

## Firm Brochure - Part 2A of Form ADV

### **Fortune Management, LLC**

2300 Rexwoods Drive, Suite 130 Raleigh, NC 27607

Telephone: (919) 782-5228

<http://www.FortuneManagement.com>

Email: [Bill@FortuneManagement.com](mailto:Bill@FortuneManagement.com)

This brochure provides information about the qualifications and business practices of Fortune Management, LLC. If you have any questions about the contents of this brochure, please contact us at (919) 782-5228 or by email at [Bill@FortuneManagement.com](mailto:Bill@FortuneManagement.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 Fortune Management, LLC is available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Search by our CRD identifying number – 108930.

March 31, 2012

Fortune Management, LLC

## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure. Clients will be provided with a summary of new or updated material information within 120 days of the close of our fiscal year. In addition, we may make minor stylistic changes between annual revisions for improved clarity.

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### Material Changes since the Last Update

The SEC issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in a narrative “plain English” format. The new final rule specifies mandatory sections and organization. This revision conforms our prior ADV Part 2 to that new rule.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our current Firm Brochure, please contact us by telephone at (919) 782-5228 or email us at [Bill@FortuneManagement.com](mailto:Bill@FortuneManagement.com)

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## **Advisory Business**

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### **Firm Description**

Fortune Management, LLC was founded in 1992 by William Dix in Raleigh, NC for the purpose of providing fee-only investment and financial planning.

Fortune Management, LLC provides personal financial planning and investment management primarily to individuals and their families. Fortune Management, LLC consults with clients to define financial objectives and to develop strategies for reaching those objectives. Issues to address that are specific to the concerns of that client may include identifying financial concerns, cash flow and budget management, tax planning, risk exposure, investment management as well as education, retirement, estate, charitable goal and special needs planning and family business succession issues, fringe benefits, and/or other areas.

Fortune Management, LLC is strictly a fee-only financial planning and investment management firm. The firm does not receive any compensation from the acquisition of any financial product, including insurance. No commissions in any form are accepted. No referral fees are paid or accepted. No benefits are received from custodians/broker-dealers based on client securities transactions (so called "soft dollar benefits").

Assets under the direct management of Fortune Management, LLC are held by independent custodians, including TD Ameritrade or others in the client's name. Fortune Management, LLC does not act as a custodian of client assets. The client always maintains complete control of their assets.

Fortune Management, LLC places trades for clients under a limited power of attorney granted by the client including with those qualified plan custodians where the client has authorized Fortune Management, LLC to trade on their behalf. At no time does Fortune Management, LLC ever take custody of assets.

Other professionals (e.g., lawyers, accountants, personal financial assistants, insurance agents, realtors, nursing or care managers, etc.) may be recommended on an as-needed basis. Their fees are paid directly by the client. Any conflict of interest will be disclosed to the client and managed for the client's benefit in the very unlikely event a conflict should occur.

An initial meeting, which may be made by calling (919) 782-5228, is free of charge and is considered an exploratory interview to determine the individual's financial planning and investment management issues if the potential fit between that individual and Fortune Management's advisory capacities seems appropriate.

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### **Principal Owners**

William K. Dix, Jr., is the sole owner and Managing Member of Fortune Management, LLC.

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### Types of Advisory Services

Fortune Management, LLC provides on-going financial planning and investment management service for the purpose of helping our client achieve their financial objectives through integration of the financial planning and investment management service process.

In performing its services, Fortune Management, LLC does not typically verify the information received from the client or from the client's other professionals. Each client is advised that it remains their responsibility to promptly notify Fortune management, LLC when there is any change in their financial situation or objectives in order to review and possibly revise prior recommendations. As of December 31, 2010, Fortune Management, LLC manages approximately \$64,867,877 in assets for approximately 82 clients over 195 accounts. Fortune Management, LLC manages all accounts on a discretionary basis and all assets are held under a discretionary agreement.

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### Tailored Relationships

Advisory services are tailored to the individual needs of clients. Client goals and objectives are defined through meetings, correspondence, calls, email and questionnaires. An investment policy summary may be used to better define investment risk and return parameters and expectations. Clients may request restrictions on the use of certain securities or types of securities only by written agreement with Fortune Management, LLC.

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### Types of Agreements

The following agreements define the typical client relationships. Client Agreements may not be assigned by us without client consent.

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### Advisory Service Agreement

The client's financial affairs are comprehensively reviewed, which may include those of their children. Measurable goals are discussed and a realistic range of means to reach those goals are defined. As goals and objectives change over time, recommendations are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the engagement. An Advisory Service Agreement will include services appropriate to each client such as cash flow management, insurance review, personalized investment management (including performance reporting), education, retirement and estate planning as well as recommendation implementation within each area.

The fee for financial planning is provided in writing separately from the on-going investment management fees shown below. That initial financial planning fee is estimated depending upon the complexity of the client's circumstances and the scope of the planning services needed. The minimum fee is \$1200, with half due upon engagement. The balance is due upon the initial plan's completion but no later than 6 months after engagement.

The Investment Advisory Agreement fee is collected quarterly in arrears and is based on a percentage of managed assets according to the following schedule:

1.00% on the first \$500,000; 0.75% on the next \$1,000,000;  
0.60% on the next \$1,000,000; 0.50% on the next \$1,500,000  
0.40% on the next \$2,000,000

Fees are negotiable above \$5,000,000 and may include a retainer fee arrangement based upon some combination of assets under management, net worth and income. Minimum annual investment management fees of \$1500 may apply but are negotiable. Current client fee schedules may exist where the fees are higher or lower than the schedule shown above.

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#### Hourly Planning Engagements

Fortune Management, LLC does not perform hourly planning or investment analysis services.

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#### Termination of Agreement

Although the Advisory Service Agreement is an ongoing agreement, the client or Fortune Management, LLC may terminate an Advisory or Investment Management Agreement by written notice to the other party. Termination will be effective at the end of the month following notice to the other party. At termination, fees will be billed by Fortune Management, LLC on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is typically used as the basis for the Investment Management fee computation.

If the client made an advance payment, Fortune Management, LLC will refund any unearned portion of that advance payment.

### **Fees and Compensation**

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#### Description

FORTUNE MANAGEMENT, LLC bases its fees on a percentage of assets under management and/or a negotiated retainer flat fee. The first year's financial planning fees are based on the complexity of the client's facts and circumstances and are quoted in writing before the engagement. Financial planning fees for the second year and thereafter are quoted in writing with confirmation of the scope of the planning.

Fees are negotiable above \$5,000,000 as described in the Advisory Agreement.

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#### Fee Billing

Investment management fees are billed quarterly in arrears. We invoice at the end of each three-month billing period. Payment may be made by check upon presentation of the invoice but fees are usually deducted from a



designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed one-half at engagement and the balance after completion of the planning or six months, whichever comes first.

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#### Other Fees

Custodians may charge transaction fees on purchases or sales of mutual funds, exchange-traded funds and other types of client securities. These transaction charges are usually small and incidental to the purchase or sale of a security. In some cases, custodians also charge monthly, quarterly or annual custody fees. Custodial fees by the custodian are disclosed to clients where TD Ameritrade or another custodial arrangement is recommended.

Mutual funds and exchange traded funds also charge a separate fee for their services. Their management fee is included in the fund's expense ratio. Mutual fund fees also include transaction charges for the purchase or sale of securities within the fund and they may charge other fees as disclosed in their fund prospectus. These fees are in addition to the fees paid by the client to Fortune Management, LLC and/or to the custodian.

Fortune Management, LLC, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations, etc.).

Fortune Management, LLC does not offer a performance based fee structure.

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#### Past Due Accounts and Termination of Agreement

Fortune Management, LLC reserves the right to stop work on any account that is more than 60 days overdue. In addition, Fortune Management, LLC reserves the right to terminate any financial planning engagement where a client has concealed or refused to provide pertinent information as requested about relevant financial situations when necessary and appropriate in the judgment of Fortune Management, LLC, in order to providing proper financial advice. Clients may also terminate their agreement at any time by providing written notice. Terminating clients will receive an itemized invoice for completed work. That invoice for work performed is due within 30 days. Any unused portion of fees already collected will be refunded within 30 days.

### **Types of Clients**

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#### Description

FORTUNE MANAGEMENT, LLC generally provides investment advice to individuals, families and their related trusts and estates. Client relationships vary both in scope and length of service.

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#### Account Minimums

Fortune Management, LLC does not require a specific minimum asset value to open an account but instead evaluates historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, etc. Other exceptions will apply to employees of Fortune Management, LLC and their relatives, or relatives of existing clients. However, minimum fees may make an account impractical or unreasonably expensive and would therefore be declined.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

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#### Methods of Analysis

Security analysis methods not employed by Fortune Management, LLC include charting, fundamental analysis, technical analysis, and cyclical analysis of underlying individual securities.

Information about market conditions and the investment environment comes from financial newspapers such as the Wall Street Journal, and investment and business magazines such as Bloomberg Business Week.

Fortune Management, LLC may use other sources of information such as dedicated investment statistical services (Morningstar), the publications, opinion and conference calls from mutual fund companies and the research resources available across the internet.

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#### Investment Strategies

The primary investment strategy employed by Fortune Management, LLC for client accounts is strategic asset allocation utilizing a passive core and satellite approach. Therefore we primarily use passively-managed funds (not necessarily indexes) as core investments, and then apply actively-managed funds only where there may be a better risk-reward opportunity to justify the additional costs of active management. Asset allocated portfolios are globally diversified to moderate risk and better match risk and return expectations to specific client circumstances and objectives.

The investment strategy for a specific client is based on that client's facts, circumstances, cash flow and liquidity objectives, risk tolerance and capacity as stated by them during meetings and by correspondence. The client may change their objectives at any time.

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#### Risk of Loss

All investments pose risks which are borne solely by the investor. Our investment approach is to try to keep the risk of loss harnessed to the return expectations. Nevertheless, all investors face some or all of the risks that investing may pose such as Interest-rate Risk, Market Risk, Inflation Risk, Currency Risk, Reinvestment Risk, Business Risk, Liquidity Risk and Financial Risk among others.

## **Disciplinary Information**

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### Legal and Disciplinary

Neither Fortune Management, LLC nor its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## **Other Financial Industry Activities and Affiliations**

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### Financial Industry Activities

Fortune Management, LLC is not engaged in any other financial business activities.

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### Affiliations

Fortune Management, LLC does not have arrangements that are material to its advisory or its clients with any related person.

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

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### Code of Ethics

The employees of Fortune Management, LLC have committed to a Code of Ethics and Fiduciary Oath as outlined by the National Association of Personal Financial Advisors (NAPFA). The key points are: putting the clients' interest first, objectivity, confidentiality, competence, fairness and suitability, integrity and honesty, regulatory compliance, full disclosure, and professionalism. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### Participation or Interest in Client Transactions

Fortune Management, LLC and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Fortune Management, LLC Policies and Procedures Manual.

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### Personal Trading

The Chief Compliance Officer of Fortune Management, LLC is William Dix. He reviews all employee trades each quarter but given that almost all trades are mutual funds and that the amounts invested are much smaller than would be required to budge any fund's results, the practical result is that Fortune Management, LLC employee trades are neither material nor significant enough to affect any securities market.

## Brokerage Practices

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### Selecting Brokerage Firms

Fortune Management, LLC does not have any affiliation with product sales firms.

Specific custodian recommendations are made to clients based upon their need for such services. Fortune Management, LLC recommends custodians based on the integrity and financial strength and responsibility of the firm, their execution of orders at competitive, reasonable rates and the quality of their service to us and our clients.

Fortune Management, LLC recommends discount brokerage firms and trust companies (qualified custodians), such as TD Ameritrade. Fortune Management, LLC does not receive fees or commissions from any of these arrangements, although Fortune Management, LLC may benefit from electronic delivery of client information, electronic trading platforms and other services provided by custodians for the benefit of clients. Fortune Management, LLC may also benefit from other ancillary services provided by custodians, such as market and fund research, continuing education, and practice management advice. These benefits are standard in an advisory relationship with such custodians and are not in return for client recommendations or transactions.

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### Best Execution

Fortune Management, LLC reviews trade execution at our custodian annually, relative to other similar custodians based upon available information. Our review is documented in our “Policies & Procedures Manual”.

Trading fees charged by the custodians are also reviewed on an annual basis. Our recommended custodians may not have the lowest fees or costs because our judgment is that other factors such as financial stability, technical resources and client service are at least as important. Fortune Management, LLC does not receive any portion of the trading fees.

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### Soft Dollars

Fortune Management, LLC receives no “soft dollar” benefits from any custodian.

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### Order Aggregation

Beyond gaining access for our clients to lower cost “institutional” share class pricing, most grouping of trades with mutual funds does not result in any client benefit other than lower costs.

## **Review of Accounts**

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### **Periodic Reviews**

Account reviews with clients are performed periodically by William Dix, Managing Member. The frequency of reviews is individually determined with each client according to their preference. Account reviews are performed more frequently when market conditions dictate.

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### **Review Triggers**

A review may be triggered by a client request, changes in market conditions or tax laws, new investment information, or changes in a client's own situation.

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### **Regular Reports**

Clients receive custodian statements directly from the custodian. Periodic communications are provided by us to clients about their portfolios. They may include a portfolio statement, a net-of-fees performance summary for selected periods and an investment markets opinion commentary.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

Fortune Management, LLC is gratified to have received introductions to new clients from our existing clients over the years. Whether from current clients, estate planning attorneys, accountants, employees, personal friends of employees or others, however, Fortune Management, LLC does not compensate anyone for any referrals.

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### **Referrals To Others**

Fortune Management, LLC also does not accept referral fees or any form of remuneration from other professionals when someone is referred to them.

## **Custody**

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### **Account Statements**

All assets are held at qualified custodians who, independent of Fortune Management, LLC, provide account statements at least quarterly directly to clients at their address of record.

Clients are urged to compare the account statements received directly from their custodians to the statements and reports provided by Fortune Management, LLC for possible discrepancies.

## Investment Discretion

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### Discretionary Authority for Trading

Fortune Management, LLC accepts discretionary authority to manage securities accounts on behalf of clients. Fortune Management, LLC therefore has the authority to determine the securities to be bought or sold, the amount of the securities to be bought or sold and when *without* obtaining specific client consent beforehand.

Discretionary trading authority facilitates placing trades across client accounts so that the investment strategy agreed to by the client may be promptly implemented.

By their agreement with the custodian, the client approves the custodian to be used and the transaction fees to be paid to the custodian. Fortune Management, LLC does not receive any portion of any fees paid by the client to the custodian.

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### Limited Power of Attorney

Clients sign a limited power of attorney in order to give Fortune Management, LLC discretionary authority. The limited power of attorney is included in the qualified custodian's account application for our custodians and in the Client Agreement provided by Fortune Management, LLC. For custodial accounts not held with our primary custodians, clients grant Fortune Management, LLC a limited power of attorney document giving discretionary authority by signing the Client Agreement.

## Voting Client Securities

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### Proxy Votes

Fortune Management, LLC does not vote proxies on securities. Clients may wish to vote their own proxies but they are also free to ignore proxy vote solicitations.

## Financial Information

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### Financial Condition

Fortune Management, LLC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. A balance sheet is not required to be provided because Fortune Management, LLC has never nor does it intend to serve as a custodian for client funds or securities, and does not require prepayment of fees more than six months in advance.

## **Business Continuity Plan**

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### **General**

FORTUNE MANAGEMENT, LLC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications or services.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, nuclear emergency, chemical event, Internet outage, etc. Electronic files are backed up daily and archived offsite.

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### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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### **Loss of Key Personnel**

Fortune Management, LLC is formulating a Business Continuation Agreement with another financial advisory firm to support Fortune Management, LLC in the event of William Dix's serious disability or death.

## **Information Security Program**

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### **Information Security**

Fortune Management, LLC maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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### **Privacy Notice**

Fortune Management, LLC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process. We use this information in the process of our work to help you meet your financial goals.

With client permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom they have established a relationship. Clients may opt out from our sharing information with any of these nonaffiliated third parties by notifying us at any time at (919) 782-5228 or [Bill@FortuneManagement.com](mailto:Bill@FortuneManagement.com) or in person.

With your permission, we share a limited amount of information about Clients with our custodian in order to execute securities transactions on their behalf.

We maintain a secure office to ensure that Client information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and client personal records as permitted by law.

Personally identifiable information will be maintained while still a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify clients in advance if our privacy policy is expected to change. We will provide Clients with this written *Privacy Notice* annually.



**Education and Business Standards**

Fortune Management, LLC requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework may include MBA, CFP®, CFA, ChFC, JD, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

Fortune Management, LLC requires that any employee whose function involves determining or giving investment advice to clients must be a graduate of a four year college as above. In addition, they must:

1. Have at least three years' experience in insurance, investments, accounting, or financial planning;
2. Hold the Series 65 Investment Adviser Representative license or its equivalent;
3. Be an attorney, or hold or be pursuing one of the following designations: Certified Financial Planner™ (CFP®), Certified Public Accountant (CPA), Certified Financial Analyst (CFA) or Chartered Financial Consultant (ChFC®);
4. Subscribe to the Code of Ethics of the National Association of Personal Financial Advisers (NAPFA) and the CFP® Board of Standards;
5. Be properly licensed for all advisory activities in which they are engaged.

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William K Dix, Jr, CLU, ChFC

- Date of birth: 1943

Educational Background:

- Virginia Episcopal School 1959 - 1961
- University of Virginia 1961 - 1965

Business Experience:

- 1987 – 1992 President, Fidelity Management, Raleigh, North Carolina, comprehensive estate and investment planning for professionals and closely held corporations;
- 1985 – 1987 President, Fortune Financial Companies, New York, New York, Registered Investment Advisers;
- 1983 – 1985 President, James River Companies, Richmond, Virginia;
- 1973 – 1983 President, Back Bay Corporation, Santa Ana, California, Manager/General Agent, New England Life;
- 1970 – 1973 Asst. Director of Agencies, New England Life, Boston, MA;

- 1965 – 1970 Agent, New England Life, Richmond, Virginia.

Disciplinary Information: None

Other Professional Activities: Board of Directors, President, Orange County GAMA; Officer, Board of Directors, Orange County CLU Society; Board of Directors, Orange County LUA; Chairman, National Ethics Committee and Member, National Board of Directors, Financial Planning Association, Denver; Past President, Wake County Estate Planning Council, North Carolina.

Currently, Member of Financial Planning Association (FPA) and National Association of Personal Financial Advisors (NAPFA).

Additional Compensation: None

Supervision:

William Dix is supervised by William Dix, Managing Member.

William Dix contact information:

(919) 782-5228 [bill@fortunemanagement.com](mailto:bill@fortunemanagement.com)

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None