

Appendix 1



McBroom & Associates, LLC

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This wrap fee program brochure provides information about the qualifications and business practices of McBroom & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at (213) 612-4626. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about McBroom & Associates, LLC is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a IARD number. The IARD number for the Firm is 151187.

2. MATERIAL CHANGES

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4. SERVICES, FEES AND COMPENSATION

A. DESCRIPTION OF OUR SERVICES

McBroom & Associates, LLC, serves as a discretionary, fee-based portfolio manager. We manage client portfolios directly, making the day to day decisions regarding asset allocation, securities selection, and the timing of purchases and sales.

Account management is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax consideration. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We also review and discuss a client's prior investment history, as well as family composition and background, as appropriate.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

McBroom & Associates, LLC will offer clients the following types of Investments:

- 1) Equity Securities
 - a) Exchange-listed securities
 - b) Over-the-counter securities
 - c) Foreign securities traded on a US exchange (ADRs)
- 2) Exchange-traded funds or notes (ETF/ETN) that may or not be long or short, and may or may not be leveraged, investing in
 - a) Stocks
 - b) Bonds
 - c) Commodities
- 3) Certificates of deposit (CDs)
- 4) Municipal Bonds
- 5) United States government securities

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

B. FEES AND COMPENSATION

This account size may be negotiable under certain circumstances. McBroom & Associates, LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Our annual fees for Investment advisory services are based upon a percentage of assets under management, account size, and the types of investments as follows:

- 1% for equity and most bond investments
- 0.4% for municipal bond investments
- 2% for accounts significantly below the minimum size

So in summary, our fees are generally 1%, but can range from 0.4% to 2.0%

McBroom & Associates, LLC retains the right to negotiate an alternative fee schedule on a client-by-client basis depending on client circumstances. These include client complexity, anticipated future assets, related accounts, portfolio style, and account composition.

The specific annual fee schedule is identified in the contract between the adviser and each client.

Discounts may be offered to family members and friends of associated persons of our firm.

We manage funds for clients under a contractual arrangement that mitigates conflicts of interest by charging a fee that captures management, brokerage, and administrative services collectively.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the client contract.

Clients may incur charges for other account services provided and not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for transfers of securities.

McBroom & Associates, LLC does not intend to issue any publications or reports on a subscription basis or for a fee separate from those being charged for its advisory services.

Client accounts are held at custodial firms such as Charles Schwab & Co. or Deutsche Bank.

Neither McBroom & Associates, nor its representatives, have direct access to client funds.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of oral or written notice. A client has the right to terminate a client agreement without fee or penalty within five (5) business days of acceptance of a client agreement. Upon termination of any account, any prepaid, unearned fees will be refunded at the next quarterly billing.

Pre-existing advisory clients are subject to our minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services include portfolio management and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a

wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

Comparable Services Disclosure

Clients should note that lower fees for comparable services may be available from other sources.

C. ADDITIONAL FEES

The Program Fee includes the costs of brokerage commissions for transactions executed through the Qualified Custodian (or a broker-dealer designated by the Qualified Custodian), and charges relating to the settlement, clearance, or custody of securities in the Account. The Program Fee does not include mark-ups and mark-downs, dealer spreads or other costs associated with the purchase or sale of securities, interest, taxes, or other costs, such as national securities exchange fees, charges for transactions not executed through the Qualified Custodian, costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. You will be responsible for these additional fees and expenses.

The Program Fee is separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

D. COMPENSATION TO OTHERS

Our investment adviser representatives receive a portion of the Program Fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment adviser representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate the Program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

A. ACCOUNT REQUIREMENTS

The Adviser requires a minimum of \$1,000,000.00 of assets under management. However, the account size may be negotiable under certain circumstances. McBroom & Associates, LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

B. TYPES OF CLIENTS

The Adviser offers the Program to individuals, trusts, estates, or charitable organizations, and corporations.

6. PORTFOLIO MANAGER SELECTION AND EVALUATION

A. SELECTION AND EVALUATION

The Adviser does not select, review or recommend other investment advisors or portfolio managers. The Adviser, through its associated persons, is responsible for the investment advice and management offered to clients. The Adviser generally requires that individuals involved in determining or giving investment advice have [Insert criteria for your associated persons]. For more information about the associated person of Advisor managing the account, client should refer to the Brochure Supplement for the associated person, which client should have received along with this Brochure at the time client opened the account.

B. ADVISORY BUSINESS

McBroom & Associates, LLC, serves as a discretionary, fee-based portfolio manager. We manage client portfolios directly, making the day to day decisions regarding asset allocation, securities selection, and the timing of purchases and sales.

Account management is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax consideration. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We also review and discuss a client's prior investment history, as well as family composition and background, as appropriate.

McBroom & Associates, LLC will offer clients the following types of Investments:

Equity Securities

- a) Exchange-listed securities
- b) Over-the-counter securities
- c) Foreign securities traded on a US exchange (ADRs)

Exchange-traded funds or notes (ETF/ETN) that may or not be long or short, and may or may not be leveraged, investing in

- a) Stocks
- b) Bonds
- c) Commodities

Certificates of deposit (CDs)

Municipal Bonds

United States government securities

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

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

C. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

McBroom & Associates, LLC does not participate in any performance-based fees or side-by-side management

D. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

The McBroom & Associates, LLC's Methods of Analysis and Investment Strategies are value driven. The firm follows the principals of Benjamin Graham and David Dodd by examining the intrinsic value of an equity. As a result securities are purchased with the idea of holding them in the client's account for a year or longer.

McBroom & Associates, LLC starts with a Fundamental Analysis of all capital sizes of U.S. equities. Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's *actual* business and its future prospects. The analysis is performed on historical and present data. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. When using fundamental analysis McBroom & Associates, LLC looks for at least a 8-year consistency of performance in the equities. Specifically, the equities should show statistically significant yearly increases in earnings, cash flow, book value, and revenue. Additionally, the equities should have a projected 3-year price is at least 200% Higher.

The next step in McBroom & Associates, LLC's analysis is to screen the equity using the firm's proprietary Neural Network Valuation Model ("NNVM"). The NNVM is a mathematical model that has been trained to convert an equity's fundamentals to a corresponding market price in that context of its sector and industry. Based upon the price generated an equity can be purchased or sold. NNVM is updated monthly.

We use the following sources when researching the equities:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission; and
- Company press releases
- Analysis of crowd behavior from stock charts

Material Risks Related to Methods of Analysis and Investment Strategy

Fundamental Analysis Risk: The risk associated with fundamental analysis is that despite that appearance that a security is undervalued, it may not rise in value as predicted.

Individualized Strategy Risk: Account Management is guided by a client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax consideration. As described in Item 13, below, client accounts are regularly monitored. However, the client's circumstances may change effecting his/her risk tolerance, investment objectives or time horizon. Adjustments to a client's investment strategy can be made, but the client may fail to clearly communicate these changes to McBroom & Associates. Additionally, the client may face temporary, unexpected changes to his/her life that renders the current investment strategy inappropriate.

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

Risks Related to Investing in Securities

Clients should understand that investing in any securities involves a risk of loss of both income and principal. All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear**. Investors in securities face the following investment risks:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Interest rate risk:** Fluctuation in interest rates may cause investment process to fluctuate. For example: The chance that bond prices overall will decline because of rising interest rates.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.
- **Inflation Risk:** This is the risk that inflation will undermine the performance of your investment and/or the future purchasing power of your assets.
- **Portfolio Concentration:** In certain situations, accounts may not be diversified among a wide range of types of securities, countries or industry sectors may have more volatility and could be considered to have more risk than accounts that are invested in a greater number of securities because changes in the value of a single security may have more of a significant effect, either

negative or positive. Accordingly, portfolios are subject to more rapid changes in value than would be the case if client maintained a more diversified portfolio.

- **Liquidity Risk:** Liquidity risk exist when particular investments are difficult to purchase or sell, possibly preventing the ability to sell such illiquid securities at an advantageous time or price, or possibly requiring the client to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.
- **International investing risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.
- **Currency Risk:** Investments in Non-U.S. Companies are subject to fluctuations in the value of the dollar against the currency of the investment's originating country.

E. VOTING CLIENT SECURITIES

As negotiated with the client, the Adviser may vote proxy for securities held in clients' accounts. In order to mitigate any conflicts of interest when voting proxies for clients, McBroom & Associates, LLC votes according what it believes to be in the best interest of the client. When McBroom & Associates, LLC does not have authority to vote client securities, clients will receive their proxies or other solicitations directly from the custodian or transfer agent. If a client has questions regarding a particular solicitation or would like to know how their proxies were voted, they can contact McBroom & Associates, LLC at 213-612-4626 or at the Nevada number, 702-750-0277.

7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

The Adviser is responsible for account management of the Program; there is no separate portfolio manager involved. The Adviser obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. The Adviser obtains this information by having the client complete an advisory agreement and other documentation. Clients are encouraged to contact the Adviser if there have been any changes in the client's financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. Client should be aware that the investment objective selected for the program is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Client should further be aware that achievement of the stated investment objective is a long-term goal for the account.

8. CLIENT CONTACT WITH PORTFOLIO MANAGERS

Client should contact Adviser at any time with questions regarding the Program.

9. ADDITIONAL INFORMATION

A. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the Adviser or the integrity of its management. The Adviser has determined that the firm and its management have nothing to disclose under this standard.

B. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

i. BROKER-DEALER AFFILIATION

McBroom & Associates, LLC is not affiliated with a broker-dealer.

ii. FUTURES/COMMODITIES AFFILIATION

McBroom & Associates, LLC is not affiliated with a futures or commodities broker.

iii. OTHER INDUSTRY AFFILIATION

McBroom & Associates, LLC does not have any other industry affiliations.

iv. SELECTION OF THIRD PARTY INVESTMENT ADVISERS FOR CLIENTS

McBroom & Associates, LLC does select or monitor third party investment advisers for its clients.

C. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

i. DESCRIPTION

McBroom & Associates, LLC adopted a Code of Ethics and Professional Standards (the "Code") to help avoid prohibited acts and designed to eliminate potential conflicts of interest. The Code works in conjunction with McBroom & Associates, LLC written Statement of Policy and Procedures (the "Statement") designed to detect and prevent insider trading and to govern personal securities trading. Such statement, among other things, forbids any member or employee of McBroom & Associates, LLC from trading, either personally or on behalf of others on material non-public information or communicating material non-public information to others in violation of the law (i.e., insider trading). It also sets forth McBroom & Associates, LLC policy that clients' interests are always placed ahead of any personal interest. All employees are required to report their personal securities transactions to McBroom & Associates, LLC, designated-supervisor on a periodic basis. McBroom & Associates, LLC believes that the Code and Statement designed to detect and prevent insider trading and to govern personal securities trading are appropriate to prevent or eliminate potential conflicts of interest situations between McBroom & Associates, LLC, its employees and members and McBroom & Associates, LLC clients. The Code of

Ethics is available to you upon request. You may obtain a copy of the Code of Ethics by contacting Yuko DuBois at (213) 612-4626.

ii. MATERIAL INTEREST IN SECURITIES

The Adviser does not have a material interest in any securities. This section is not applicable.

iii. INVESTING IN OR RECOMMENDING THE SAME OR RELATED SECURITIES

Investment transactions for our clients must have priority over investment transactions in which McBroom & Associates or a Supervised Person is the beneficial owner.

D. REVIEW OF ACCOUNTS

i. PERIODIC REVIEWS

Accounts are reviewed daily, in the aggregate, for changes in fundamental and technical factors that could influence the market price of individual securities. Individually, accounts are reviewed each week in terms of portfolio performance and the ability of each portfolio to meet the stated goals and objectives of each client. Formal reviews are conducted each quarter with each client, in person or by telephone, to coincide with quarterly performance reports. If necessary, reviews are conducted more frequently. Mr. McBroom is the sole reviewer.

ii. OTHER REVIEWS

Additional reviews are conducted periodically depending on market conditions, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move or inheritance).

iii. REPORTS

Clients receive trade confirmations and monthly statements from the account custodian. From McBroom & Associates, LLC, they receive quarterly reports which include a portfolio summary, portfolio appraisal, schedule of realized capital gains and losses, performance history, and schedule of interest, dividends, and expenses. Reports may be customized depending on client needs.

E. CLIENT REFERRAL AND OTHER COMPENSATION

i. OTHER COMPENSATION

It is McBroom & Associates, LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients. McBroom & Associates, LLC does not have any arrangements which would cause the receipt of economic benefits providing investment advice or other advisory services to our clients.

ii. CLIENT REFERRALS

In addition, McBroom & Associates, LLC does not directly or indirectly compensate any person or entity for client referrals.

F. FINANCIAL INFORMATION

i. BALANCE SHEET

The Adviser does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, therefore, it is not required to provide a balance sheet.

ii. FINANCIAL CONDITION

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about the Adviser's financial condition that may impair its services. The Adviser has no financial commitment that impairs its ability to service its clients.

iii. BANKRUPTCY

The Adviser has not been the subject of a bankruptcy proceeding.

10. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Registered investment advisers are required to disclose all material facts regarding any relationship with an issuer of securities. Neither the Adviser nor its owners have a relationship with an issuer of securities. Therefore, no information is applicable to this Item.