

# Washington Wealth Management

SEC File Number: 801 – 71936



## **Brochure Dated 3/8/2013**

Contact: Serena T. Kokka, Chief Compliance Officer  
3570 Carmel Mountain Road, Suite 150  
San Diego, CA 92130  
[www.washwm.com](http://www.washwm.com)

**This brochure provides information about the qualifications and business practices of Washington Wealth Management, LLC (the “Advisor”). If you have any questions about the contents of this brochure, please contact us at (800) 214-8341 or by mail at 3570 Carmel Mountain Road, Suite 150, San Diego, CA 92130. 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 Wealth Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2     Material Changes**

### **Summary of Material Changes**

This brochure has been amended to update certain information about Washington Wealth Management’s advisory business, including Item 4.D that the Advisor has added a wrap fee program brochure, and Item 4.E to update the Firm’s assets under management.

## **Item 3     Table of Contents**

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	5
Item 6	Performance-Based Fees and Side-by-Side Management .....	8
Item 7	Types of Clients .....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9	Disciplinary Information .....	10
Item 10	Other Financial Industry Activities and Affiliations .....	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11
Item 12	Brokerage Practices .....	12
Item 13	Review of Accounts .....	16
Item 14	Client Referrals and Other Compensation .....	16
Item 15	Custody .....	17
Item 16	Investment Discretion .....	17
Item 17	Voting Client Securities .....	18
Item 18	Financial Information .....	18

#### Item 4     **Advisory Business**

- A.     Washington Wealth Management, LLC (the “Advisor”) is a Delaware limited liability company formed on September 14, 2010 in the Commonwealth of Virginia. The Advisor became registered as an Investment Adviser Firm in October 2010. The Advisor is directly owned by Stirrup Partners, LLC, a Delaware limited liability company (“Stirrup”), the sole member of the Advisor. Stirrup’s member interests are majority owned by Eric Netter. Accordingly, Mr. Netter is the indirect owner of the Advisor.
- B.     The Advisor 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 Advisor to provide planning or consulting services, clients are generally required to enter into an Investment Advisory Agreement with Advisor. 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 Advisor commences its services. If requested by the client, Advisor may recommend the services of other professionals, including the Advisor’s representatives in their individual capacities as registered representatives of a broker-dealer, LPL Financial, and/or in their individual capacities as licensed insurance agents to implement the financial advisory recommendations of the Advisor. See disclosure at Items 10 C.1 & C.8 below.

The client is under no obligation to engage the services of any professional recommended by the Advisor. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Advisor. 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.

**Non-Investment Consulting/Implementation Services** If requested by the client, the Advisor may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. However, neither the Advisor, nor any of its representatives, acts for any client in the capacity of the client’s attorney or accountant. No service provided by the Advisor or any of its representatives constitute legal or accounting services. To the extent requested by a client, the Advisor may recommend the services of other professionals for certain non-investment implementation purposes (e.g., attorneys, accountants and insurance agents), including representatives of the Advisor 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 Advisor.

**Non-Discretionary Service Limitations** Clients that determine to engage the Advisor on a non-discretionary investment advisory basis must be willing to accept that the Advisor 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 Advisor will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

### **MISCELLANEOUS**

**Trade Error Policy** Advisor will reimburse a client's account for losses resulting from the Advisor's trade errors, and will credit accounts with any gains resulting from trade errors. Gains and losses will be reconciled within the Advisor's custodian firm account.

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

**Disclosure Statement** Advisor 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 Advisor'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 Advisor's services without penalty.

- C. The Advisor 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 Advisor shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Advisor's services.

The client is responsible for notifying the Advisor promptly after any change in the client's financial situation or investment objectives in order that the Advisor

may review with the client its previous recommendations for the client and evaluate and revise the Advisor's recommendations and the appropriate level of services to be provided to the client.

- D. We offer wrap fee programs as further described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.
- E. As of December 31, 2012 the Advisor had approximately \$378,702,108 in assets under management on a discretionary basis, and approximately \$182,370,428 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

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

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Advisor to provide discretionary and/or non-discretionary investment advisory services on a fee basis. The Advisor's annual investment advisory fee varies and may total up to 2.75% of the total assets placed under the Advisor's management/advisement. A representative range of annual investment advisory fees presently charged is from .5% to 1.5%. The amount of the fees charged by Advisor is based upon various objective and subjective factors. These factors include the amount of the assets placed under the Advisor's direct management, the amount of the assets placed under the Advisor'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 Advisor's advisement are assets that are generally managed directly by the client or by other investment professionals engaged by the client. The Advisor provides review/monitoring services with respect to these assets but does not have trading authority. See Investment Consulting/Monitoring discussion below.

Advisor'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 Advisor determines in its sole discretion to provide such services, the Advisor 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 Advisor may determine to provide financial planning and/or consulting services including investment and noninvestment related matters, including estate planning, insurance planning, and planning in connection with the purchase of real estate, on a stand-alone separate fee basis. Advisor'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 Advisor's advisory fees deducted from their custodial account. Both Advisor's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Advisor's investment advisory fee and to directly remit that management fee to the Advisor. The Advisor may also bill the client directly. In the case of direct billing, payment is due upon receipt of the Advisor's invoice. The Advisor 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 Advisor shall generally recommend that TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), Fidelity Investments ("Fidelity"), Pershing, LLC ("Pershing"), LPL Financial ("LPL") or Charles Schwab & Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Fidelity, LPL, TD Ameritrade, Pershing and Schwab 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 Advisor'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). To the extent the Advisor has clients located outside of the United States, the Advisor may recommend firms located in the appropriate jurisdiction to serve as broker-dealer/custodian for the client's assets under management.
- D. Advisor's annual investment advisory fee will generally 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 Advisor may also agree that its annual investment advisory fee will be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the quarter to which the fee relates. The Advisor does not generally require an annual minimum fee or asset level for investment advisory services. The Advisor, 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 Advisor 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 Advisor, 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 Advisor 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 Advisor will refund a pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Commission Transactions.** The client may, but is not obligated to, engage certain of the Advisor's representatives, in their individual capacities as registered representatives of LPL Financial, a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through LPL Financial, the broker-dealer will charge brokerage commissions to effect securities transactions, a portion of which commissions will be paid to Advisor's representatives. The brokerage commissions charged by LPL Financial may be higher or lower than those charged by other broker-dealers. In addition, LPL Financial, as well as Advisor's representatives, may receive ongoing 12b-1 trailing commission compensation relating to mutual fund purchases made for a client account, directly from the mutual fund company, during the period that the client maintains the mutual fund investment. A portion of the brokerage commissions and other transaction commissions paid to the Advisor's representatives will either be paid to the Advisor or applied to reduce the compensation payable by the Advisor to its representatives.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from LPL Financial presents a conflict of interest. The receipt of commissions by the Advisor and its representative may provide an incentive to recommend investment products based on commissions to be received by the Advisor and a representative of the client, rather than based on a particular client's need. However, no client is obligated to purchase any products through LPL Financial. Any representative of the Advisor who will earn commissions from a broker-dealer for effectuating a securities transaction will advise the client of this potential conflict of interest before recommending the use of a broker-

dealer. For those clients for whom the purchase of mutual funds is a core recommendation, the Advisor will recommend the purchase of appropriate and suitable no load funds where such funds are available. The Advisor's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above conflict of interest.

2. Clients may purchase investment products recommended by Advisor through other, non-affiliated broker dealers or agents.
3. The Advisor does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Advisor recommends to its clients.
4. When Advisor's representatives sell an investment product on a commission basis, the Advisor does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Advisor's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). However, a client may engage the Advisor to provide investment management services on an advisory fee basis and, separate from such advisory services, purchase an investment product from Advisor's representatives on a commission basis.

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

The Advisor does not currently charge performance-based fees, which are fees based on a percentage of capital gains or capital appreciation in the client's assets under management. However, in the future, certain clients may pay the Advisor performance-based fees. As a result, the Advisor may manage accounts that pay performance-based fees at the same time it manages accounts that pay asset-based fees. This would present a potential conflict of interest by creating an incentive for the Advisor to favor accounts that pay performance-based fees or to recommend more aggressive strategies for such accounts. At such time, the Advisor will monitor accounts that pay performance-based fees, including the investment strategies and trade allocation practices used with such accounts, in order to mitigate such conflicts of interest.

#### **Item 7 Types of Clients**

The Advisor's clients are comprised primarily of individuals, business entities, trusts, estates and charitable organizations located in the United States. The Advisor may also have clients located outside of the United States. The Advisor 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 8 Methods of Analysis, Investment Strategies and Risk of Loss

A. The Advisor 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 Advisor 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 Advisor) will be profitable or equal any specific performance level(s).

B. The Advisor'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 Advisor must have access to current/new market information. The Advisor has no control over the dissemination rate of market information; therefore, unbeknownst to the Advisor, certain analyses may be compiled with outdated market information, severely limiting the value of the Advisor'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 Advisor'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, defined as 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, and is likely to incur higher transaction costs than a short term investment strategy. Trading is also likely to incur substantially higher transaction costs than a longer term investment strategy.

- C. The Advisor allocates client investment assets among different types of securities and investments, including, but not limited to, individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") on a discretionary or nondiscretionary basis in accordance with the client's designated investment objective(s).

## **Item 9 Disciplinary Information**

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

## **Item 10 Other Financial Industry Activities and Affiliations**

- A. As disclosed above in Item 5.E, certain of Advisor's management persons are also registered representatives of LPL Financial, which is a FINRA member broker-dealer.
- B. Neither the Advisor, 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.
  - 1. **Registered Representatives of Broker-Dealers.** Certain representatives of Advisor are registered representatives of LPL Financial, which is a FINRA member broker-dealer. Clients may choose to engage these representatives in their capacities as registered representatives of LPL Financial to implement investment recommendations on a commission basis.
  - 2. **Licensed Insurance Agents.** Certain representatives of Advisor are licensed insurance agents, and they may recommend the purchase of certain insurance-related products on a commission basis. As explained in

Item 4.B above, clients can engage certain of Advisor's representatives to effect insurance transactions on a commission basis.

- **Conflict of Interest:** The recommendation by representatives of the Advisor who are also representatives of broker-dealers or insurance agents that a client purchase a security or an insurance product presents a conflict of interest, because the receipt of commissions by such representatives may provide the representative with an incentive to recommend investment products based on commissions they may receive, rather than on a particular client's need. However, no client is under any obligation to purchase any product the sale of which would pay to a commission to our representatives. Clients are reminded that they may purchase securities and/or insurance products recommended by Advisor through other, non-affiliated broker/dealers and/or insurance agents. The Advisor's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above conflict of interest.

- C. Except for the relationships described in Items 5.E and 10.B neither the Advisor nor any of its management have any relationship or arrangement with a related person and the only conflicts or potential conflicts with such person are those described in Items 5.E and 10.B above.

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

- A. The Advisor maintains an investment policy concerning personal securities transactions. This investment policy is part of Advisor's Code of Ethics. The Code of Ethics serves to establish a standard of business conduct for all of Advisor'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 Advisor also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Advisor or any person associated with the Advisor.

- B. Neither the Advisor nor any related person of Advisor recommends, buys, or sells for client accounts, securities in which the Advisor or any related person of Advisor has a material financial interest.
- C. The Advisor and/or representatives of the Advisor may buy or sell securities that are also recommended to clients. This practice may create a situation where the Advisor 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 Advisor 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 Advisor’s clients) and other potentially abusive practices.

The Advisor has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Advisor’s “Access Persons.” The Advisor’s securities truncation policy requires that Access Person of the Advisor 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 Advisor selects; provided, however that at any time that the Advisor has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Advisor and/or representatives of the Advisor 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 Advisor 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 Advisor has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Advisor’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Advisor recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Advisor to use a specific broker-dealer/custodian), Advisor generally recommends that investment management accounts be maintained at Fidelity. The Advisor has a “soft dollar” arrangement with Fidelity. Under the terms of this arrangement, Fidelity provides certain New York Stock Exchange research services to the Advisor without monetary cost, based on the total assets of clients that use Fidelity for execution and/or custodial services. As described below, the Advisor also has a loan agreement with Fidelity. The Advisor’s borrowing capacity with Fidelity is based, in part, on the total amount of client assets that are custodied with Fidelity. These arrangements present a conflict of interest in the Advisor’s recommendation of Fidelity to its clients.

Prior to engaging Advisor to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Advisor setting forth the terms and conditions under which Advisor shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Advisor considers in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with the Advisor, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Advisor's clients shall comply with the Advisor'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 Advisor 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's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Advisor 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, Advisor's investment management fee. The Advisor'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, the Advisor also has entered into an arrangement with Fidelity whereby Fidelity will provide the Advisor with a non-forgivable loan to assist the Advisor with practice transition expenses. Because Advisor receives an economic benefit, Advisor has a conflict of interest in recommending to clients that they use Fidelity as custodian. Advisor's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as result of this arrangement. The specific information pertaining to the loan is as follows:

1. Fidelity has provided a loan to Advisor to assist its business operations, and the loan is guaranteed by WWM. The terms of the loan require that management fees to Advisor be paid to an account at Fidelity for deduction of interest and principal payments pursuant to the loan before the Advisor may have access to that fee payment. The loan agreement contains various representations by the Advisor, including various events of default, including that Advisor 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,

which may have a material adverse effect on the Advisor's ability to perform services for you.

Some of the products, services and other benefits provided by Fidelity, including the Fidelity business loan noted above, benefit the Advisor and may not benefit Advisor's client accounts. Advisor's recommendation/requirement that a client place assets in Fidelity's custody may be based in part on benefits Fidelity provides to Advisor, 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, Advisor may receive from Fidelity, without cost (and/or at a discount) support services and/or products, certain of which assist the Advisor to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Advisor 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 Advisor 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 Advisor in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Advisor to manage and further develop its business enterprise.

Advisor'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 Advisor 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 Advisor's Chief Compliance Officer 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 Advisor may receive client referrals from Fidelity. Because the Advisor would receive

an indirect economic benefit from any such referral, the Advisor may have an incentive to recommend Fidelity based upon its interest in receiving client referrals. Therefore, the Advisor has a conflict of interest in recommending to clients that they use Fidelity as custodian.

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

3. The Advisor 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 Advisor 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 Advisor. 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 Advisor 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 Advisor.

The Advisor's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement.

4. In some cases, the Advisor or its Investment Adviser Representatives may absorb the cost of transaction fees for trading as a service to their clients. As a result, the Advisor or its Investment Adviser Representatives might

have a financial incentive to recommend less frequent trading than is appropriate for a client.

The Advisor's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Advisor provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Advisor decides to purchase or sell the same securities for several clients at approximately the same time. The Advisor 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 Advisor'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 Advisor does not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13 Review of Accounts**

- A. For those clients to whom Advisor provides investment supervisory services, account reviews are conducted on an ongoing basis by the Advisor's Principals and Chief Compliance Officer. All investment supervisory clients are advised that it remains their responsibility to advise the Advisor 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 Advisor on an annual basis.
- B. The Advisor may conduct account reviews separate from a 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 Advisor may also provide a written periodic report summarizing account activity and performance.

### **Item 14 Client Referrals and Other Compensation**

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



Advisor'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 Advisor 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 Advisor's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflicts of interest any such arrangements may create.

- B. If a client is introduced to the Advisor by either an unaffiliated or an affiliated solicitor, Advisor 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 Advisor's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Advisor 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 Advisor'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 Advisor and the solicitor, including the compensation to be received by the solicitor from the Advisor.

## **Item 15 Custody**

The Advisor 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 Advisor 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 Advisor 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 16 Investment Discretion**

The client can determine to engage the Advisor to provide investment advisory services on a discretionary or non-discretionary basis. Prior to the Advisor assuming discretionary authority over a client's account, client shall be required to execute Investment Advisory

Agreement, naming the Advisor as client's attorney and agent in fact, granting the Advisor 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 Advisor on a discretionary basis may, at any time, impose restrictions, in writing, on the Advisor'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 Advisor's use of margin).

#### **Item 17 Voting Client Securities**

- A. The Advisor 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 Advisor to discuss any questions they may have with a particular solicitation.

#### **Item 18 Financial Information**

- A. The Advisor does not solicit fees of more than \$1,200 per client, six months or more in advance.
- B. The Advisor 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 Advisor has not been the subject of a bankruptcy petition.