

Washington Asset Management II, LLC

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Washington Asset Management II, LLC

Brochure

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This brochure provides information about the qualifications and business practices of Washington Asset Management II, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (703) 975-1615 or rkraemer@washwm.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Washington Asset Management II, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov

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Item 3 **Advisory Business**

- A. Washington Asset Management II, LLC (the “Registrant”) is a limited liability company originally formed on November 4, 2011 in Delaware. The Registrant is directly owned by Stirrup Partners, LLC, a Delaware limited liability company (“Stirrup”), the sole current member of the Registrant. However, under the terms of the Registrant’s operating agreement, it is contemplated that certain employee’s and advisory associates of the Registrant will be granted restricted member interests in the Registrant, subject to certain conditions, including a vesting requirement of ten years, vesting ratably

Stirrup’s member interests are currently owned as follows:

<u>Name</u>	<u>Percentage Ownership</u>
Anthony Sirianni	50%
Eric Nettere	50%

Accordingly, Messrs. Sirianni and Nettere are indirect owners of fifty percent of the Registrant. Anthony Sirianni is the Registrant’s Manager and Chief Executive Officer.

- B. The Registrant offers its clients investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Investment Advisory Agreement with Registrant. The Agreement sets forth the terms and conditions of the engagement including the manner of termination of the Agreement. The Agreement also describes the scope of the services to be provided and the portion of the fee, if any, that is due from the client before the Registrant commences its services. If requested by the client, Registrant may recommend the services of other professionals.

The client is under no obligation to engage the services of any professional recommended by the Registrant. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages a recommended professional, and a dispute arises in connection with such engagement, the Agreement provides that the client acknowledges and agrees that the client’s sole recourse shall be against the engaged professional.

The Registrant prices its services based upon various objective and subjective factors. As a result, Registrant’s clients will pay a variety of fees. Clients should be aware that the services to be provided by the Registrant to any particular client may be available from other advisers at a lower cost as to a particular service or overall.

Non-Investment Consulting/Implementation Services. If requested by the client, the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. However, neither the Registrant,

nor any of its representatives, acts for any client in the capacity of the client's attorney or accountant. No service provided by the Registrant or any of its representatives constitute legal or accounting services. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (e.g., attorneys, accountants and insurance agents), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation regarding use of a third party received from the Registrant.

Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

Inverse/Enhanced Market Strategies. The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index). Such investment strategies may result in increased gains in an advancing market, but could also have the opposite effect of limiting gains or creating losses. The Registrant can provide no assurance that any such strategy will prove profitable or successful. In the event that a client is concerned about the inherent risk in such strategies, the client may wish to direct the Registrant, in writing, not to employ any or all such strategies for the client's accounts.

MISCELLANEOUS

Trade Error Policy. Registrant will reimburse a client's account for losses resulting from the Registrant's trade errors, but will not credit accounts with any gains resulting from trade errors. Gains and losses will be reconciled within the Registrant's custodian firm account and Registrant will retain the net gains and losses.

Client Obligations. In performing its services, Registrant has no obligation to verify any information received from the client or from the client's other professionals. Client expressly authorizes the registrant to rely on any information received by it from such sources. The client is responsible for notifying the Registrant promptly after any change in the client's financial situation or investment objectives in order that the Registrant may review with the client its previous recommendations for the client and evaluate and revise the Registrant's recommendations and the appropriate level of services to be provided to the client.

Disclosure Statement. Registrant will provide each client with a copy of its brochure filed as Part 2A of its Form ADV prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting 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 or Financial Planning and Consulting Agreement has five business days after executing the Agreement to terminate the Registrant's services without penalty.

- C. The Registrant will 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.

The client is responsible for notifying the Registrant promptly after any change in the client's financial situation or investment objectives in order that the Registrant may review with the client its previous recommendations for the client and evaluate and revise the Registrant's recommendations and the appropriate level of services to be provided to the client.

- D. The Registrant does not participate in a wrap fee program.
- E. Registrant is a start-up advisor but expects to have more than \$100 million in assets under management within 120 days after the filing of its initial registration on Form ADV.

Item 4 Fees and Compensation

- A. The client may engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee basis.

INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee basis. The Registrant's annual investment advisory fee varies and may total up to 2.75% of the total assets placed under the Registrant's management/advisement. The amount of the fees charged by Registrant is based upon various objective and subjective factors. These factors include the amount of the assets placed under the Registrant's direct management, the amount of the assets placed under the Registrant's advisement, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. See also the discussion in Item 5.D, Commissions and Fees, below.

Assets placed under the Registrant's advisement are assets that are generally managed directly by the client or by other investment professionals engaged by the client. The Registrant provides review/monitoring services with respect to these assets but does not have trading authority. See Investment Consulting/Monitoring discussion below.

Registrant's annual investment advisory fee includes 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, and the Registrant determines in its sole discretion to provide such services, the Registrant may impose a separate charge for such additional services. The amount of any such separate charge will be set forth in a written notice to the client.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, the Registrant may determine to provide financial planning and/or consulting services including investment and non-investment related matters, including estate planning, insurance planning, etc. on a stand-alone separate fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$250 to \$25,000 on a fixed fee basis, and from \$150 to \$750 on an hourly rate basis. The amount of the fixed fee will depend upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- 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. The Registrant may also bill the client directly. In the case of direct billing, payment is due upon receipt of the Registrant's invoice. The Registrant will deduct fees and/or bill clients quarterly in advance, based upon the market value of the client's 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 Fidelity Investments ("Fidelity") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions. For example, clients will be charged transaction fees for certain no-load mutual funds, as well as commissions for individual equity and fixed income securities transactions. Clients will incur, in addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee will 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 does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a reduced investment management fee and/or require an annual minimum fee or asset level in some circumstances. For example, the Registrant may charge reduced fees or require a reduced asset level in cases of anticipated changes in earnings capacity, the addition of substantial assets to a client account, substantial increases in the dollar amount of assets of the client to be managed by the Registrant, the opening by the client of additional accounts, certain changes in a client's account composition and individual negotiations with a client.

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

1. Clients may purchase investment products recommended by Registrant through, non-affiliated broker dealers or agents.

Item 5 Performance-Based Fees and Side-by-Side Management

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

Item 6 Types of Clients

The Registrant's clients are comprised primarily of individuals, business entities, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. However, as describe above in Item 5.D, Commissions and Fees, the amount of the fee charged or the asset level required may be affected by certain factors.

Item 7 Methods of Analysis, Investment Strategies and Risk of Loss

A. The Registrant may utilize the following methods of security analysis:

- Charting -- an analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices;
- Fundamental -- an analysis performed on historical and present data, with the goal of making financial forecasts;
- Technical -- an analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices; and
- Cyclical-- an analysis performed on historical relationships between price and market trends, to forecast the direction of prices.

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

- Long Term Purchases -- securities held at least a year;
- Short Term Purchases -- securities sold within a year; and
- Trading -- securities sold within thirty (30) days.

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).

- B. 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.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. 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. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

Inverse/Enhanced Market Strategies. The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts. (See Item 4.B above)

Item 8 Disciplinary Information

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

Item 9 Other Financial Industry Activities and Affiliations

None.

Item 10 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. The Registrant maintains an investment policy concerning personal securities transactions. This investment policy is part of Registrant's Code of Ethics. The Code of Ethics 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 the Code of Ethics will be provided to clients 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 truncation 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 Registrant 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 when 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 11 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 Fidelity. The Registrant has a "soft dollar" arrangement with Fidelity. Under the terms of this arrangement, Fidelity provides certain New York Stock Exchange research services to the Registrant without monetary cost, based on the total assets of clients that use Fidelity for execution and/or custodial services. This arrangement presents a conflict of interest in the Registrant's recommendation of Fidelity to its clients.

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 Fidelity (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 a 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.

Conflict of Interest Disclosure: Although not a material consideration when determining whether to recommend that a client utilize the services of Fidelity, an

affiliate of the Registrant, Washington Wealth Management, LLC (WWM) has entered into an arrangement with Fidelity whereby Fidelity will provide WWM with a non-forgivable loan to assist the Registrant with practice transition expenses. Because WWM is an affiliate of registrant and receives an economic benefit, Registrant has a conflict of interest in recommending to clients that they use Fidelity as custodian. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as result of this arrangement. The specific information pertinent information pertaining to the loan is as follows:

1. Fidelity has also provided a loan to WWM to assist its business operations, and the loan is guaranteed by Anthony Sirianni, principal of the Registrant. The terms of the loan require that management fees to WWM be paid to an account at Fidelity for deduction of interest and principal payments pursuant to the loan before WWM may have access to that fee payment. The loan agreement contains various representations by WWM, including various events of default; including that WWM will comply with all laws, contracts, licenses and permits. In the event of an unheeded default under the terms of the loan agreement, Fidelity may terminate and/or accelerate the loan. A default by WWM may materially adversely affect Fidelity's willingness to perform services on behalf of you, since WWM is an affiliate of Registrant.

Some of the products, services and other benefits provided by Fidelity, including the Fidelity Business Loan noted above, benefits WWM, an affiliate of Registrant, but does not benefit Registrant's client accounts. Registrant's recommendation/requirement that a client place assets in Fidelity's custody may be based in part on benefits Fidelity provides to Registrant, and not solely on the nature, cost or quality of custody and execution services provided by Fidelity.

In addition, 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 Fidelity, 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 Fidelity as result of this arrangement. There is no corresponding commitment made by the Registrant to Fidelity 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, Anthony Sirianni, is 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.

2. Although not a material consideration when determining whether to recommend that a client utilize the services of Fidelity, the Registrant may receive client referrals from Fidelity. Because the Registrant would receive an indirect economic benefit from any such referral, the Registrant may have an incentive to recommend Fidelity based upon its interest in receiving client referrals. Therefore, the Registrant has a conflict of interest in recommending to clients that they use Fidelity as custodian.

Before recommending the brokerage/custody services of Fidelity the Registrant first considers its duty to obtain best execution. The Registrant may recommend the brokerage/custody services of Fidelity even if 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 a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as result of this arrangement.

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.

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, Anthony Sirianni, is 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 does not receive any additional compensation or remuneration as a result of such aggregation.

Item 12 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 Principals and Chief Compliance Officer. 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 13 Client Referrals and Other Compensation

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

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as result of this arrangement. There is no corresponding

commitment made by the Registrant to Fidelity 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, Richard Kraemer, is 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. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant will generally pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

Item 14 Custody

- A. The Registrant has 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.

Clients who have their advisory fees debited directly from their custodial accounts are urged to compare any written statement provided by the Registrant with the account statements received from the account custodian to ensure that the proper advisory fee has been deducted from their custodial account. The account custodian does not verify the accuracy of the advisory fee calculation so it is important that the client review amounts deducted from accounts maintained at the account custodian.

Item 15 Investment Discretion

The client can 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 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 (e.g., 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).

Item 16 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 17 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, Richard Kraemer, is available to address any questions that a client or prospective client may have regarding the disclosures and arrangements described in this brochure.