

## Homewood Capital Management, Inc.

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This brochure provides information about the qualifications and business practices of Homewood Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Homewood Capital Management, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment advisor provide you with information you need to determine whether to hire or retain the advisor.

Additional information about Homewood Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Homewood Capital Management, Inc.

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Our last annual updating amendment was dated February 28, 2012.

The amendment dated May 28, 2012, which was filed as part of the conversion from SEC to state registration, contained the following material changes:

Item 4: The range for fixed fees paid for financial planning services was updated to state \$250 to \$2,500. The option to pay for financial planning services on an hourly basis at a rate of \$250 was added.

### ITEM 19: REQUIREMENTS FOR STATE REGISTERED ADVISORS

#### Principal Executive Officers and Management Persons

Our principal executive officer is William K. Wee. Additional information regarding Mr. Wee's education and business background is provided on Part 2B.

Neither Homewood nor any management person has been involved in any of the items listed below.

- An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following: 1) an investment or an investment-related business or activity; 2) fraud, false statement(s), or omissions; 3) theft, embezzlement, or other wrongful taking of property; 4) bribery, forgery, counterfeiting, or extortion; or 5) dishonest, unfair, or unethical practices.
- An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following: 1) an investment or an investment-related business or activity; 2) fraud, false statement(s), or omissions; 3) theft, embezzlement, or other wrongful taking of property; 4) bribery, forgery, counterfeiting, or extortion; or 5) dishonest, unfair, or unethical practices.

#### California Disclosure Requirements

In our opinion, all material conflicts of interest regarding Homewood, our representatives or any of our employees which could be reasonably be expected to impair our rendering of unbiased and objective advice to an advisory client under Section 260.238(k) of the California Code of Regulations have been disclosed.

## ITEM 3

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## ITEM 4: ADVISORY BUSINESS

### Who we are

Homewood Capital Management, Inc. (referred to as “we,” “our,” “us,” or “Homewood”) filed a succession filing in April 2010 for William Kenneth Wee dba Homewood Capital Management. Homewood Capital Management was registered as an investment advisor since September 1994. Mr. Wee is the sole control person for both entities.

### Services we offer

#### **Financial Planning**

We may cover some or all of the following topics when preparing a financial plan:

- Retirement Planning
- College Funding
- Estate Planning
- Life Insurance Needs Analysis
- Long Term Care
- Investment Portfolio Analysis

#### **Investment Management**

We take a comprehensive approach to determining an appropriate investment strategy that best fits the client’s needs. After we fully understand the client’s tolerance for risk, investment time horizon, investment-income needs, tax circumstances, and overall financial goals do we create an investment plan that supports the client’s particular financial situation.

When investing for clients, we take into account client objectives, risk tolerances and time horizon. Clients may impose restrictions on investments in certain securities or types of securities.

We do not provide portfolio management services to a wrap fee program.

### Assets under management

As of December 31, 2011, we manage assets of \$71.1 million on a discretionary basis. We do not manage any assets on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

### Financial Planning

Financial planning services are provided for a fixed fee ranging from \$250 to \$2,500, based on the complexity of the client’s situation or an hourly fee of \$250. You will receive an invoice upon completion of the financial plan that is payable upon receipt. You may pay for financial planning services by check or cash.

You may cancel our financial planning agreement at any time by providing written notice. Upon cancellation, we will present you with an invoice for time spent. This invoice is payable upon receipt.

We have a conflict of interest when providing financial planning advice. When you implement the financial plan through us, we receive the customary fees as disclosed in the following section. You are not required to employ us to implement the financial plan, or to implement the plan, or any portion of it, at all.

## Investment Management Services

Fees for investment management are generally 1% per year of the assets under management. These fees are billed at the end of each quarter, based on the assets under management as of the last day of the calendar quarter. This fee may be negotiated in very limited circumstances, such as by court order for special needs trusts and for clients with a large number of assets under management with Homewood.

We generally require that you provide authorization for us to deduct our fees directly from your investment account. Important information about the deduction of management fees:

- You must provide authorization for us to pull fees by initialing the appropriate section of our contract.
- You will receive a detailed invoice each quarter which outlines our fees and how they are calculated at the same time we request payment from the custodian.
- You will receive a statement from your custodian which shows your holdings.
- You are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

In limited circumstances we may agree to allow clients to pay by check rather than deducting payment directly from the client account.

If you would like to end our advisory relationship, you may do so by providing 1 day written notice. We will prorate the advisory fees earned through the termination date and send you an invoice for the advisory fees due.

### Other Costs Involved

In addition to our advisory fee shown above, you are responsible for paying fees associated with investing for your account. These fees include:

- mutual fund loads (if applicable). These charges are paid to brokers as a form of commission.
- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.
- brokerage costs and transaction fees for any securities or fixed income trades. These are generally charged by your custodian and/or executing broker.

Additional information about brokerage costs and services is provided in “Item 12: Brokerage Practices.”

We believe the fees mentioned above are competitive; however you may be able to obtain similar services

### Conflicts of Interest

William Wee, President, is a licensed life insurance agent affiliated with various insurance agencies. In this capacity he sells life insurance and annuity products. If you elect to implement insurance recommendations through Mr. Wee, he will receive the normal and customary commissions.

Mr. Wee is also a registered representative of Financial Telesis, Inc. ("Financial Telesis"), a broker/dealer duly registered with FINRA. In that capacity, Mr. Wee executes securities transactions on behalf of clients of Financial Telesis. In some cases, clients of Homewood may also be clients of Financial Telesis. At no time does Mr. Wee place advisory client trades through Financial Telesis. However, if Homewood recommends 529 Plans or variable annuities, clients may elect to have Mr. Wee, in his capacity as a registered representative of Financial Telesis, execute these trades. In these cases, Mr. Wee would receive the standard commission, which is disclosed to the client upon inception of a relationship with Financial Telesis, but he would **not** receive advisory fees for these accounts.

Homewood may, on occasion, provide recommendations regarding funds that are held inside variable annuities purchased by clients. These variable annuities may have been purchased through Financial Telesis and Mr. Wee, or through a third party broker/dealer. For providing these recommendations, Homewood will receive its standard advisory fee.

Clients are under no obligation to purchase or apply for any insurance or brokerage products, or to use Mr. Wee as the broker for insurance or securities products purchased. If clients decide to purchase or apply for insurance or securities, or use Mr. Wee as the broker for insurance products or securities, a conflict may exist between the interests of Homewood and the interests of the client.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not receive performance fees for managing accounts.

## ITEM 7: TYPES OF CLIENTS

Our clients include individuals, high net worth individuals, trusts, banks, pension and profit sharing plans, corporations and charitable organizations. Generally we require that clients maintain \$1,000,000 under management with us. However, we may waive that minimum at our sole discretion.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

We construct diversified investment strategies that contain a mix of fixed-income investments (such as bond funds) and equity investments (such as stock funds). These fixed income and equity investments can vary by the sector, size, quality and geographical location of the issuer. Additionally, as appropriate, we may use alternative investments or strategies, such as real estate funds, arbitrage funds, commodity futures funds, absolute-return-oriented funds. The percentage allocated to each asset class is dependent upon our asset allocation process, which is described on the following page.

## Investment Strategy

Global Conservative Balanced	Our most conservative strategy seeks the highest return possible consistent with a low probability of a loss in excess of 5% over a 12- month period. This portfolio will have the highest yield, the lowest volatility, and the lowest probably long-term return. It is best suited for conservative investors who consider preservation of capital to be more important than total investment return.
Global Balanced	This strategy seeks the maximum return consistent with a low probably of a loss in excess of 10% over any 12-month period. This portfolio will generally have above average yield and below-average volatility, but trades off some of the capital protection of the Global Conservative Balanced strategy in favor of a slightly greater long-term return potential it is well suited for investors uncomfortable with an aggressive strategy who nevertheless require a greater return to reach their specific investment goals.
Global Equity Equity Tilted	This strategy seeks the highest potential return consistent with a low probably of a loss in excess of 15% over a 12-month period. The portfolio is appropriate for investor with longer time horizons who are willing to assume higher than average shorter tem volatility in pursuit of long term growth.
Global Equity	Our most aggressive portfolio seeks maxims return consistent with broad equity market risk (based on the S&P500). It is suitable for long-term investors willing to accept higher risk in pursuit of higher growth.

\*Losses up to the threshold are tolerable. Though we don't believe it is likely this maximum loss threshold would be breached in a typical market cycle, losses in excess of the threshold DO occur, and significant breached of this loss threshold can be expected during extreme bear markets.

These strategic allocations reflect static asset allocations for a hypothetical long-term investor who is not making changes to the allocations. They are based on our evaluation of the historical long-term risk and return relationships of the asset classes, and on what we consider to be realistic and reasonable expectations going forward. These strategic allocations serve three important functions:

1. They represent the default allocation that we will implement when our conviction level about the relative attractiveness or unattractiveness of any specific asset class is not high enough to justify changing the asset allocation mix.
2. They give us a constant frame of reference against which to measure decisions, thereby increasing the odds that we will consistently apply our methodology.
3. They provide a benchmark against which to measure our value added through changes to our asset allocation percentages.

It is important to note that at times we may identify compelling tactical opportunities, and so our current client strategies usually differ from the strategic allocations.

## **Our Process for Implementing Tactical Asset Allocation Changes to Our Strategies**

Through our tactical asset allocation discipline we seek to increase the potential return to our investment strategies, without increasing their risk. We do this by increasing our investment in asset classes that we believe have higher return potential as a result of being priced cheaply, and reducing our investment in asset classes that we believe are overpriced and, as a result, have lower potential returns and/or higher risks. In assessing return potential, our analysis is based on a five year timeframe because we are more confident in our ability to predict outcomes over the longer term. Conversely, we manage risk to a one-year loss threshold because it is difficult to predict what will happen over shorter time spans.

In order to warrant a change to our default asset allocation, an asset class needs to be significantly under- or overvalued relative to competing asset classes and/or to the asset class's history, and we must be highly confident that the reason for the mis-valuation is temporary rather than permanent. Our longer-term focus in assessing asset class return potential usually results in our buying a cheap asset class before it has reached a bottom and selling it before it reaches an eventual peak. The percentage we allocate to each asset class is dependent upon a number of factors:

- The individual strategy's risk threshold for a 12- month period (as noted in the previous tables)
- Our five-year risk/return outlook for each asset class relative to all other asset classes.

## **Assessing Risk to Our Strategies Using Economic Scenario Analysis**

We use economic scenario analysis to assess the risk in our strategies. We consider different possible five-year economic outcomes ranging from pessimistic to optimistic, and in each scenario we consider what the key variable like interest rates, inflation, economic growth, and the dollar are likely to be. We can then use these variables to determine likely return ranges for asset classes. We consider the probability of each scenario playing out, and also what the magnitude to our portfolios would likely be. Considering these scenarios helps us make judgments about risk and return opportunities.

## **The Use of Alternative Investments in Our Strategies**

As with all asset classes, we utilize alternative investments in ways that we think increase the expected return potential of a portfolio without materially increasing the risk of losses, or to reduce the risk of losses without negatively impacting the return potential. We believe alternative investments can provide access to value-added strategies, investors with special skills, and portions of the capital markets that may be less efficiently priced but also less liquid.

## **Using Index Funds or Exchange-Traded Funds (ETFs) in our Strategies**

To fulfill our longer-term asset class allocations, we use actively managed funds that we have selected through our in-depth due diligence process (outlined below). However, there are instances when we will use index funds or exchange-traded funds in our strategies.

We believe it makes sense to use index funds or ETFs rather than active managers when making a tactical allocation because our investment decision is based on capturing the return of the overall asset class during our ownership period. Since we don't know how long it will take for a tactical position to pay off, we don't want to risk using an active manager, whose performance could deviate from the index over the shorter term. However, for asset classes or investment strategies that we want to own but for which there



is no investable ETF or index fund alternative, or for which there is not an index fund or ETF that we find suitable, we will use actively managed funds.

We will also use an index fund or ETF for an asset class category where we have not found a manager in whom we have a high degree of confidence. While we believe that value can be added through active management, we know that truly skilled stock pickers are not easy to find. Investors should only pay up for active management when they can identify a manager in whom they have a lot of conviction and are willing to stick with for the long term.

### **Our Fund Manager & Alternative Investment Manager Due Diligence Process**

We employ an outside research team which uses both quantitative and qualitative data to evaluate fund managers. For their quantitative evaluation, the research team uses both internal and external sources of data on fund managers. They use Morningstar/Principia for compiling some of the quantitative data such as expense ratios, average market capitalization of holdings, etc. They also use a proprietary database and analysis program, compiled internally and updated quarterly, to track performance, risk, and other statistics, some of which aren't available elsewhere. Once they have completed their initial screening on a fund, which includes an initial view of the strategy (via marketing materials, third-party materials, and, for alternative investments, offering materials) and an initial review of the firm (via news articles and their industry contacts), they begin their six-step fund evaluation process, which is outlined below.

Step One: Performance Screens – They want funds with strong, long-term track records, but that alone is not sufficient to warrant further research. We also look at expenses and rule out funds that are above their expense thresholds (e.g., 1.2% the larger-cap domestic equity fund category or 1.5% for the international equities fund category). When looking at a funds' performance numbers we also take into account:

- Performance consistency relative to the fund's peer group and benchmarks
- Special factors that positively impacted performance that may not be repeatable
- The level of assets on which the record was based.

Here are two very brief examples that illustrate what they look for in analyzing a track record:

- They try to determine if an apparently successful long-term track record resulted from a much shorter period of exceptional performance that they might not expect can be repeated.
- They try to determine whether a manager earned a strong record through many modestly successful stock picks or through a much smaller number of very large winners. They generally favor consistency.

Since we implement our clients' portfolios using primarily mutual funds, performance is readily available and the presentation of its performance is closely scrutinized by the Securities Exchange Commission.

Step Two: Questionnaire Review – If the fund passes their performance screens the next step is for the fund's management team to complete a detailed due diligence questionnaire. As they recognize that past performance is no guarantee of future returns, they spend a great deal of time trying to understand a manager's investment philosophy, getting familiar with the dynamics of the portfolio management team, and determining how a successful manager has added value. They also assess a manager's personal

characteristics against those that their many years of experience have shown us contribute to investment success. Thus, qualitative factors are an extremely important aspect of their investment management process. In fact, quantitative analysis is used primarily as a tool for narrowing down the available universe of managers into a more manageable sub-set so that they can apply their very arduous qualitative analysis. Through their years of evaluating investment management organizations, they have identified certain qualitative characteristics that are common to great investment managers. These characteristics include, but are not limited to:

- A clearly defined and repeatable investment process
- An obsession for seeking an investment “edge”
- Independent thinking
- A highly focused stock-picking team
- Ethical management
- A stable organization
- An organization whose decisions reflect their concern for their shareholders

Step Three: Initial Portfolio Manager Interview – After reviewing the management team’s responses to their questionnaire, the fund’s portfolio (This information may not be available for all alternative investments) and, for alternative investments, any financials or audited financials, they then set up an interview with the lead portfolio manager or managers to discuss their response to the questionnaire and fill in any gaps. This is an important part of their process because it allows them to being the qualitative assessment of the manager’s discipline and skill. We also want to understand the reasoning behind the manager’s investment philosophy and process. If after this interview they have a favorable impression of the manager’s investment process, discipline in executing that process, and plans for managing asset growth, they move on to the next step.

Step 4: Site Visit – Next, they will spend more time with the manager(s) and the analyst team in order to:

1. Further explore the manager’s investment process. They want to know if the way that each stock was researched and the justification for the buy decision are in line with the investment philosophy. If they find inconsistencies, this tells them that either the manager is not discipline in executing the strategy or his/her description of the firm’s investment process was marketing spin.
2. Determine if there is consistency among all team members to gain further clues as to whether the process is executed as described.
3. Evaluate how smart, driven, focused, passionate, experienced, humble, confident, and performance-oriented the analysts are.
4. Evaluate the culture and incentive structure of the firm so we can determine if the firm has a healthy work environment, as we believe stability is critical to the ability of an investment organization to stay focused.
5. Understand management’s vision for their business. We require a balanced approach to business growth that reflects an understanding of the responsibility to shareholders, so we talk to management to gain an understanding of their vision. We want to know how they see the firm changing over time, how the team might change, what other products they may launch, and how big they want to get.

Step Five: Final Follow-Up: If the site visit tells us that the team has a definable process that is repeatable and consistently followed, we will move on to the final follow-up stage, which often involves further contact with the portfolio management team after we have had time to “digest” the site visit. In addition, our research team uses their extensive contacts in the industry to do more detective work. Sometimes they know someone who previously worked at the firm they are investigating or who worked with some of the key members of the team. At times these contacts are invaluable. We also check firm references in situations when we think it may be useful.

Step Six: Research Team Approval – As a final step, the lead research team analyst presents his or her recommendations to the rest of the research team, as he/she must be able to get the team to “buy in” to a recommendation. We deliberately set a very high bar, and so any recommendation requires a very high level of conviction that a manager will be able to beat their benchmark over the long term, and thereby add value to our portfolios.

The Importance of Our Manage Due Diligence Discipline – Going through all these steps does not guarantee success. Critically important to mitigating mistakes is our acceptance that not many managers will make the cut. This does not bother us because we do not need to identify many good managers. We only need a few. And the reality is there are only a few that have an identifiable edge, who we believe will also maintain their focus, team stability, and grow their businesses with shareholders in mind (as opposed to maximizing their own bottom line). While it may be frustrating to spend 50-plus hours investigating a fund company only to decide that they do not make the cut, maintaining a very high standard helps us to avoid mistakes, so we pass on a manager if we do not get all the information we need, if our conviction level is not extremely high, if we are not sure if the firm is being straightforward or if we have doubts about any of the above keys to success.

If a manager is added to the list of recommended funds, then the analysts will conduct regular meeting with that manager, typically around twice a year, either in person or by phone. As needed, to ask questions regarding strategy, performance attribution, and the team. They will also monitor his/her communications to investors, documents, and, for alternative investments, financials.

For each of the fund managers we use to implement our client portfolios, performance numbers are review relative to an appropriate benchmark, over both the short term and over longer periods of time. In the short term, we are not concerned with underperformance because, in most cases, the style of the managers we utilize are non-benchmark focused and in many cases the funds are concentrated. However, we are quick to delve more deeply when there are significant periods of poor performance versus the benchmark.

The benefits of all this work go beyond increasing our chance of success when it comes to fund/manager selection. It also allows us to be patient with managers who go through a slump, as they all do eventually. One of the most damaging investment mistakes is where investors buy a fund after a period of strong performance, then sell after a period of weakness in favor of another fund that is doing well. This is apparent in data from Morningstar that computes that the return received by fund investors—taking into account their actual holding periods—is, in aggregate, well below the return that would have been earned by simply buying and holding the same funds (you can compare the investor return and fund return statistics on Morningstar’s website to see this effect).

Our expectation that a manager will outperform is based on our confidence that they have an investment edge, and so our decision to own a fund manager—even one whose fund is currently underperforming—requires us to determine whether that edge remains intact. To assess this, we circle back, look at the

reasons for the underperformance and relate them to what we know about how the fund manager invests, and assess whether something significant has changed with the team or process, or if we missed something in our initial analysis. If we come away without the same confidence in the manager's edge—which for example could happen if key personnel left, or if assets were growing to levels that we believe restricted their flexibility (to name just two brief examples)—then we would sell the fund without hesitation. But, as is usually the case, if the original reasons for our confidence in the manager remain intact, then we have the confidence to stick with that manager regardless of a performance slump.

We are not reliant on specific reports to ensure a manager stays within his or her “box”. Rather we spend a tremendous amount of time ensuring that a given manager manages money the way he or she presents his/her approach long before we make any decision to invest. This mitigates the need to micromanage the process on a regular basis. Further, we look to develop long lasting relationships with the managers we follow and throughout this relationship we become very familiar with the managers and the construction of their portfolios.

### **Risk of Loss for All Investments**

We invest primarily in mutual funds. Markets for mutual funds and the securities held by the mutual funds in which we invest, are generally subject to fluctuations, and the market value of any particular investment may vary substantially. Investment portfolios may not generate any income or appreciate in value.

It is impossible to learn all relevant information concerning a mutual fund, a company, or a security. Further, we may misinterpret or wrongly analyze the information available about a particular fund, company, or security. These and other factors may cause us to (a) invest in funds or securities at times that will lead to losses or (b) refrain from investing in particular funds or securities at times that would have resulted in gains if we had chosen to invest.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

### **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

William Wee is a registered representative of Financial Telesis, which is a broker/dealer. Please refer to the “Conflicts of Interest” section in “Item 5: Fees and Compensation” for additional disclosures about this relationship.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by Homewood and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

### Personal Trading for Associated Persons

We may buy or sell some of the same securities for you that we already hold in our personal account. We may also buy for our personal account some of the same securities that you already hold in your account. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by your transactions.

We may restrict trading for a particular security for our accounts or those of our associated person if there is a pending trade in that security in a client account. Trades for our accounts (and those of our associated persons) will be placed as part of a block trade with client trades, or individually after client trades have been completed. Additional information about block trades is provided in the Aggregation of Orders section of “Item 12: Brokerage Practices.” When our trades are placed after our client trades, we may receive a better or worse price than that received by the client.

Homewood and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

All persons associated with us are required to report all personal securities transactions to us quarterly.

## ITEM 12: BROKERAGE PRACTICES

### The Custodian and Brokers We Use

We do not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see “Item 15: Custody”). Your assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank. We require that our clients use Charles Schwab & Co., Inc. (“Schwab”), a registered broker/dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we require that you use Schwab as custodian/broker, you will

decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Schwab, then we cannot manage your account.]

Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “Your Brokerage and Custody Costs”).

## How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab*”)

## Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

## Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

### Services That Benefit You.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

### Services That May Not Directly Benefit You.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession

- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

#### Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to require that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We have in excess of \$71 million in client assets under management, and we do not believe that requiring our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

#### Aggregation of Orders

There are occasions on which portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for another client or one or more of our associated persons.

We may choose to block (aggregate) trades for your account with those of other client accounts and personal accounts of persons associated with Homewood. When we place a block trade, all participants included in the block receive the same price per share on the trade. The price is calculated by averaging the price of all of the shares traded. Due to the averaging of price over all of the participating accounts, aggregated trades could be either advantageous or disadvantageous. Commission costs are not averaged. You will pay the same commission whether your trade is placed as part of a block or on an individual basis. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

#### Soft Dollars

"Soft dollars" are typically generated when an investment advisor enters into an agreement with an executing broker to receive a portion of the commissions generated by the advisor's client trades. The soft dollars are allocated to the investment advisor and can then be used to purchase items or services. The investment advisor has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to



clients could be seen as “soft dollars.” The additional services we receive from Schwab, as disclosed in the section entitled “Products and Services Available to Us From Schwab” above, would fall under this description of soft dollars.

## ITEM 13: REVIEW OF ACCOUNTS

All accounts are reviewed on a quarterly basis by William K. Wee, President or Sonja Breeding, CFP. The following reviews are performed for their respective clients’ accounts:

- Review each account at least once per quarter, or when investment guidelines change, to ensure conformity with the stated strategy and client needs
- Implement strategy changes as necessary
- Reviews are conducted by our investment advisors who manage the respective client relationships.

There are a few things that trigger a more frequent review other than every three months, which are cash flows in or out of an account, asset class changes within a strategy, and manager changes within a strategy.

Schwab Institutional is the custodians of the accounts and they provide monthly written reports to clients. These reports are automatically generated.

Financial plans are reviewed and updated when requested by the client.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see “Item 12: Brokerage Practices”). The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We do not directly or indirectly compensate anyone for client referrals.

## ITEM 15: CUSTODY

When you give us authority to deduct our fees directly from your separately managed account, we have custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in “Item 5: Fees and Compensation.” Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them.

## ITEM 16: INVESTMENT DISCRETION

As one of the conditions of managing your account, you are required to provide discretionary authority for us to manage your assets. Discretionary authority means that you are giving us a limited power of attorney to place trades on your behalf. This limited power of attorney does not allow us to withdraw money from your account, other than advisory fees if you agree to give us that authority.

You grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on your behalf. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for your account(s).

Clients may request that we avoid investments in certain sectors, such as tobacco or oil stocks.

## ITEM 17: VOTING CLIENT SECURITIES

As a matter of policy and as a fiduciary to our clients, we have responsibility for voting proxies for your portfolio securities consistent with your best economic interests. We maintain written policies and procedures as to the handling, research, voting and reporting of proxy voting and make appropriate disclosures about our proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. You may not provide direction regarding any particular proxy solicitation.

You may elect to retain the authority to vote the proxies yourself. You will receive proxies and other related paperwork directly from your custodian. Upon request we will provide guidance about voting a specific proxy solicitation.

You may request a copy of our Proxy Policies and Procedures and/or information about how a proxy was voted at any time.

## ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment of more than \$500 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.

## ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISORS

### Principal Executive Officers and Management Persons

Our principal executive officer is William K. Wee. Additional information regarding Mr. Wee's education and business background is provided on Part 2B.

Neither Homewood nor any management person has been involved in any of the items listed below.

- An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following: 1) an investment or an investment-related business or activity; 2) fraud, false statement(s), or omissions; 3) theft, embezzlement, or other wrongful taking of property; 4) bribery, forgery, counterfeiting, or extortion; or 5) dishonest, unfair, or unethical practices.
- An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following: 1) an investment or an investment-related business or activity; 2) fraud, false statement(s), or omissions; 3) theft, embezzlement, or other wrongful taking of property; 4) bribery, forgery, counterfeiting, or extortion; or 5) dishonest, unfair, or unethical practices.

## California Disclosure Requirements

In our opinion, all material conflicts of interest regarding Homewood, our representatives or any of our employees which could be reasonably be expected to impair our rendering of unbiased and objective advice to an advisory client under Section 260.238(k) of the California Code of Regulations have been disclosed.

**BROCHURE SUPPLEMENT**  
**ITEM 1: COVER SHEET**

**William K. Wee**

**Homewood Capital Management, Inc.**

1079 River Rock Lane

Danville, CA 94526

(925) 838-5445

May 28, 2012

This Brochure Supplement provides information about William K. Wee that supplements the Homewood Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact William K. Wee, President at (925) 838-5445 or [bwee@weecfp.com](mailto:bwee@weecfp.com) if you did not receive Homewood Capital Management, Inc.'s Brochure or if you have any questions about the content of this supplement.

Additional information about William K. Wee is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

William K. Wee was born in 1956. He received a BA in Economics from University of California, Los Angeles in 1978, graduating Phi Beta Kappa. In 1977, he took coursework in International Economics at St. Andrews University in Scotland in 1977.

**Employment Background**

Employment Dates:	3/2010 - Present
Firm Name:	Homewood Capital Management, Inc.
Type of Business:	Investment Advisor
Job Title:	President

Employment Dates:	6/1985 - Present
Firm Name:	Wee & Company
Type of Business:	Insurance Services
Job Title:	Sole Proprietor

### **Employment Background (continued)**

Employment Dates: 6/1997 - Present  
Firm Name: Financial Telesis  
Type of Business: Broker/Dealer  
Job Title & Duties: Registered Representative

Employment Dates: 8/1994 - 3/2010  
Firm Name: William Kenneth Wee, dba Homewood Capital Management  
Type of Business: Investment Advisor  
Job Title & Duties: Sole Proprietor

Employment Dates: 6/1994 - 6/1997  
Firm Name: ManEquity, Inc.  
Type of Business: Broker/Dealer  
Job Title & Duties: Registered Representative

### **Professional Designations**

Certified Financial Planner (CFP) – 1990

The CFP designation is issued by the Certified Financial Planner Board of Standards, Inc. In order to receive a CFP designation, the candidate must have a bachelor's degree or higher from an accredited college or university and have 3 years of full-time personal financial planning experience. In addition, the candidate must complete a CFP board-registered program or hold one of the following: CPA, ChFC, Chartered Life Underwriter (CLU), CFA, Ph.D. in business or economics, Doctor of Business Administration or attorney's license. Once the designation is earned, the CFP must complete 30 hours of continuing education every 2 years.

### **ITEM 3: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

### **ITEM 4: OTHER BUSINESS ACTIVITIES**

William Wee, President, is a licensed life insurance agent affiliated with various insurance agencies. In this capacity he sells life insurance and annuity products. If you elect to implement insurance recommendations through Mr. Wee, he will receive the normal and customary commissions.

Mr. Wee is also a registered representative of Financial Telesis, Inc. ("Financial Telesis"), a broker/dealer duly registered with FINRA. In that capacity, Mr. Wee executes securities transactions on behalf of clients of Financial Telesis. If Homewood recommends 529 Plans or variable annuities, clients may elect to have Mr. Wee, in his capacity as a registered representative of Financial Telesis, execute these trades.

In these cases, Mr. Wee would receive the standard commission, which is disclosed to the client upon inception of a relationship with Financial Telesis, but he would **not** receive advisory fees for these accounts.

Clients are under no obligation to purchase or apply for any insurance or brokerage products, or to use Mr. Wee as the broker for insurance or securities products purchased. If clients decide to purchase or apply for insurance or securities, or use Mr. Wee as the broker for insurance products or securities, a conflict may exist between the interests of Mr. Wee and the interests of the client.

#### ITEM 5: ADDITIONAL COMPENSATION

Mr. Wee does not receive any economic benefit from any non-client for providing advisory services, other than those listed in Item 4 above.

#### ITEM 6: SUPERVISION

Mr. Wee, President, is responsible for the management of our investment personnel. His telephone number is (925) 838-5445.

#### ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Investment advisors who are registered with a state regulatory agency rather than the SEC are required to provide information about a wider range of disciplinary information than that described above. Mr. Wee has not filed for personal bankruptcy and has no disciplinary information to report.

**BROCHURE SUPPLEMENT**  
**ITEM 1: COVER SHEET**

**Sonja G. Breeding**

**Homewood Capital Management, Inc.**

1079 River Rock Lane

Danville, CA 94526

(925) 838-5445

May 28, 2012

This Brochure Supplement provides information about Sonja G. Breeding that supplements the Homewood Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact William K. Wee, President at (925) 838-5445 or [bwee@weecfp.com](mailto:bwee@weecfp.com) if you did not receive Homewood Capital Management, Inc.'s Brochure or if you have any questions about the content of this supplement.

Additional information about Sonja G. Breeding is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

Sonja G. Breeding was born in 1976. She received a BS in Mathematics, with specialization in Computing, from University of California, Los Angeles in 1999.

**Employment Background**

Employment Dates:	12/2008 - Present
Firm Name:	Homewood Capital Management, Inc.
Type of Business:	Investment Advisor
Job Title & Duties:	Financial Planner
Employment Dates:	2/2004 - 11/2008
Firm Name:	Aspiriant (formerly Kochis Fitz)
Type of Business:	Investment
Job Title & Duties:	Operations/Financial Planning

### **Employment Background (continued)**

Employment Dates: 6/2002 - 1/2004  
Firm Name: The Kane Group  
Type of Business: Investment  
Job Title & Duties: Operations

Employment Dates: 3/2000 - 3/2002  
Firm Name: Numeta Software  
Type of Business: Software  
Job Title & Duties: Software Engineer/Project Manager

### **Professional Designations**

Certified Financial Planner (CFP) – 2006

The CFP designation is issued by the Certified Financial Planner Board of Standards, Inc. In order to receive a CFP designation, the candidate must have a bachelor's degree or higher from an accredited college or university and have 3 years of full-time personal financial planning experience. In addition, the candidate must complete a CFP board-registered program or hold one of the following: CPA, ChFC, Chartered Life Underwriter (CLU), CFA, Ph.D. in business or economics, Doctor of Business Administration or attorney's license. Once the designation is earned, the CFP must complete 30 hours of continuing education every 2 years.

### **ITEM 3: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

### **ITEM 4: OTHER BUSINESS ACTIVITIES**

Ms. Breeding is not involved in any other business activities.

### **ITEM 5: ADDITIONAL COMPENSATION**

Ms. Breeding does not receive any economic benefit from any non-client for providing advisory services.

### **ITEM 6: SUPERVISION**

William K. Wee, President, is responsible for the supervision of Ms. Breeding. His telephone number is (925) 838-5445.



## ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Investment advisors who are registered with a state regulatory agency rather than the SEC are required to provide information about a wider range of disciplinary information than that described above.

Ms. Breeding. Wee has not filed for personal bankruptcy and has no disciplinary information to report.