

Watkinson Capital Advisors LLC

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This brochure provides information about the qualifications and business practices of Watkinson Capital Advisors, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (610) 989-9090 or email address. 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 Watkinson Capital Advisors LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

The United State Securities and Exchange Commission requires that we provide to all clients an annual summary of material changes in ADV Part 2A. This summary discusses only specific material changes that are made to the Brochure since the last revision June 6, 2011. We may further provide other ongoing disclosure information about material changes as necessary, at any time. A complete Brochure may be requested by contacting William Watkinson, Chief Compliance Officer, at Watkinson Capital Advisors LLC. Our Brochure is also available on our web site free of charge at www.watkinsoncap.com. Additional information about Watkinson Capital Advisors LLC is also available via the SEC's web site www.adviserinfo.sec.gov.

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Item 4 Advisory Business

- A. Watkinson Capital Advisors LLC (the “Registrant”) is a limited liability company formed on September, 2009 in the state of Pennsylvania. The Registrant became registered as an Investment Adviser Firm in 2009. The Registrant is owned by William J. Watkinson and Elizabeth R. Watkinson are the Registrant’s Members.
- B. As discussed below, the Registrant offers to its clients (individuals, institutional investors, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management (between negotiable and 1.25 %).

Registrant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant’s services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client’s responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant’s previous recommendations and/or services.

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in

his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of March 30, 2012 the Registrant had \$46,196,000 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary investment advisory services on a *fee only* basis, The Registrant's annual investment advisory fee shall vary (up to 1.25% of the total assets placed under the Registrant's management/advisement) and shall be based upon level and scope of the overall investment advisory services to be rendered, which is based upon **various objective and subjective factors**, including, but not limited to, the amount of the assets placed under the Registrant's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement, Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual debt and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through *Schwab*, or other various SEC registered and FINRA member broker-dealers (in which event, the client shall incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by the account custodian).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires an account minimum of \$250,000 for investment management services. However, Registrant, in its sole discretion, may provide investment management services to clients with accounts less than \$250,000 based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. The Registrant generally requires an annual minimum asset level of \$250,000 for investment advisory services. In the Core + Plus strategy the minimum asset level is \$500,000 for investment advisory services. The Registrant, in its sole discretion, may provide investment advisory services for clients with accounts less than the base minimums in certain circumstances, such as but not limited to these criteria (i.e. anticipated future earnings, anticipated additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. (1) WCA Advantage Strategy

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

Long Term Purchases (securities held at least a year)

The Registrant shall utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

Long Term Purchases (securities held at least a year)

(2) Core + Plus Strategy

This is a hybrid municipal bond strategy which combines aspects of traditionally managed laddered portfolio with an active trading component. This strategy is focused primarily on generating income with some growth potential. This strategy requires the use of margin and leverage. The investment strategy employed involves a high degree of risk and "WCA" cannot guarantee the profitability of the client's accounts. Client accounts will be invested with the majority of the portfolio constructed to maximize income and preserve investment capital. A portion of the portfolio will be available to participate in leveraged active trading.

Securities held in this portfolio are generally but are not limited too, municipal bonds with higher coupons and short call features known as “kicker” or “cushion” bonds. These bonds provide additional yield to the investor but trade at significant premiums above par (\$100). Incorporating short term trading strategies produce a unique opportunity to decrease the amortization of premiums on core holdings and promote portfolio growth. This program seeks to enhance the total return potential of client portfolios that are generally considered conservative in terms of risk tolerance. Allocation percentage of “core” and “trading” is 80% core, 20% levered trading. The combination of investment strategies provides the potential for higher yield and performance in a “blended” return.

“WCA” with respect to the Portfolio shall itself (a) establish and monitor general investment criteria and policies for the Portfolio, (b) review and analyze on a periodic basis such Portfolio holdings and transactions in order to determine their appropriateness. The minimum investment in the “Core - Plus” is \$500,000

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

Clients should be aware that they can lose their principal investment and any funds borrowed should their account fall into negative equity. The following general risks are associated with the investment strategies employed by the strategy a) the selected Portfolio may decline in value if securities in general decline, b) the selected Portfolio may decline in value even if the value of securities in general rises, c) the selected Portfolio might rise less or decline more than the value of securities in general or other alternatives, d) the selected Portfolio may increase in value while the Client’s assets are invested in a money market fund, e) Portfolio losses cannot be precisely limited by the use of stop-loss orders, f) the Adviser may not be able to take full advantage of gains in rising markets.

The risks set forth below represent a general summary of additional risks associated with an investment in one of our programs.

- *Counterparty risk.* The risk that a counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.
- *Credit risk.* Debt securities are subject to the risk that an issuer will fail to make timely payments of interest or principal, or go bankrupt, or that the value of the securities will decline because of a market perception that the owner may not make payment on time. The lower the rating of a debt security, the higher its credit risk.
- *Interest rate risk.* Prices of debt securities tend to move inversely with changes in interest rates. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. The longer the effective maturity and duration of the strategy’s portfolio, the more the value of your investment is likely to react to interest rates.
- *Market risk.* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices.
- *Inflation risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Leverage risk.* The use of leverage may exaggerate the effect of any increase or decrease in the value of an account's holdings, and make any change in an account's investment performance greater than it would be without the use of leverage. This could result in increased volatility of investment returns. Leverage may also increase interest expense, which may lower an account's investment returns. Please read Item 4 of this brochure for information on the maximum amount of leverage used for each program.
- *Futures contracts.* Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be substantially more money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the "futures broker"). The initial margin payment will be deposited with a portfolio's custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio, and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange may order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker's client.
- *Government securities risk.* Not all obligations of the U.S. government's agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

- *High yield bond risk.* The strategy may invest to a limited extent in high yield bonds. High yield (“junk”) bonds involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer’s ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.
- *Municipal bond market risk.* The amount of public information available about municipal bonds is generally less than that for corporate equities or bonds. Special factors, such as legislative changes, and state and local economic and business developments, may adversely affect the yield and/or value of the strategy’s investments in municipal bonds. Other factors include the general conditions of the municipal bond market, the size of the particular offering, the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality, or state in which the strategy invests may have an impact on the value of your investment.
- *Municipal lease risk.* Because municipal leases generally are backed by revenues from a particular source or that depend on future appropriations by municipalities and are not obligations of their issuers, they are less secure than most municipal obligations.
- *Municipal securities risk.* Investments in municipal securities may be affected by a variety of factors in the cities, states and regions in which the strategy invests, as well as the municipal market as a whole. Special factors, such as legislative changes and local and business developments, may adversely affect the yield and/or market value of the strategy’s investments in municipal securities. Other factors include the general conditions of the municipal securities market, the size of a particular offering, the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality, or state in which the strategy invests may have an impact on the value of your investment.
- *Non-diversification risk.* A strategy maybe non-diversified, which means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy’s performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.
- *Options.* Options positions may include both long positions, where a portfolio is the holder of put or call options, as well as short positions, where a portfolio is the seller (writer) of an option. Option techniques can involve a relatively higher level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid, for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short-selling, a theoretically unlimited risk of an increase in a portfolio’s cost of selling or purchasing the underlying securities in the event of exercise of the option.
- *State-specific risk.* A state -specific strategy is subject to the risk of that state’s economy, and the revenues underlying its municipal bonds, may decline. Investing primarily in a single state makes the strategy more sensitive to risks specific to the state and may magnify other risks.

Tax risk. To be tax-exempt, municipal bonds generally must meet certain regulatory requirements. If any such municipal bond fails to meet these regulatory requirements, the interest received by the strategy from its investment in such bonds and distributed to you will be taxable.

The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

- B. The Registrant's primary investment strategy - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategy. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.
- C. Currently, the Registrant's primary investment strategy focuses on purchasing "special situation" municipal bonds (i.e., bonds that the Registrant believes will offer a higher return and/or more yield to the client than other municipal bonds). The Registrant seeks to locate, research and invest in misunderstood, mispriced and undervalued high quality, tax-exempt bonds. The Registrant attempts to accomplish the strategy objective without extending maturities or sacrificing investment quality. The Registrant's goal is to produce a more valuable tax-free investment for clients without materially increasing risk.

Please Note: Strategy Limitations. As indicated above, the Registrant's primary investment strategy focuses on the purchase of "special situation" municipal bonds that the Registrant believes will offer a higher return and/or yield than non-special situation bonds. The Registrant **is not an asset allocator**. Accordingly, the Registrant's investment strategy **may not be an appropriate** strategy for a client's entire investment portfolio. Each client should be guided accordingly.

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

- C. The Registrant shares office space and equipment with *CMG*, an **unrelated** SEC registered investment adviser. *CMG* also provides certain administrative support to the Registrant. Furthermore, the Registrant and *CMG* have entered into a sub-advisory agreement in which the Registrant shall act as the sub-advisor for certain *CMG* clients who seek to invest all or a portion of their assets in municipal securities in accordance with the Registrant's municipal securities investment strategy.

In addition, the Registrant's Principal, William Watkinson, has entered into a consulting arrangement with *CMG* to provide marketing and client development support related to municipal securities investments.

Neither Mr. Watkinson nor the Registrant is a related person of *CMG Capital Management Group, Inc.* ("*CMG*"). The following is set forth for **full disclosure purposes**.

In addition, the Registrant's Principal, William Watkinson, has entered into a consulting arrangement with *CMG* to provide marketing and client development support related to municipal securities investments

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

The Registrant may from time to time enter into relationships with sub advisors to fulfill the investment objectives of the Client. The Registrant in these instances maintains the fiduciary oversight of the Clients Account. Sub-Advisory Agreements are kept on file with the Registrant.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the *Firm* has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting

forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

The Registrant's Chief Compliance Officer, William J. Watkinson, remains available to address any questions that a client or prospective client may have

regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

The Registrant's Chief Compliance Officer, William J. Watkinson, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Schwab*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Watkinson Capital Advisors has identified a limited number of RIA's, each of which provides a unique Investment Management offering to its clients. New RIA's may be added to the list from time to time. In working with a client, the Registrant attempts to determine the general investment goals and risk tolerance of the client, as well as gain a sense of the type and scope of advisory services needed. During these discussions, one or more RIA's may be presented to the client. The choice as to which, if any, RIA is selected is left entirely to the client.

Referral clients do not pay a separate fee to Watkinson Capital Advisors. Watkinson Capital Advisors acts as a "Solicitor", as defined under the Investment Advisers Act of 1940, for the RIA's, and as such is compensated by each RIA according to individual agreements with each. Each RIA provides a separate disclosure of this arrangement to each potential client at the time the RIA's are presented to the client for consideration.

As discussed earlier, referral clients do not pay a fee directly to Watkinson Capital Advisors. Rather, the Registrant is compensated by the RIA to which the client is referred.

The Registrant's Chief Compliance Officer, William J. Watkinson, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. Neither Registrant nor a related person directly or indirectly compensates any person who is not a supervised person for client referrals.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Rule 206(4)-2 Investment Advisors Act 1940 defines in Subsection (d2ii) Custody as Any arrangement (including a general power of attorney) under which the “Advisor” is authorized or permitted to withdraw client funds or securities maintained with a custodian upon their instruction to the custodian. We may be deemed to have limited custody of client funds due to our authority to instruct the custodian to deduct investment management fees from client accounts. With the exception of this authority to deduct our investment management fees, the Registrant does not have custody of client funds or securities

Item 16 Investment Discretion

The client can only determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name for found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc).

Clients should be aware that certain restrictions may limit our ability to employ our strategy, which may result in investment performance that differs from other client accounts

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, William J. Watkinson, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.