

**COVER PAGE**

**Foldes Financial Management, LLC**

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This brochure provides information about the qualifications and business practices of Foldes Financial Management, LLC ("Foldes"). If you have any questions about the contents of this brochure, please contact us at 305-670-0545. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Foldes Financial Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search for us there by using our CRD number of 147285.

Foldes is registered with the SEC. However, this registration, while required by law, does not indicate any established or set level or skill or training on our part.

**MATERIAL CHANGES**

This section only discusses any material changes to our Form ADV Part 2A disclosure document which we will refer to in this document as the brochure. Since the date of our last annual update to this brochure which was March 31, 2011, Paul Stovall has joined the firm as a Senior Financial Advisor.

## TABLE OF CONTENTS

Advisory Business.....	3
Fees and Compensation.....	4
Performance-Based Fees and Side-By-Side Management.....	5
Types of Clients.....	5
Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Disciplinary History.....	6
Other Financial Industry Activities and Affiliations.....	7
Code of Ethics, Participation or interest in Client Transactions and Personal Trading.....	7
Brokerage Practices.....	8
Review of Accounts.....	12
Client Referrals and Other Compensation.....	12
Custody.....	14
Investment Discretion.....	14
Voting Client Securities.....	15
Financial Information.....	15

## **ADVISORY BUSINESS**

Foldes traces its roots back to 1996 through corporate evolutions but our mainstay has been our chief executive officer, Steven Foldes, who designed our core investment management service which consists of discretionary separately managed portfolios implemented through the use of certain types of investments as described below in the section on Methods of Analysis, Investment Strategies and Risk of Loss. We also provide advice on a limited basis regarding investments in options contracts on securities and commodities, variable life insurance products and annuities, certificates of deposit and similar products as well as municipal and government securities. Our services and processes are designed to determine and address each client's specific investment needs through use of a detailed confidential client questionnaire which collects information and related documents relating to the client's investment circumstances, objectives and need; income and growth expectations; tax considerations, time horizon objectives and risk tolerance. We then prepare a written investment policy statement for review by the client based upon the information collected and, if agreed to by the client, we implement the plan on the client's behalf typically through the use of one or more of our designated asset allocation models. You may impose restrictions on our ability to implement particular types of investments or investment strategies on your behalf if that is your preference during this process.

As stated, Foldes provides planning services, including financial planning, which may include but is not limited to advice and/or recommendations regarding client investments, financial holdings, preferences for capital appreciation and/or income production and related matters such as living expenses, personal risk, estate and retirement considerations, education needs and tax issues. A written investment policy statement or other financial plan will be prepared based on the clients' financial needs and goals, risk tolerance and the foregoing factors, as deemed applicable, and, if deemed appropriate, consultations with the client's attorney, accountant, and other personal advisors. All decisions implementing the initial plan will be discussed with, and agreed to by, the client. A client has no obligation to open an account, to transact business, or to implement any recommendations or suggestions provided pursuant to the services provided through us. By nature, financial planning is a long-term oriented but short term influences that may impact a client's financial situation on a more immediate basis such as need for short-term cash flow and liquidity are also considered and a level of short-term reserve funds through appropriate investment vehicles may be recommended with a second level of recommendations focused more toward long-term considerations, as needed.

Please remember that projections or other information generated regarding the likelihood of various investment outcomes set forth in any such financial investment policy statement or plan are hypothetical in nature, do not reflect actual investment results and are not a guarantee of future results. Any assumptions used in the preparation of the plan, or shown in the plan, are based, in part, upon information provided by the client. Any inaccurate or incomplete representation by a client of data or information can invalidate any projections shown in the policy statement or plan. In addition, actual results can vary to a material degree due to external factors beyond the scope and control of any projections and assumptions shown.

Clients should understand that they remain responsible for notifying us of changes in their financial circumstances, investment objectives or investment restrictions. In addition, we will not verify independently any information we receive from our clients or our clients' other professional advisors but will instead rely upon the accuracy and completeness of the information provided in performing our services for our clients.

We do not provide legal, tax or accounting advice or services and you should not assume that we are providing you such services at any time. Also, you should understand that, generally speaking, securities or other investments for which we provide advice to you are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency and that neither Foldes nor any of its affiliated companies is a trust or banking institution.

The principal owners of Foldes are Steven Foldes, who is the chief executive officer and the chief compliance officer and WealthTrust, LLC. Falcon Mezzanine Partners II LP holds a majority interest in WealthTrust, LLC through intermediaries. The amount of client assets we manage on a discretionary basis as of February 29, 2012 is \$417,901,877. We do not manage client assets on a non-discretionary basis.

## **FEES AND COMPENSATION**

Foldes is typically compensated for its investment advisory services by charging you a management fee based on the market value of your assets under our management based upon the fee schedule set forth below:

<b><u>Market Value</u></b>	<b><u>Annual Rate</u></b>
First \$ 500,000	1.25%
Next \$500,000	1.0%
Next \$2,000,000	.75%
Over \$3,000,000	.50%

Fees are billed quarterly in advance based upon the market value of the assets at the end of the preceding quarter. If your relationship with us is begun or ended during a calendar quarter, your fee will be prorated for the appropriate number of days completed or remaining in the quarter and, where applicable, you will be issued a refund for any portion of your quarterly fee paid in advance which was otherwise unearned.

We may negotiate the amount of your fee depending upon circumstances including but not limited to account composition and complexity, other client, employee or family relationships, etc. or where a client is referred to us through a referral relationships as described in the section on Client Referral and Other Compensation which may result in different fees being charged by us for client accounts similar in

composition and objectives. Our employees and their family related accounts may be charged a reduced fee, or no fee, for our services.

You may pay your fee to us directly upon receipt of an invoice from us or you may authorize your custodian to allow us to directly debit our fee from your account or accounts. If you choose the latter method, your custodian will not confirm our fee but will pay the amount based on the fee amount communicated to the custodian by us and send it directly to us. You will receive a periodic statement from your custodian which will show the amount of the fee which has been sent to us. You should confirm the accuracy of our fee calculation upon receipt of your custodian's statement.

The fees you pay us do not include brokerage commissions or other fees or charges associated with securities transactions implemented with or through a brokerage firm, mark-ups or mark-downs in principal transactions, deferred sales charges, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation all of which will be charged to you in addition to our fee. We do not receive any portion of any of the foregoing expenses or fees. You should go to the section on Brokerage Practices in our brochure for more information on how we select or recommend brokerage firms for your securities transactions and information related to that process.

You should understand that mutual funds, including exchange traded funds, in which your assets are invested by us or by others impose separate investment management fees and other operating expenses described in the fund's prospectus, for which you, the client, will be charged separately from the fee paid to us for our services.

Our fee for consulting services as described above in the section on Advisory Services generally ranges from \$250 to \$350 an hour plus expenses which is negotiated with the client prior to providing the services.

Clients should be aware that similar or comparable services may be available from other firms including other investment management firms at a cost higher or lower than that available through us.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This section does not apply to Foldes Financial Management, LLC

## **TYPES OF CLIENTS**

Our clients include individual persons and their families, pension and profit sharing plans, trusts, estates, charitable organizations and corporations or similar business entities. We do not have a minimum account size.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Our basic investment strategy consists of the use of designated asset allocation models consisting primarily of mutual funds, exchange traded funds and, to a limited basis, investment instruments such as structured notes or other similar structured products which are implemented for our clients through separately managed portfolios composed of diversified investment styles, sectors (i.e., large cap growth, small cap value, government and corporate bonds, etc.) and markets including both domestic and international. We then continually monitor and analyze the performance of the management of the funds and products we use utilize in our models. The securities we use in our investment strategies and investment advice include equity securities such as exchange listed securities, investment company securities such as mutual fund shares and exchange traded funds and certain structured products as described below.

As described above in the section on Advisory Services, we use structured notes or other similar structured products in managing our clients' assets. These are securities or investments whose return is derived from or based upon a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. They are a hybrid between two asset classes typically issued in the form of a corporate bond or a certificate of deposit but instead of having a pre-determined rate of interest, the return is linked to the performance of an underlying asset class. There are multiple types of structured products. The variations generally used by us include products offering limited or even no protection of the principal amount invested. Structured products provide investors with highly targeted investments that are tied to a specific risk profile, return requirements and market expectations. Similar to a zero coupon bond, often no interest payments are made during the life of the security. In most cases, the investor bypasses traditional interest payments in exchange for participation in the underlying asset class of that particular issue. Any payments earned by the investor, such as through market performance or the return of principal, are determined by the specific terms of each individual issue and are made on the set maturity date. This type of investment is complex and can be subject to significant risk of loss including but not limited to credit risk, liquidity risk, pricing risk, income risk as well as volatility of the underlying asset class. There may also be internal fees which you, the client, will incur in addition to the fee for our services.

Investing in securities such as the types of securities used by us in managing your assets or providing you investment advice involves the potential risk of loss in the value of the securities both in the amount invested in the securities as well as any profits which have not been realized by selling the securities. You should be prepared to bear the risk of such losses. The degree of risk depends upon the type of security or strategy involved.

## **DISCIPLINARY HISTORY**

This section does not apply to Foldes Financial Management, LLC or any of its employees.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The following investment management firms are affiliated with Foldes based on common ownership interest through our parent company, WealthTrust, LLC:

Kanawha Capital Management, LLC  
Duncker Streett & Co., LLC  
Harvey Investment Company, LLC  
WealthTrust Arizona, LLC  
Delta Asset Management, LLC  
Wilbanks, Smith & Thomas Asset Management, LLC  
Optimum Investment Advisors, LLC  
WealthTrust Axiom, LLC  
WealthTrust Fairport, LLC

However, Foldes does not have a relationship or arrangement with any of these affiliated investment management firms which is material to our business or to our clients.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Foldes has adopted a written Code of Ethics under which all our full time employees are generally restricted from effecting transactions in securities for their personal accounts absent written pre-clearance by our chief compliance officer or designee in order to seek to avoid conflicts of interest with transactions being effected in client accounts. Our employees may buy or sell the same securities that we recommend that our clients invest in or that we purchase or sell on our clients' behalf. This presents a conflict of interest between our employees' own financial interest and the best interest of our clients. We have addressed this conflict of interest by imposing trading restriction under the Code of Ethics which include restrictions on our employees' personal trading based upon investment activity occurring in, or being contemplated for, our clients' accounts. There are certain exceptions from the pre-clearance requirements for transaction which we do not believe present a conflict of interest between our employees and our clients such as the purchase or sale of mutual funds by an employee or where our employees receive the same averaged price and incur the same proportional transaction costs as our clients through a block order of fixed income securities.

Pre-approval must also be obtained by employees before investing in initial public offerings of securities and before investing in a private placement of securities. Our employees are required to submit quarterly reports relating to their personal transactions and an annual report of their personal securities holdings to us. Our Code of Ethics also contains policies and procedures which are intended to prevent the misuse of material non-public information. A copy of our Code of Ethics is available to you upon request by contacting us through the contact information provided on the Cover Page of this brochure.

## **BROKERAGE PRACTICES**

Foldes considers the following factors in selecting or recommending brokerage firms for your transactions and in determining the reasonableness of the compensation or other remuneration paid to the brokerage firms:

Quality of Support Services and Technology

Trade Implementation Costs

Value of Research and Related Information and Products Provided

Market Liquidity Provided

Confidentiality of Trading Intentions

Investment Styles (compatibility between Foldes and the brokerage firm)

Financial Stability

Trade Error Resolution Process

Financial Stability

Ability to Execute Difficult Trades

Other Factors Which May Be Identified From Time To Time

We have established an Execution Review Committee which periodically reviews our brokerage practices and the reasonableness of compensation or other remuneration paid to brokerage firms and monitors our efforts to seek best execution of client transactions.

Research and Other Soft Dollars Benefits: Where more than one brokerage firm satisfy our criteria, preference may be given to brokerage firms which provide us with certain brokerage and research services and products as allowed by law under Section 28(e) of the Securities Exchange Act of 1934. Foldes may then use these brokerage firms to execute client transactions even though the commissions or similar costs for particular transactions may be higher than the commissions or costs incurred by using another brokerage firm which does not provide Foldes with these brokerage and research services or products. Payments to brokerage firms for these services through commission revenue rather than direct cash payments are referred to as “soft dollars”. Under these circumstances, we will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research services or products provided by the brokerage firm(s) which we consider to be a significant benefit to our clients. We may use these brokerage and research services and products to benefit all of our clients’ accounts not just those whose transactions paid for the services.



The brokerage and research services or products received by us under the arrangement described above include general investment research.

Some of the brokerage and research services or products received by us may have other uses such as client presentations, marketing or other administrative uses. If that is the case, we will make a good faith allocation as to the percentage of the service or product used for brokerage and research services and the percentage used for such other purposes. The percentage attributed to such other purposes will be paid for directly by us in “hard dollars” as a cash expense of Foldes. Since “hard dollar” costs are a direct expense of ours, there is a conflict of interest in our determination of the appropriate allocation between soft dollar and “hard dollar” use of the brokerage and research services or products. We address this conflict of interest through use of our Execution Review Committee as described above.

Our use of client brokerage commissions or similar costs for transactions to obtain brokerage or research services and products presents a conflict of interest to us because we do not have to internally produce the service or product or purchase it directly elsewhere. This also means that we will have a financial incentive to select or recommend brokerage firms which provide us such brokerage and research services or products rather than based on a consideration of the lowest commission cost to our clients. To address these conflicts, Foldes uses a commission review process to review the reasonableness of commission amounts and rates used to obtain brokerage and research services and products described above. This review is conducted during meetings of our Execution Review Committee.

Charles Schwab & Co., Inc.: We may recommend or require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, to maintain custody of their assets and to effect trades for their accounts. Although we may recommend or require that clients establish accounts at Schwab, it is the client’s decision to custody assets with Schwab. Foldes is independently owned and operated and not affiliated with Schwab.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors such as Foldes on an unsolicited basis, at no charge so long as a total of at least \$10 million of the advisor’s clients’ assets are maintained in accounts at Schwab Institutional but are not otherwise contingent upon our committing to Schwab any specific amount of business such as assets in custody or trading commissions. These services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders such as our clients through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts maintained by our clients.

Schwab Institutional also makes available to us other products and services that benefit us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from the clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. Schwab Institutional may also provide other benefits to our employees such as educational events or occasional business entertainment. In evaluating whether to recommend or require that our clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely base our evaluation on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest since our recommendation that our clients maintain accounts at Schwab may be based in part on the availability to Foldes of all or some of the products or services described above.

TD Ameritrade, Inc.: We participate in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors such as Foldes services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

As stated above, Foldes participates in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give to our clients, although we do receive economic benefits through our participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk designated to serving us; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from our client accounts held at TD Ameritrade; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology,

and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by us or by our related persons or entities. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit our clients' accounts directly although they may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our employees through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade by us. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons or entities in and of itself creates a potential conflict of interest and may indirectly influence Foldes' choice of TD Ameritrade for custody and brokerage services.

**Directed Brokerage:** As a matter of policy, Foldes does not accept instructions from clients to execute transactions through a particular brokerage firm.

**Blocked Transactions:** We may group or block orders from time to time for the same security for more than one client account in order to more effectively execute the orders. This is what is known as a "block transaction". This process can create trading efficiencies, prompt attention to the order and improve price execution since the block transaction may be executed at various prices but averaged as to price. Therefore, clients whose transactions are part of the block transaction will receive the same average price and trading costs. Personal transactions of our employees may be included in such block transactions. On infrequent occasions where such block transactions are not fully executed, we will seek to allocate the executed portion of the block transaction on a basis which we consider fair to our clients over time. Generally, this will mean a pro rata allocation or allocation on a rotational basis although we may, in certain circumstances, allocate purchases or sales on some other basis, after consideration of factors such as taxability of the account, cash available for investment, asset mix of the account, objectives and restrictions of the account, company and industry concentrations, broker designations specified by the client, size of the execution versus the total order size, and partial positions versus full positions. Any employee transactions will be excluded from block transactions which are not fully executed.

**Trade Errors:** Errors in executing client transactions may occur from time to time which we will seek to correct on a timely basis so that you will not incur a loss or other costs as a result of any such errors. Any loss or costs incurred as a result of the correction of such errors will be borne by us or by your broker/custodian while any market gains which may result from the correction of such errors will usually be retained by your broker/custodian or by you.

## **REVIEW OF ACCOUNTS**

Our clients' accounts are reviewed on at least a quarterly basis by Steven Foldes, chief executive officer, Michael Hoeflinger, senior financial advisor and Paul Stovall, senior financial advisor. Factors which may trigger more frequent reviews include change in client investment objectives or circumstances such as retirement or a large contribution or withdrawal to or from an account, significant developments or events specific to a particular security held in the account, or significant market, economic or political developments.

We will provide you written reports concerning your account(s) with us on at least a quarterly basis. These quarterly reports will include details of the date of purchase and cost basis for each security as well as market value and income yield and the current and historical performance for the account, separated by asset classes and possibly grouped with other accounts related to you. The report you receive from us will track all activity including income earned, contributions, withdrawals and capital gains. This report will also include an invoice for our quarterly fee. You should also receive written reports directly from your custodian concerning your account(s) which generally contain information relating to all transactions and other account activity.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

We may from time to time enter into written agreements with other persons or companies who refer potential clients to us in exchange for a referral or solicitor fee which typically is a percentage of the fee we receive from the referred client for our services. This means that the persons or companies who refer potential clients to us as described will have a financial interest in your selecting us to provide you services. If you are referred to us through an arrangement like this, you will receive a written document which will disclose that we have an arrangement with the solicitor, any affiliation between us and the solicitor, and a description of the compensation the solicitor will receive from us if you establish an account with us. The fee we charge you for our services will not be increased as a result of our use of these referral arrangements.

Charles Schwab & Co., Inc.: We receive client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in Schwab Advisor Network® (the "Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a brokerage firm independent of and unaffiliated with us. Schwab does not supervise us and has no responsibility for our management of your assets or our other advice or services. We pay Schwab fees to receive client referrals through the Service. Our participation in the Service may raise conflicts of interest as described below.

We pay Schwab a Participation Fee on all referred client accounts that are maintained in custody at Schwab and Non-Schwab Custody Fee on all client accounts that are maintained at, or transferred to, another custodian. The Participation Fee is a percentage of the fees the client pays us or a percentage

for the value of the assets in your account, subject to a minimum Participation Fee. We pay Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is charged to us quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by us and not by you. We have agreed not to charge clients referred through the Service fees or costs greater than the fees or costs we charge clients with similar accounts with us who were not referred to us through the Service.

We generally pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or if assets in your account are transferred from, Schwab. This Fee does not apply if the client was solely responsible for the decision to not maintain custody at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees we generally pay in a single year. Thus, we will have an incentive to recommend that your accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of our clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, we will have an incentive to encourage household members of our clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our fees directly from your account.

Clients of ours who maintain custody of their accounts at Schwab will not be charged separately for custody but Schwab will receive compensation from our clients in the form of commissions or through transaction related compensation on securities transactions executed through Schwab. Schwab also will receive a fee (generally lower than the commissions on transactions it executes) for clearance and settlement of transactions executed through brokerage firms other than Schwab. Schwab's fees for transactions executed at other brokerage firms are in addition to the other brokerage firm's fee. Thus, we will have an incentive to cause transactions to be executed through Schwab rather than through another brokerage firm although we understand we have a duty to seek best execution of our clients' transactions. Transactions for client accounts maintained in custody at Schwab may be executed through a different brokerage firm than trades for our other clients so transactions in accounts maintained in custody at Schwab may be executed at different times and different prices than transactions in client accounts that are executed at other brokerage firms.

TD Ameritrade, Inc.: Foldes may also receive client referrals from TD Ameritrade, Inc. ("TD Ameritrade") through our participation in TD Ameritrade's AdvisorDirect referral program. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts of ours maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Foldes and there is no employee or agency relationship between them and us. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors such as Foldes. TD Ameritrade does not supervise us and has no responsibility for our management of client portfolios or our other advice or services. Foldes pays TD Ameritrade an on-going fee for each successful client referral. This fee is

usually a percentage (not to exceed 25%) of the advisory fee that the client pays to us ("Solicitation Fee"). We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by us from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Foldes on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TD Ameritrade by us on to our clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form which each client referred to us through AdvisorDirect signs when establishing an account with us.

Foldes's participation in AdvisorDirect raises potential conflicts of interest since TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Foldes may have an incentive to recommend to clients that their assets under management by us be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require otherwise doing so. Foldes's participation in AdvisorDirect does not diminish our duty to seek best execution of trades for our clients' accounts.

Please refer to the section on Brokerage Practices in our brochure for information on other economic benefits we may receive for providing services to you.

## **CUSTODY**

In addition to any account statements you may receive from us, you will receive account statements directly from your custodian on at least a quarterly basis although you may receive them on a monthly basis. You should carefully review these statements and compare these statements to statements you receive from us for any discrepancies. You should also remember that the statements you receive from your custodian are your official record of your accounts and assets for tax purposes.

## **INVESTMENT DISCRETION**

We will accept discretionary investment authority over your assets if you agree to such an arrangement. This is typically accomplished through execution of a limited trading authority contained in your client agreement with us or through similar authority contained in a wrap fee arrangement you may execute with the brokerage firm which established the wrap fee arrangement. When executing your client agreement with us, you can further limit the extent of discretionary investment authority to be granted to us although this may impact the level of services we can provide you. You may also place restrictions

on our authority such as instructions not to make investments in certain industries or to not sell certain investments you may have due to possible adverse tax consequences to you.

#### **VOTING CLIENT SECURITIES**

You should understand that we will not vote proxies or render any advice on proxies solicited by or with respect to certain investments in your account except as otherwise required by, or agreed by us with, the particular account. Any required records will be maintained. We will not forward you any proxy or litigation materials we receive, electronically or otherwise, inadvertently and you should contact your custodian directly and instruct it to make arrangements for your proxy or litigation materials to be forwarded directly to you or your representative.

Also, we will not take any action or render any advice on investments in your accounts which become subject to class actions or related litigation or other matters such as mergers, acquisitions, tender offers, bankruptcy proceedings or other similar events although we may provide you limited assistance upon request on an informal basis.

#### **FINANCIAL INFORMATION**

This section does not apply to Foldes Financial Management, LLC as we have never filed for bankruptcy nor are we subject to any financial conditions which could impair our ability to meet our obligations to you.