no-load mutual funds, stocks, bonds, unit trusts, real estate investment trusts and exchange traded funds. Clients may impose restrictions on certain securities or types of securities. As of 02/15/2012 Foretich Robert McClelland advises \$20,454,748 in non-discretionary assets and \$1,944,429 in discretionary asset for investors. Through Foretich Robert McClelland's affiliate, Envestnet Asset Management, Foretich Robert McClelland gathers risk tolerance information from prospects/investors using Envestnet Asset Management's questionnaire that computer generates risk-appropriate investment proposals. Using information provided by prospect or investor, Envestnet Asset Management's computerized proposal recommends sub-advisers. The proposals provide material information including fees, risk information, past performance, investment vehicles used and all other pertinent information necessary for prospects/investors to make an informed decision to reject or accept proposal. Foretich Robert McClelland presents and explains proposals to prospects/investors and inquires about acceptance or rejection of proposal. Upon acceptance of proposal, Foretich Robert McClelland, employing Foretich Robert McClelland's affiliate, Envestnet Asset Management, produces all documents required for signatures. Foretich Robert McClelland, through Foretich Robert McClelland's affiliate, Envestnet Asset Management, provides ongoing monitoring of investors' accounts including all on-demand reports, quarterly/annual reports and at least annual reviews of investors' financial condition and risk tolerance information. On occasion, Foretich Robert McClelland will provide investment advice, services including financial management consulting, progress reviews of investment advisers and past account performance for an hourly fee or a fixed fee (see item 5 below).

#### Item 5 Fees and Compensation

Transaction expenses are not charged to investors by Foretich Robert McClelland nor Envestnet Asset Management. Through Foretich Robert McClelland's affiliate, Envestnet Asset Management, any fees deducted and charged by Envestnet Asset Management are collected quarterly in advance by way of Envestnet Asset Management's automatic deduction from investors' accounts. Fees are negotiable. Through Foretich Robert McClelland's affiliate, Envestnet Asset Management, investors may terminate Envestnet Asset Management contracts and/or request fee refunds from Envestnet Asset Management at anytime in writing via printed matter or electronic communication and will receive a refund for unearned fees from Envestnet Asset Management. Unearned fees are refunded by Envestnet Asset Management prorated through the end of the current quarter and are returned in full. Foretich Robert McClelland's fees for services are negotiable "percent of assets" fees. Percent of assets fees might range from 10 basis points (1/10 of one percent) per year for an approximate \$20 million account to 250 basis points (two and a half percent) per year for a \$200 thousand account and include transactions at no extra cost. Foretich Robert McClelland fees are negotiable in all cases. On occasion Foretich Robert McClelland will propose an hourly fee or a quarterly fixed fee for investment advisory services including but not limited to, services including financial management consulting, progress reviews of investor's currently employed investment advisers, existing account performance and other services. Hourly fees range from \$50/hour to \$250/hour. For example, if the investor requests Foretich Robert McClelland produce a limited, one-time review of another (not-currently employed by investor) investment adviser focusing only on the investment adviser's published risk and performance reports, the investor's fee would be \$50/hour. Or, for example, if the investor requests Foretich Robert McClelland to review investor's own account past performance, including a detailed review of the investor's monthly statements dating over several years and requests a personal performance report based on investor's provided statements dating over several years and requests inclusion of an opinion of the investment adviser's long-term risk-related returns, and requests comparisons of investment adviser's risk-related returns against other investment advisers with similar investment styles, risk and returns, the hourly fee will be \$250/hour. Fixed fees range from \$400/calendar quarter to \$10,000/calendar quarter. For example, if the investor requests Foretich Robert McClelland to provide regular quarterly reviews of other investment advisers and investor's accounts, currently employed by investor and to provide investment advice, services including financial management consulting, written, quarterly and on-going progress reviews of investor's currently employed investment advisers and existing account performance on a regular, quarterly basis, the quarterly fixed fee for an account value of up to \$1,000,000 will be \$400/calendar quarter. The quarterly fixed fee for the same services for accounts above \$1,000,000 will be \$400/quarter/million of account value up to a maximum of \$10,000/calendar quarter.

Hourly fees and quarterly fixed fees are negotiable and agreed to with the investor in advance and paid in arrears.

Foretich Robert McClelland does not collect nor deduct fees directly from investors' accounts. Fees charged by Foretich Robert McClelland for investment advice, services including financial management consulting, progress reviews of investment advisers and past account performance are invoiced quarterly by Foretich Robert McClelland to investors' mailing address in arrears and collected quarterly in arrears when the investor sends Foretich Robert McClelland a check for the invoiced amount. Fees incurred and billed in arrears are not refundable. Contracts may be terminated at any time for any reason or no reason by either party upon written request. Foretich Robert McClelland recommends no-load mutual funds. Investors have the option to purchase investment products that Foretich Robert McClelland recommends through any brokers or agents that are not affiliated with Foretich Robert McClelland.

In addition to the above fees, mutual funds, exchange traded funds and unit investment trusts charge an unavoidable, internal management fee expense ratio that seems to be usually under 1% per year. Foretich Robert McClelland does not collect compensation from this unavoidable expense.

Foretich Robert McClelland Fee Schedule:

**FEE SCHEDULE FOR CLIENT ACCOUNTS MANAGED BY ENVESTNET ASSET MANAGEMENT WITH DISCRETION:**

**EQUITY, FIXED INCOME AND BALANCED ACCOUNTS:**

**¼ OF ANNUAL FEES ARE CALCULATED AND BILLED QUARTERLY**

Amount	Annual Fee as a Percent of Assets Collected Quarterly
First \$250,000	2.00%
Next \$250,000	1.00%
Next \$3,000,000	0.50%
Next \$6,500,000	0.25%
Investor with Assets Above \$10,000,000	Negotiable

Hourly fees range from \$50/hour to \$250/hour. Fixed fees range from \$400/calendar quarter to \$10,000/calendar quarter. See Item 5 above for explanation and examples.

**FEE SCHEDULE FOR CLIENT ACCOUNTS MANAGED BY ADVISER WITHOUT DISCRETION:**

**EQUITY, FIXED INCOME AND BALANCED ACCOUNTS:**

**¼ OF ANNUAL FEES ARE CALCULATED AND BILLED QUARTERLY**

Amount	Annual Fee as a Percent of Assets Collected Quarterly
First \$250,000	1.00%
Next \$250,000	0.85%
Next \$3,000,000	0.50%
Next \$6,500,000	0.25%
Investor with Assets Above \$10,000,000	Negotiable

Hourly fees range from \$50/hour to \$250/hour. Fixed fees range from \$400/calendar quarter to \$10,000/calendar quarter. See Item 5 above for explanation and examples.

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

Foretich Robert McClelland does not participate in performance based fees nor in Side-By-Side Management.

#### Item 7 Types of Clients

Foretich Robert McClelland's clients are individuals and high net worth individuals including trusts, estates, IRAs, 401-k plans, charitable organizations and 403-b plans. Foretich Robert McClelland imposes no minimums for opening or maintaining an account. Other investment Advisers doing business with Foretich Robert McClelland may from time to time impose minimums for opening or maintaining an account.

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

Foretich Robert McClelland employs no securities analysis. In order to assist in investment adviser selection and referrals to investment advisers, interviews are conducted with prospective investors. Foretich Robert McClelland collects risk tolerance and suitability information from them, analyzes the information given and uses it to investigate and perform due diligence on other investment advisers that may be suitable for each investor's situation. Upon careful consideration for investors' risk tolerance and suitability, Foretich Robert McClelland provides to investors information about other investment advisers and providers such as Foretich Robert McClelland's affiliate, Envestnet Asset Management and their own adviser-generated methods of analysis, sources of information and investment strategies. Investment strategies include Envestnet Asset Management generated a) strategic asset allocations where a computer generated plan to maintain specific percentages of investors assets in stocks, bonds, cash, mutual funds, real estate investment trusts, unit trusts or exchange traded funds are kept in rather stable amounts and traded only upon a market or calendar generated event, b) actively traded portfolios of mutual funds, individual stocks, bonds and cash that are managed by programs created and maintained by portfolio managers employed by Envestnet Asset Management's listed money managers.

Investors should be prepared to lose all or a portion of invested assets. Regardless of the service and the investment strategy a client selects, investing in securities involves risk of loss that clients should be prepared to bear. We strive to control risk through diversification.

Typical investment risks include market risk typified by a drop in a security's price due to company specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a "bear" market when stock values fall in general). Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Fixed income strategies are subject to interest rate risk and the inherent credit risk related to the underlying credit worthiness of the various issuers and the volatility of the bond market. Foretich Robert McClelland and Envestnet seek managers and Funds with a variety of investment strategies in an effort to make a wide range of investment strategies available to Clients. Some strategies may be high risk strategies. Such strategies usually have the potential for substantial returns; however, there are correspondingly significant risks involved in the strategies and are not intended for all types of Clients. Clients who choose to follow high risk strategies should be aware that there is the possibility of significant losses up to and including the possibility of the risk of loss of all the assets placed in the strategies. It is strongly recommended that Clients diversify their investment assets and do not place all of their assets in high-risk investment strategies.

#### Item 9 Disciplinary Information

Disciplinary Information: None.

#### Item 10 Other Financial Industry Activities and Affiliations

On infrequent occasions, Foretich Robert McClelland will become a "solicitor" for other investment advisers that share their fees with Foretich Robert McClelland. A solicitor is simply a sales person that has no investment advice activity or investment responsibility in the transaction. A solicitor is simply facilitating an introduction to the investment adviser who then accepts all investment advice responsibility for the investor. In no event shall fees shared with Foretich Robert McClelland create an additional cost for investors contracting with said investment adviser. A conflict of interest may occur in arrangements

involving solicitor's agreements in that Foretich Robert McClelland may be motivated to suggest a specific investment adviser with a the fee-sharing arrangement that is more profitable to Foretich Robert McClelland than other forms of compensation previously listed. Foretich Robert McClelland will eliminate any conflict of interest by choosing one of the two following options: 1) notify affected clients or potential clients of the conflict and seek a waiver of the conflict, or 2) negotiate with the investment adviser for parity of compensation for Foretich Robert McClelland, notify the clients or potential clients and seek a waiver of the conflict. Currently, Foretich Robert McClelland has a "solicitor's agreement" with Oakwood Capital Management. Foretich Robert McClelland is not affiliated with any broker dealer.

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

Foretich Robert McClelland has a code of ethics that emphasizes standards of conduct including 1) the interests of investors are placed above the interests of the firm or any employee, 2) Foretich Robert McClelland and employees will not take inappropriate advantage of their positions, 3) Foretich Robert McClelland and employees will deal fairly with investors when taking investment actions for investors, 4) client information will be kept confidential, 5) Foretich Robert McClelland and employees will act with the utmost integrity. A copy of the code of ethics will be provided to any investor or prospective investor upon request. Foretich Robert McClelland buys or sells securities for its own account at least 5 days after those same securities were bought or sold for its investors' accounts. Foretich Robert McClelland keeps records for transactions for its own accounts and recognizes no conflict of interest in this practice.

#### Item 12 Brokerage Practices

Foretich Robert McClelland does not recommend nor select broker dealers to clients. Foretich Robert McClelland receives no commissions or "soft-dollar" benefits.

#### Item 13 Review of Accounts

Through Foretich Robert McClelland's affiliate, Envestnet Asset Management's website (envestnet.com), Robert Foretich, Applicant's sole proprietor and the only reviewer, provides reviews on demand anytime. Review levels range from 1 page broad progress overviews of an entire account to 20+ pages and include details of all transactions, values and fees since inception including all quarterly performances vs appropriate benchmarks. Triggering factors include calendar quarters, notice of drift of asset allocation targets provided by Envestnet Asset Management and material changes regarding to the client and at Envestnet Asset Management and each of it's sub-advisers. Calendar quarterly, through Foretich Robert McClelland's affiliate, Envestnet Asset Management's website, Foretich Robert McClelland provides a multi page report of account performance including comments on markets, the economy, values, transactions, income, disbursements, fees, losses, gains, beginning balances, ending balances, interest rates and all quarterly performances vs appropriate benchmarks. Year-end tax reporting includes all information for tax filing in electronic and printed format. Foretich Robert McClelland complies with the Washington Securities Act Interpretive Statement-21.

#### Item 14 Client Referrals and Other Compensation

Foretich Robert McClelland receives no fees nor economic benefits for client referrals other than the "solicitor's agreements" disclosed in Item 10 above.

#### Item 15 Custody

Foretich Robert McClelland does not have custody of investors' assets. A qualified custodian, not Foretich Robert McClelland, always has custody and sends quarterly, or more frequent, account statements directly to investors. Investors will receive account statements from their chosen broker-dealer, bank or other qualified custodian and should carefully review those statements. Foretich Robert McClelland urges investors to compare the account statements and performance reports they receive from their qualified custodian with those they receive from Foretich Robert McClelland.

#### Item 16 Investment Discretion

The Envestnet Asset Management contract signed by Foretich Robert McClelland and each investor declares that Envestnet Asset Management and Foretich Robert McClelland has discretion, the power to decide when and how much to buy or sell for an investor's account. However Foretich Robert McClelland

has never nor will ever make any changes in an investor's account without prior oral or written permission from investor. Every investor has agreed with Foretich Robert McClelland that we, Foretich Robert McClelland, will not manage their securities with discretionary authority. Discretionary authority is employed by Envestnet Asset Management, not Foretich Robert McClelland. Foretich Robert McClelland keeps records of all conversations with investors pertaining to changes in each investor's account. Foretich Robert McClelland has maintained this practice for many years and will continue to do so.

Item 17 Voting Client Securities

Voting Client Securities Foretich Robert McClelland does not vote client securities.

Item 18 Financial Information

Not Applicable:

Foretich Robert McClelland does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance.

Item 19 Requirements for State-Registered Advisers

Education and experience

Robert Foretich, born in 1954, attended three years of college at a) Jefferson Davis Community College b) Louisiana State University and c) University of Colorado and, for decades, regularly attended classes and seminars for specialized education appropriate for the investment adviser business. Robert Foretich filed and was discharged for personal, not business, bankruptcy in July 1991. Robert Foretich has been in full time position of investment adviser with Foretich Robert McClelland for over 20 years.