



Fabian Wealth Strategies, Inc.

3070 Bristol Street
Suite 610
Costa Mesa, CA 92626
800-391-1118
<http://www.fabianwealth.com/>

Form ADV, Part 2A Brochure

March 27, 2014

This brochure provides information about the qualifications and business practices of Fabian Wealth Strategies, Inc. If you have any questions about the contents of this brochure, please contact us at 800-391-1118 or info@fabianwealth.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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Fabian Wealth Strategies, Inc. or any person associated with Fabian Wealth Strategies, Inc. has achieved a certain level of skill or training. Additional information about Fabian Wealth Strategies, Inc. is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Revised March 26, 2013

The purpose of this page is to inform you of any material changes since the previous annual update to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Fabian Wealth Strategies, Inc. ("FWS") reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes made to our brochure since the annual update. You can read more details on the items below in the text of the brochure (see the Table of Contents to find each section).

David Fabian and Michael Fabian resigned from FWS. As a result, we have made the following material changes since the annual update to our brochure, dated February 20, 2013:

Item 4 - Advisory Business

- We have made changes to the membership of our investment committee.

Item 13 - Review of Accounts

- We have made changes to the individuals responsible for reviewing accounts.

ITEM 3 - TABLE OF CONTENTS

ITEM 1 - COVER PAGE.....	1
ITEM 2 - MATERIAL CHANGES	2
ITEM 3 - TABLE OF CONTENTS	3
ITEM 4 - ADVISORY BUSINESS	6
Description of Advisory Firm	6
Advisory Services Offered.....	6
Tailored Services and Client Imposed Restrictions.....	8
Wrap Fee Programs	8
Assets Under Management	8
ITEM 5 - FEES AND COMPENSATION.....	8
Fee Schedule.....	8
Billing Method	10
Other Fees and Expenses.....	10
Termination	11
Other Compensation	11
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	11
ITEM 7 - TYPES OF CLIENTS.....	11
Account Requirements	11
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	12
Methods of Analysis and Investment Strategies	12
General Risk of Loss Statement	16
Specific Security Risks	16
ITEM 9 - DISCIPLINARY INFORMATION	24
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	24
Dual Registration as Insurance Agency.....	24
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	25
Code of Ethics	25
Participation or Interest in Client Transactions.....	28
ITEM 12 - BROKERAGE PRACTICES.....	28
Factors Considered in Selecting Broker-Dealers for Client Transactions	28

Aggregation and Allocation of Transactions.....	30
ITEM 13 - REVIEW OF ACCOUNTS	30
Managed Account Reviews	30
Account Reporting	31
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION.....	31
Solicitors	31
Outside Compensation	31
ITEM 15 - CUSTODY	31
ITEM 16 - INVESTMENT DISCRETION	32
ITEM 17 - VOTING CLIENT SECURITIES	32
ITEM 18 - FINANCIAL INFORMATION	33
Form ADV, Part 2B Brochure Supplement	i
ITEM 1 - COVER PAGE	i
Doug Fabian.....	ii
ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE	ii
ITEM 3 - DISCIPLINARY INFORMATION	ii
ITEM 4 - OTHER BUSINESS ACTIVITIES	ii
ITEM 5 - ADDITIONAL COMPENSATION.....	ii
ITEM 6 - SUPERVISION	iii
Todd Clucas	iv
ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE	iv
ITEM 3 - DISCIPLINARY INFORMATION	iv
ITEM 4 - OTHER BUSINESS ACTIVITIES	iv
ITEM 5 - ADDITIONAL COMPENSATION.....	iv
ITEM 6 - SUPERVISION	iv
Thomas Lam	v
ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE	v
ITEM 3 - DISCIPLINARY INFORMATION	v
ITEM 4 - OTHER BUSINESS ACTIVITIES	v
ITEM 5 - ADDITIONAL COMPENSATION.....	v
ITEM 6 - SUPERVISION	v
Christopher Versace.....	vi
ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE	vi

ITEM 3 - DISCIPLINARY INFORMATION	vi
ITEM 4 - OTHER BUSINESS ACTIVITIES	vi
ITEM 5 - ADDITIONAL COMPENSATION.....	vi
ITEM 6 - SUPERVISION	vii
Privacy Information	A

ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Fabian Wealth Strategies, Inc. ("FWS," "we," "our", or "us") is a privately owned corporation headquartered in Costa Mesa, CA. FWS is registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC).

Doug Fabian originally founded FWS in June 2001 as an investment radio production company. FWS registered as an investment adviser with the State of California on July 12, 2007, and transitioned to SEC registration on April 8, 2009.

Advisory Services Offered

FWS offers the following services to advisory clients:

Investment Management Services

FWS provides continuous and regular investment supervisory services on a discretionary basis. FWS has the ongoing responsibility to select and make recommendations, based upon the objectives of the client, as to specific securities or other investments that we purchase or sell in client accounts. FWS specializes in managing portfolios using exchange traded funds (ETF). We also use mutual funds, fixed income assets, closed-end funds, unit investment trusts, and cash in managing client accounts.

FWS may offer investment advice on any investment held by the client at the start of the advisory relationship. We may also occasionally offer advice regarding additional types of investments if appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. We describe the material investment risks for many of the securities that we recommend under the heading ***Specific Security Risks*** in **Item 8** below.

FWS' investment committee makes all client investment decisions. Doug Fabian makes all final investment decisions.

FWS offers four different portfolio types for managing client accounts:

1. Steady Growth;
2. Steady Income;
3. Thematic Growth; and
4. Managed Fixed Income

We describe the investment strategy for each portfolio type in **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss** below.

We discuss our discretionary authority below under **Item 16 - Investment Discretion**. For information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below.

We describe the Fees charged for investment management services below under **Item 5 - Fees and Compensation**.

Limitations on Investments

Limitation by Plan Sponsor/Employer

In the event FWS is managing assets within a retirement plan such as 401(k), 403(b), ORP or other employer plan, FWS is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, FWS can only make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

Limitation by Issuer

In the event FWS is managing assets within an annuity, FWS is limited to those investment options made available by the insurance company.

Limitation by Type of Security

Limitation on Equities

FWS does not generally invest in individual equity securities. However, we do hold individual positions as an accommodation to clients. We will only transact in individual equities when selling existing holdings of new accounts and/or at the client's request.

FWS utilizes debt-related ETFs and mutual funds only. We typically do not conduct individual fixed income securities transactions except when liquidating existing positions in new client accounts. Clients that consider our managed fixed income portfolio will receive a copy of SNW Asset Management's Form ADV 2 brochure and supplement(s). Clients should review SNW's brochure information as it contains more additional risks and disclosures that pertain to individual fixed income investments. See **Managed Fixed Income Portfolio** above for more information.

Mutual Fund Limitations

No Load Mutual Funds

FWS generally limits recommendations of mutual funds to no load funds or equivalent investment products.

REIT Funds

FWS does not utilize individual real estate investment trusts (REITs), but may recommend mutual funds or exchange traded funds that include REITs within the underlying fund holdings.

Limitation by Custodian

There may also be limitations on the mutual funds that we recommend. All clients establish brokerage accounts with Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), registered broker-dealer, Member SIPC. FWS is limited to the mutual funds available through Fidelity.

Limitation by Client

FWS may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

Tailored Services and Client Imposed Restrictions

FWS manages client accounts based on the investment strategy chosen by the client, as discussed below under ***Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss***. FWS applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep FWS informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want FWS to buy or sell certain specific securities or security types in the account. FWS reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

Wrap Fee Programs

FWS does not manage accounts as part of a wrap or bundled fee program.

Assets Under Management

FWS manages client assets in discretionary accounts on a continuous and regular basis. As of 03/26/2014, the total amount of assets under our management was \$85,197,462.

ITEM 5 - FEES AND COMPENSATION

Fee Schedule

Investment Management Services

FWS charges advisory fees for investment management services. FWS's advisory fees are charged based on a percentage of the client's total assets under management, according to the following schedules:

Steady Growth Portfolio

<u>Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$749,999	2.00%
\$750,000	\$1,499,999	1.50%
\$1,500,000	\$2,999,999	1.25%
\$3,000,000+		Negotiable

Steady Income Portfolio

<u>Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$749,999	1.50%
\$750,000	\$1,499,999	1.25%
\$1,500,000	\$2,999,999	1.00%
\$3,000,000+		Negotiable

Thematic Growth Portfolio

<u>Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$249,999	2.25%
\$250,000	\$749,999	2.00%
\$750,000	\$1,499,999	1.75%
\$1,500,000	\$2,999,999	1.50%
\$3,000,000+		Negotiable

*Managed Fixed Income Portfolio**

<u>Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$1,999,999	0.75%
\$2,000,000	\$2,999,999	0.60%
\$3,000,000+		Negotiable

Once the client reaches a breakpoint, we bill all assets under management in the portfolio at the lower rate.

*FWS will pay separately from its own account, the fee charged by SNW Asset Management for the managed fixed income portfolio. See the portfolio description under **Item 8** below for further details.

Our standard fee schedule may be negotiable based on a number of factors, which include but are not limited to “grandfathered” accounts, related accounts, and other structures that we may consider in special situations. We also manage some accounts for family and friends without charge.

Billing Method

Investment Management Services

FWS's advisory fees are payable monthly in advance at the beginning of each calendar month. We charge one twelfth of the annual fee each month based on the market value of the client's portfolio as of the last day of the prior calendar month. The formula used for the calculation is as follows: $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Month-End) / 12$.

For new client accounts, the first payment is a pro-rata calculation. The calculation will take into consideration the number of days remaining in the month and the initial value of the portfolio. The formula used to calculate the initial advisory fee is as follows: $(Result\ of\ Monthly\ Calculation) \times (Days\ Remaining\ in\ Month) / (Total\ Number\ of\ Days\ in\ Month)$.

For advisory fee calculation purposes, a calendar month is a period beginning on the first day of the month and ending on the last day of the month. A day is any calendar day including weekends and holidays.

FWS may aggregate client accounts that have family or business relationships with each other for purposes of calculating the advisory fees applicable to each client.

It is up to the client whether they wish to have the advisory fees withdrawn directly from their Fidelity account or pay by check. With client authorization, FWS will automatically withdraw FWS's advisory fee from the client's account at Fidelity. Fidelity withdraws advisory fees from the client's account based on our instruction. All clients will receive brokerage statements from Fidelity no less frequently than quarterly. The Fidelity statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their Fidelity account.

For those clients who choose not to have advisory fees withdrawn directly from their Fidelity accounts, payment of advisory fees is due upon receipt of FWS' billing invoice. The invoice will include the account value, fee calculation, and amount due.

Other Fees and Expenses

FWS's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees client pays to FWS. See **Item 12 -Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to FWS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in

their portfolios are effectively paying both FWS and the mutual fund manager for the management of their assets.

Termination

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing FWS at our office.

If FWS terminates the Account, the current management fee will be pro-rated to the notice date and refunded to client. If the client terminates the Account, FWS will not refund any portion of the current management fee but, at our discretion, may choose not to bill client for that portion of the following month's fee, which falls within the client's 30-day notice.

If either party terminates the investment advisory agreement, FWS will not liquidate any securities in the account unless authorized in writing by the client. In the event of client's death or disability, we will continue management of the account until an authorized party notifies us of client's death or disability and provides alternative instructions. Upon termination, we will send an invoice for all outstanding unpaid management fees owed to any client that pays separately (via invoice).

Other Compensation

FWS does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Insurance Commissions

See ***Dual Registration as Insurance Agency*** under ***Item 10*** below.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

FWS does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

ITEM 7 - TYPES OF CLIENTS

FWS offers discretionary investment advisory services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit sharing plans and businesses.

Account Requirements

Generally, FWS requires clients to maintain a minimum account size of \$250,000. Significant funds withdrawal may result in a request for additional fund deposits to continue with management of accounts. We generally combine family accounts to meet the account size minimum. FWS may reduce or waive the account minimum requirements at our discretion.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

General Investment Strategies

FWS generally uses diversification in an effort to optimize the risk and potential return of a portfolio. More specifically, we may utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. Each client's portfolio selection is determined in accordance with the clients' investment objectives, risk tolerance, time horizon.

FWS's general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. FWS assists our clients to develop an Account Information and Investment Objectives Form. This statement typically outlines the client's investment experience, objectives, time horizon, risk tolerance, and any special considerations and/or restrictions the client chooses to place on the management of the account. FWS will then make portfolio recommendations that are consistent with the client's Account Information and Investment Objectives Form. We deal with any client restrictions on an account-by-account basis.

Client portfolios with a similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence FWS's investment decisions. Clients who buy or sell securities on the same day may receive different prices.

Each portfolio maintains a target asset allocation. Generally, FWS reviews each client's portfolio every quarter to evaluate the extent to which the actual allocation matches the target allocation. When we consider the variance excessive, FWS takes appropriate actions (buys and sells) in order to bring the actual allocation within acceptable range of the target allocation. We refer to this process as "re-balancing." Since we believe that all investments are subject to cycles, this process of re-balancing offers a systematic process to help us sell when investment categories have been in favor and to buy when they have been out of favor.

Investment Portfolios

FWS offers four different portfolio types for managing client accounts. Based on the client's personal situation as described in the client's Account Information and Investment Objectives form, we will generally recommend managing the client's assets following one of the four portfolios. Our methods of analysis and investment strategies for each portfolio are as follows:

Steady Growth Portfolio

FWS manages our growth portfolios using a combination of fundamental and technical analysis. FWS may allocate assets among both foreign and domestic equities and bonds using investments that can include any or all of the following: exchange traded funds, closed end funds, open-end funds, and unit investment trusts. FWS employs risk management tools in an effort to limit downside volatility. Our investment philosophy is to build core positions into a client's portfolio then add sectors and special

situations for greater growth potential. FWS will use money market funds in an effort to preserve capital in a client's portfolio during market declines. We will also utilize bear market funds when deemed appropriate.

Steady Income Portfolio

FWS manages assets for income investors utilizing a combination of both fundamental and technical analysis. The objective is to produce a high monthly income stream for clients. FWS will use any or all of the following investments within a client's income portfolio: exchanged traded funds, fixed income assets, closed and open-ended mutual funds and unit investment trusts. FWS monitors and analyzes the long-term trends in US treasury bonds, the US dollar, and stock indexes for a macro picture on economic trends both in the US and abroad. Depending on our outlook on interest rate direction, FWS may build portfolios in high-income assets. FWS also believes in holding assets of commodity-based equities that offer monthly income streams.

Thematic Growth Portfolio

FWS manages the portfolio at the direction of Chris Versace. The portfolio's objective is to seek absolute return using equities, ETF's, ADR's, and options. The portfolio is constructed based on themes and structural shifts that could potentially offer upside appreciation in companies that might benefit from that shift. This fundamental analysis will generally be complemented by other factors such as earning expectations, dividends, insiders and management, holders and short interest, and technical analysis. During periods of uncertainty, the fund may use money markets in seeking a safe harbor or utilize inverse ETF's to express a view. The minimum investment in the Thematic Growth Portfolio is \$100,000. Clients should consider the higher risk of capital within Thematic Growth Portfolio before deciding to invest.

Managed Fixed Income Portfolio

FWS manages our individual fixed income portfolio in conjunction with a separate account manager that specializes in investment-grade municipal, corporate, and government bond securities. SNW Asset Management will supervise and implement, in conjunction with FWS, a portfolio strategy designed to produce income from individual bond securities for high net worth clients. The portfolio may consist of individual domestic municipal bonds, investment-grade corporate bonds, government bonds, and cash. The minimum asset size for investment in the fixed income portfolio is \$1,000,000. Clients will be required to complete a suitability questionnaire and separate account application for participation in this portfolio.

Methods of Analysis for Selecting Securities

FWS may use fundamental, cyclical, charting, and/or technical analysis in the selection of individual securities.

Fundamental Analysis

Fundamental analysis typically involves analysis of financial statements, the general financial health of companies, and /or the analysis of management or competitive advantages.

Cyclical Analysis

Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Charting Analysis

Charting analysis involves the use of patterns in performance charts. FWS uses this charting technique to search for patterns in an effort to predict favorable conditions for buying and/or selling a security.

Technical Analysis

The profitability of technical analysis depends upon the accurate forecasting of major price moves or trends in the securities traded by FWS. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may under perform other trading methods when fundamental factors dominate price moves within a given market.

The calculations that underlie FWS's system, methods, and strategies involve many variables, including determinants from information generated by computers and/or charts. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing trade information. Accordingly, no assurance is given that the decisions based on computer-generated information will produce profits for a client's account.

Mutual Funds

In analyzing mutual funds, FWS may use various sources of information including data provided by Morningstar, Bloomberg Professional, the fund company's website, and other online resources as needed. We review key characteristics such as historical performance, consistency of returns, risk level, and size of fund.

Specific Investment Strategies for Managing Portfolios

FWS may use tactical asset allocation, cash as a strategic asset, long-term holding, short-term trading, trend, defensive, leverage, and/or inverse/enhanced market strategies in the construction and management of client portfolios.

Tactical Asset Allocation

FWS may use a tactical asset allocation strategy in the shorter term to deviate from a client's long-term strategic asset allocation target in an effort to take advantage of what we perceive as market pricing anomalies or strong market sectors or to avoid perceived weak sectors. Once FWS achieves the desired

short-term opportunities or perceives that opportunities have passed, we generally return a client's portfolio to the original strategic asset mix.

Cash as a Strategic Asset

FWS may use cash as a strategic asset and may at times move or keep client's assets in cash or cash equivalents. FWS makes no guarantees, promises, or warranties as to the accuracy of our market analysis.

Long-term Holding/Short-term Trading

FWS does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase. However, price fluctuations and other factors may cause us to sell a security for a client when the client has held the position for less than 30 days.

Trend Strategies

FWS manages client assets using a trend following methodology based on the 200-day average and grounded in a strong sell discipline for all positions within the portfolio.

Defensive Strategies

If FWS anticipates poor near-term prospects for equity markets, we may adopt a defensive strategy for clients' accounts by investing substantially in fixed income securities and/or money market instruments. FWS invests client accounts and determines allocations using our discretion. Actual allocation will vary over time in accounts. Account allocations are likely to vary significantly compared to the overall equity markets as well as compared to any particular benchmark.

Leverage

FWS may use leveraged ETFs in an effort to increase portfolio returns in our Thematic Growth Portfolio. We determine the amount of leverage to employ and the precise techniques to use based on each client's risk tolerance and overall financial situation, as well as current and anticipated future market conditions. While the use of leverage can increase returns, it can also magnify losses.

Inverse/Enhanced Market Strategies

FWS may also use leveraged 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 one 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; or
2. Enhanced relationship to certain market indices (at a rate of one or more times the actual result of the corresponding index) as an investment strategy and/or in an effort to increase gains in an advancing market.

There can be no assurance that any such strategy will prove profitable or successful.

General Risk of Loss Statement

Prior to entering into an agreement with FWS, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to FWS for investment on a long-term basis. This is typically a minimum of five to seven years.

Specific Security Risks

General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks that usually tracks a specific index or sector. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index or that fall into a particular sector. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

Exchange-Traded Notes (ETNs)

An ETN is a senior, unsecured, unsubordinated debt security by an underwriting bank whose primary objective is to achieve the same return as a particular market index. Similar to other debt securities, the credit of the issuer is the only backing for ETNs, which have a maturity date. Although performance contractually ties to whatever index the ETN is intended to track, ETNs do not have any assets, other than a claim against their issuer for payment according to the terms of the contract. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETNs trade throughout the day on an exchange. ETNs, as debt instruments, are subject to risk of default by the issuing bank as counter party. This is the major design difference between ETFs and ETNs: ETFs are only subject to market risk whereas ETNs are subject to both market risk and the risk of default by the issuing bank.

Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

Professionally Managed

Mutual funds are professional managed by investment adviser who research, select, and monitor the performance of the securities the fund purchases.

Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors

can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

Money Market Funds

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

Bond Funds

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

Stock Funds

Although a stock fund’s value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

Growth Funds

Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.

Income Funds

Income funds invest in stocks that pay regular dividends.

Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Funds

Funds that invest in companies with smaller market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

International Funds

International investments are subject to additional risks, including currency fluctuation, political instability, and potential illiquid markets.

Emerging Market Funds

Funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk. For example, products of companies that technology funds invest in may be subject to severe competition and rapid obsolescence.

REIT Funds

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

Real Estate Funds

Investments in real estate funds are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk, and diversification risk.

TIPS Funds

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk. FWS does not utilize individual TIPS, but may recommend mutual funds and exchange traded funds that include TIPS within the underlying fund holdings.

Tax Consequences of Mutual Funds

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on the *fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit, and cannot use losses to offset these gains.

Closed-end Fund

Closed-end funds generally do not continually offer their shares for sale. Rather, they sell a fixed number of shares at one time, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. Risk factors pertaining to closed-end funds vary from fund to fund. The following list of risk factors provides a review of those associated with generalized closed-end fund investing. Not every risk factor in this list will pertain to each closed-end fund.

Market Risk

Securities may decline in value due to factors affecting securities markets generally or particular industries. The value of a trust/fund may be worth less than the original investment.

Valuation Risk

Common shares may trade above (a premium) or below (a discount) the net asset value (NAV) of the trust/fund's portfolio. At times, discounts could widen or premiums could shrink, and could either dilute positive performance or compound negative performance. There is no assurance that discounted funds will appreciate to their NAV.

Interest Rate Risk

Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the bonds and/or other income-related instruments in a fund's portfolio will decline in value because of increases in market interest rates. The prices of longer-maturity securities tend to fluctuate more than shorter-term security prices.

Credit Risk

One or more securities in a trust/fund's portfolio could decline or fail to pay interest or principal when due. Income-related securities of below investment grade quality are predominately speculative with respect to the issuer's capacity to pay interest and repay principal when due and, therefore, involve a greater risk of default.

Concentration Risk

A trust/fund that invests a substantial portion of its assets in securities within a single industry or sector of the economy may be subject to greater price volatility or adversely affected by the performance of securities in that particular sector or industry.

Reinvestment Risk

Income from a trust/fund's bond portfolio will decline when the trust/fund invests the proceeds from matured, traded, or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the common shares' market price or their overall returns.

Leverage Risk

The use of leverage may lead to increased volatility of a trust/fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the trust/fund's portfolio, which may lead to increased market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares that take place from changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.

Foreign Investment Risk

Investment in foreign securities (both governmental and corporate) may involve a high degree of risk. Trusts/funds invested in foreign securities are subject to additional risks such as, but not limited to, currency risk and exchange-rate risk, political instability, and economic instability of the countries from where the securities originate. In regards to debt securities, such risks may impair the timely payment of principal and/or interest.

Alternative Minimum Tax (AMT)

A trust/fund may invest in securities subject to the alternative minimum tax.

Fluctuating Dividends in Actively Managed Portfolios

The composition of the trust/fund's portfolio could change, which, all else being equal, could cause a reduction in dividends paid to common shares. Certain closed-end funds invest in common stocks. There is no guarantee of dividends from these common stocks. Fluctuations in dividend levels over time, up and down, are to be expected.

Unit Investment Trust (UITs)

Unit Investment Trusts make a one-time public offering of only a specific, fixed number of redeemable securities called "units." These units terminate and dissolve on a date specified at the creation of the UIT. Each unit of the UIT represents a pro rata share of a diversified portfolio of securities.

Diversification can help minimize the credit risks of individual securities within the portfolio. Some fixed income UITs may concentrate in bonds of a particular type of issuer and are therefore less diversified and subject to greater risk than a more diversified portfolio.

In general, fixed income UITs are either insured or rated investment grade. Investors may pay a sales charge or load when they purchase units (also known as a "front-end sales load") or a deferred or "back-end" sales charge when redeeming units. UITs that charge front-end sales loads sometimes offer discounts on the sales load based on the dollar amount or number of units purchased. The UIT discount breakpoints are substantially similar to breakpoint discounts in the sale of mutual fund shares. Most fixed income UITs generally require a minimum investment of \$5,000. Most equity UITs require a minimum investment of \$1,000.

There are three basic types of UITs:

Taxable Fixed Income

Taxable fixed income UITs include portfolios of U.S. Treasury, U.S. agency, and corporate issues that provide monthly, quarterly, or semi-annual income.

Tax Advantaged Fixed Income

Tax advantaged fixed income UITs include portfolios of municipal bonds that provide monthly or semi-annual tax-free income. A portion of the interest they generate may be subject to state or local taxes. In addition, some taxpayers may be subject to federal or state alternative minimum taxes for portions of the income earned from these UITs. Investors should consult a tax professional regarding their individual tax situation.

Equities

Equity UITs include portfolios of equity securities that provide potential for capital appreciation and/or income.

Features and Risks of UITs may include:

Liquidity

With a few exceptions, an investor can sell a UIT at its liquidation price in the secondary market. Like mutual funds, UITs have a public offering price (POP) and a net asset value (NAV).

Scheduled Distributions

Issuers design fixed income UITs to pay a consistent distribution amount each payment period but the distribution amount does change as each bond in the trust retires and repays its capital investment. Because of changing interest rates, refundings, or defaults on the underlying securities held in the UIT portfolio, and other factors, distribution amounts may fluctuate.

Scheduled Maturity

As with shares of mutual funds, unit prices of UITs fluctuate daily and there is no guarantee that the price, when redeemed, will equal or exceed the purchase price. Since fixed income UIT portfolios are fixed, investors can easily review the specifics on each security and determine when to expect returns on their investment capital.

Insurance

Issuers insure many UITs for the timely payment of interest and principal. These UITs usually carry a lower yield than uninsured UITs because of the cost involved in purchasing this insurance by the sponsor.

No On-Going Management

While the lack of management fees is one reason investors are attracted to UITs, and while intensive research goes into the original selection of the securities, holding a security that does not provide ongoing management may be disconcerting to an investor.

Interest Rate Risk

Fixed Income UITs are susceptible to fluctuations in interest rates. If interest rates rise, bond prices within the UIT and the value of each unit will decline despite the lack of change in bond coupons and maturities.

Call Risk

If any of the bonds within a UIT are called, the par value of the UIT will drop and the unit holder will directly receive the principal payment just like a regular bond. Unlike a mutual fund, which buys additional bonds when a bond it holds is called or matures, a UIT pays the proceeds directly to the unit holders. There is no reinvestment.

Resale Risk

There are some cases when an investor cannot sell a UIT unit. If the UIT is at the end of its life and the price per unit is very low, or if it no longer has an offering price, then it is likely that the sponsor will no longer accept liquidations on the trust. Units sold prior to maturity may be subject to a gain or loss.

Concentration Risk

Some fixed income UITs may concentrate in bonds of a particular type of issuer and are therefore less diversified and subject to greater risk than a more diversified portfolio.

Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific

to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

Debt Securities (Bonds)

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Real Estate Investment Trusts

REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans.

Investing Outside the U.S.

FWS may invest in ETFs/mutual funds that hold issues of foreign countries. Investing outside the United States may involve additional risks. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

Cash and Cash Equivalents

Client accounts may hold cash or invest in cash equivalents, which are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

ITEM 9 - DISCIPLINARY INFORMATION

FWS does not have any disciplinary information to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Dual Registration as Insurance Agency

FWS also holds an agency insurance license with the California Department of Insurance (license # OG87212). We establish agency relationships with FWS personnel that also hold individual insurance

agent licenses. FWS and our agents may sell insurance products to advisory clients and receive commissions on the sale of insurance products. The insurance commissions are separate from and in addition to any advisory fees that a client may pay to FWS for investment advisory services. Clients are under no obligation to act upon any recommendations of FWS or our agents or to effect any transactions through the agents if they decide to follow the recommendations. In all cases, we fully disclose insurance commissions to the client.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

FWS believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. FWS's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

FWS's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. FWS's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable state and federal securities laws. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

FWS prohibits all personnel from acting upon any material, non-public information, as defined under federal securities laws and our Code of Ethics insider trading policy.

FWS will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading Practices

FWS and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for the client account. FWS and our personnel may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of FWS and our personnel.

2. FWS prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If we wish to purchase or sell the same security as we recommend or take action to purchase or sell for a client, we will not do so until the custodian fills client orders. (except when the transaction meets our **de minimis policy** described below or when we are aggregating personal and proprietary trades with client trades as disclosed under **Aggregation with Client Orders** below) As a result of this policy, it is possible that clients will receive a better or worse price than FWS or any employee for the same security on the same day as a client or one or more days before or after the client's transaction.
4. Conflicts of interest also may arise when FWS's personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. FWS's personnel are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.

De minimis Policy

Securities transactions by FWS and its personnel are generally subject to a pre-clearance policy that seeks to make personal trading consistent with our fiduciary duty to clients. However, FWS and our personnel are not required to pre-clear certain de minimis transactions that we believe would not adversely affect client interests or the securities markets when conducting small transactions in largely capitalized/frequently traded securities. FWS and our personnel are not required to pre-clear the following types of transactions:

Equity Securities

The transaction is under \$10,000 and the security has a market capitalization of over \$2 billion and the security trades on the NYSE or other domestic exchange/financial market, including NASDAQ (excluding all options).

Exchange Traded Funds

The transaction is under \$10,000 and the security has an average daily trading volume of over one million shares and the security trades on the NYSE/AMEX or other domestic exchange/financial market, including NASDAQ.

Debt Securities

The bond purchase or sale is less than \$50,000 in principal amount per issuer.

Ban on Short-Term Trading Profits

All personal and proprietary transactions that fall under the de minimis exemption above are subject to a 30-day ban on short-term trading profits, except when selling at a loss. We may make exceptions to the 30-day ban when the trade would not disadvantage any client.

Aggregation with Client Orders

FWS may aggregate orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices, commissions, and other transaction costs equitably among our clients. These are benefits of aggregation orders that we might not obtain if we placed those orders independently.

FWS may aggregate trades in like securities among client accounts as well as with accounts of FWS and our personnel, if we follow the policies described below. This presents a potential conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel.

Our policies to address this conflict are as follows:

1. We will disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that the block trade is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the block;
3. No client account will be favored over any other client. This includes accounts owned directly or indirectly by our personnel. Each account in a block trade will participate at the average share price for all of our transactions in a given security on a given business day (per custodian);
4. Before entering a block trade, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts;
5. If the block trade fills entirely, we will allocate shares among clients according to the Allocation Statement; if the order fills partially, we will allocate it pro-rata according to the Allocation Statement.
6. We may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. In this case, we will explain the reasons for a different allocation in writing, which the CCO must approve;
7. If a block trade fills partially and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the block trade were to fill completely;
8. Our books and records will separately reflect each block trade, and the securities held by, bought, and sold for each client account;

9. Funds and securities of clients participating in a block trade will be deposited with one or more qualified custodians. Clients' cash and securities will not be held collectively any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practicable;
10. We do not receive additional compensation or remuneration of any kind as a result of block trading; and
11. We provide individual investment advice and treatment to each client's account.

Participation or Interest in Client Transactions

In rare circumstances, FWS personnel may personally participate in a private placement investment offering brought to us by an FWS client. These investments fall outside the scope of our client account management strategies and we do not offer them to any FWS client.

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting Broker-Dealers for Client Transactions

FWS generally requires that clients open one or more custodian accounts in their own name at Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), registered broker-dealer, Member SIPC. The client will enter into a separate agreement with Fidelity to custody the assets. FWS also requires that clients grant FWS limited power of attorney to execute client transactions through Fidelity. FWS is independently owned and operated, and unaffiliated with Fidelity.

Fidelity may charge commissions (ticket charges) for executing our transactions. We do not receive any part of these separate charges. Fidelity may provide us with access to their institutional trading and custody services, which are typically not available to Fidelity retail investors. Fidelity's services include brokerage custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. FWS's clients who choose to have their assets held at Fidelity will not be charged separately for custody but are compensated by account holders through commissions or other transaction-related fees or securities trades that are executed through Fidelity or that settle into Fidelity.

FWS considers several factors in recommending Fidelity to clients. Factors that FWS may consider may include ease of use, reputation, service execution, pricing and financial strength. FWS may also take into consideration the availability of the products and services received or offered (detailed below).

Research and Other Benefits

Fidelity makes available to us other products and services that may benefit FWS but may not directly benefit our clients' accounts. These types of services will help us in managing and administering client

accounts. These include software and other technology that provide access to client account data (i.e. trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from clients' accounts; and assist with back-office functions, record keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts. We place trades for our clients' accounts subject to our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than Fidelity to execute trades for client accounts maintained at Fidelity, but this practice may result in additional costs to clients so that we are more likely to place trades through Fidelity rather than other broker-dealers. Fidelity's execution quality may be different from other broker-dealers.

Fidelity may also provide other benefits such as client appreciation and educational events, conferences on practice management, regulatory compliance, information technology, and business success. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to FWS.

As part of our fiduciary duty to clients, FWS endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by FWS or our related persons in and of itself creates a potential conflict of interest and may indirectly influence FWS's recommendation of Fidelity for custody and brokerage services.

Brokerage for Client Referrals

FWS does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

Directed Brokerage

FWS will not allow clients to direct FWS to use a specific broker-dealer to execute transactions. Clients must use the broker-dealers that FWS recommends. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use Fidelity, FWS believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

Since we require most of our clients to maintain their accounts with Fidelity, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank or other custodian prior to opening an account with us. Some of these differences include, but are not limited to; total account costs, trading freedom, transaction fees/commission rates, and security and technology services. By requiring clients to use Fidelity, FWS believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

At our discretion, FWS may direct trades in "less-liquid" securities (e.g., closed-end funds) through one or more outside brokers in an effort to obtain a better overall price and minimize market impact. In these instances, transaction costs may be higher than if we had placed the trade through Fidelity.

Clients with 401K or annuity accounts are not required to use Fidelity and may appoint a custodian of their choosing.

Aggregation and Allocation of Transactions

In some cases, FWS will recommend the purchase or sale of the same security for multiple clients at the same time. In those cases, FWS may combine purchase and sale orders for all clients with the same order. FWS will generally allocate the proceeds arising out of those transactions (and the related transactions expenses) on an average price basis among the various participants in the transactions. FWS believes that by combining orders in this way it will be advantageous to all participants. However, the average price could be less advantageous to a particular client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants.

FWS may also place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order, and practicability of participating in “block” transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. There are circumstances when some of a client’s transactions in the security may not be aggregated with other clients. FWS has adopted policies and procedures intended to ensure that our trading allocations are fair to all of our clients.

In addition, FWS and/or our related persons may buy or sell specific securities for our own accounts that are not deemed appropriate for another client at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the client are made. Where execution opportunities for a particular security are limited, FWS attempts in good faith to allocate such opportunities among clients in a manner that is equitable to all our clients over time.

ITEM 13 - REVIEW OF ACCOUNTS

Managed Account Reviews

We manage portfolios on a continuous basis and generally review all positions in client accounts at least weekly. We offer account reviews to clients on an annual basis. Clients may choose to receive reviews in person, by telephone, or in writing. Doug Fabian - President, Todd Clucas - Vice President, and Thomas Lam - Director of Operations & Trading, conduct all managed account reviews. Review factors may include but are not limited to stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, we may conduct a special review of an account based one or more of the following:

1. A change in the client’s investment objectives, guidelines and/or financial situation;
2. Changes in diversification;
3. Tax considerations;
4. Material cash deposits or withdrawals; and
5. Purchase or sale of a security in the account.

Account Reporting

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, FWS generally provides written reports detailing performance in client accounts on a monthly basis. FWS may also provide additional reporting as agreed upon by FWS and the client on a case-by-case basis.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Solicitors

If a solicitor introduces a client to FWS, we may 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. Solicitors will disclose the nature of the solicitor relationship with FWS at the time of the solicitation and provide each prospective client with a copy of this brochure.

Outside Compensation

FWS may refer clients to unaffiliated professionals for specific needs. FWS does not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. FWS does not receive reciprocal referrals from the professionals we refer. If we receive reciprocal referrals in the future, we will amend this brochure to include any perceived or actual conflicts of interest.

FWS only refers clients to professionals we believe are competent and qualified in their field. However, it is ultimately the client's responsibility to review the provider. We will generally provide the client with the professional's contact information, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and we have no control over the services they provide. Clients that chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by FWS.

If the client desires, FWS will work with these professionals or the client's other advisers (such as an accountant or attorney) to help ensure that the provider understands the client's portfolio and to coordinate services for the client. FWS will never share information with an unaffiliated professional unless first authorized by the client.

ITEM 15 - CUSTODY

FWS has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally, Fidelity) holds clients' accounts. Clients will receive statements directly from the qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee. Clients should carefully review the account statements you receive from your qualified custodian. When

clients receive statements from FWS as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about your statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive statements from the qualified custodian at least quarterly should also notify us.

ITEM 16 - INVESTMENT DISCRETION

FWS has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. FWS will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

Certain client-imposed conditions may limit FWS's discretionary authority, such as where the client prohibits transactions in specific security types or directs transactions through specific broker-dealers. See also ***Tailored Services and Client Imposed Restrictions*** in ***Item 4*** and ***Item 12 - Brokerage Practices***, above.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

FWS does not accept or have the authority to vote client securities. FWS will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

ERISA

For accounts subject to ERISA, an authorized plan fiduciary other than FWS will retain proxy voting authority. Our investment advisory agreement and/or the plan's written documents will evidence and outline this authority.

Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

Class Actions

FWS does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. FWS does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Form ADV, Part 2B Brochure Supplement

**Doug Fabian
Todd Clucas
Thomas Lam
Chris Versace**

Fabian Wealth Strategies, Inc.

3070 Bristol Street
Suite 610
Costa Mesa, CA 92626
800-391-1118

March 27, 2014

This brochure supplement provides information about Doug Fabian, Todd Clucas, Thomas Lam, and Chris Versace that supplements the Fabian Wealth Strategies, Inc. brochure. You should have already received a copy of that brochure. Please contact our office at the number or address above if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Doug Fabian, Todd Clucas, Thomas Lam, and Chris Versace is available on the SEC's website at www.adviserinfo.sec.gov.

Doug Fabian

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Doug Fabian, President, Chief Compliance Officer, B. 1956

Education:

AA, Golden West College – Huntington Beach, CA, 1976

Business Background:

Doug Fabian began his 30-year investment career in 1979 as a market analyst for the Telephone Switch Newsletter - the mutual fund review his father started in 1977. He gained essential experience in a series of positions in the 1980's, including Director of Marketing, Co-Editor, and Senior Editor. Doug succeeded his father Dick as President of Fabian Investment Resources in 1990, later sold to Eagle Publishing, Inc. In June 2001, Doug became President of Fabian Wealth Strategies. In March 2013, Doug became Chief Compliance Officer of the firm.

Doug's responsibilities within Fabian Wealth Strategies include compliance, prospect lead generation, oversight of marketing efforts, chairman of investment committee, client retention and follow-up, and business development.

ITEM 3 - DISCIPLINARY INFORMATION

Doug Fabian has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

In addition to his duties at Fabian Wealth Strategies, Doug Fabian is the editor of two investment newsletter services owned and published by Eagle Publishing, Inc. One of the newsletters is a paid-for subscription and the other is free-of-charge. The editorial duties performed by Doug are incidental to FWS' management services, and not considered investment advice for client portfolios. Doug Fabian is subject to a written trading policy by Eagle Publishing, Inc., and prohibited from certain personal trading activity, such as trading directly prior to publishing a security recommendation. Doug spends approximately 10 hours per month on newsletter-related activities.

Doug Fabian also produces a podcast weekly in which he gives a market recap, markets news, and some strategic investor advice. He also hosts an hour long radio program, which airs in the Palm Springs, CA market. It is a live show format in which Doug expresses his investment opinions and takes audience Q&A of various market topics.

ITEM 5 - ADDITIONAL COMPENSATION

In addition to compensation from his ownership of Fabian Wealth Strategies, Doug Fabian also receives a percentage of the subscription fees paid to Eagle Publishing for the paid-for newsletter listed in **Item 4**

- ***Other Business Activities***, above. Doug is not directly compensated for participating in either of the audio broadcasts.

ITEM 6 - SUPERVISION

Doug Fabian, President and Chief Compliance Officer, supervises all FWS personnel.

Todd Clucas

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Todd Clucas, Vice President, B. 1973

Education:

BA in Political Science, Cal Poly, San Luis Obispo CA, 2002

Business Background:

Todd joined Fabian Wealth Strategies in May 2011, after working from February 2003 through April 2011 as an independent registered investment advisor representative with Independent Capital Management/Sagepoint Financial, Inc., providing fee-based advisory services for high net-worth individuals.

Todd's responsibilities at FWS include client communication, new business development, sales of insurance products, customer service, and maintenance of positive client relationships.

ITEM 3 - DISCIPLINARY INFORMATION

Todd Clucas has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

Todd Clucas' only business is providing investment and insurance advice through FWS.

ITEM 5 - ADDITIONAL COMPENSATION

Todd Clucas' only compensation comes from his regular salary and insurance commissions earned through FWS.

ITEM 6 - SUPERVISION

Doug Fabian, President, supervises all FWS personnel. Doug can be reached at 800-391-1118.

Thomas Lam

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Thomas Lam, Director - Operations & Trading, B. 1977

Education:

BS in Business Administration, University of Southern California – Los Angeles, CA, 1999

Business Background:

Tom joined Fabian Wealth Strategies in May of 2013. Previously, Tom served as Trader from February of 2008 through June 2008, and from June of 2008 through April of 2013, as the Head of Trading and Operations at Welch Capital Partners in New York overseeing all trading activities as well operational functions. Tom was also a Senior Operations Associate from March 2004 through January 2006, and Trader from January 2006 through August 2007, at Advent Capital Management executing convertible bond, equity, and option trades. Prior to Advent, Tom had been a Senior Equity Portfolio Administrator at Neuberger Berman from January 2002 through March 2004.

Thomas' responsibilities at FWS include participation in the FWS Investment Committee, as well as a focus on portfolio management, trading, compliance, and quarterly client portfolio reviews.

ITEM 3 - DISCIPLINARY INFORMATION

Thomas Lam has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

Thomas Lam's only business is providing investment advice through FWS.

ITEM 5 - ADDITIONAL COMPENSATION

Thomas Lam's only compensation comes from his regular salary through FWS.

ITEM 6 - SUPERVISION

Doug Fabian, President, supervises all FWS personnel. Doug can be reached at 800-391-1118.

Christopher Versace

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Christopher Versace, Portfolio Manager, B. 1968

Education:

BS in Mathematics, BA in Economics – Fairfield University, Fairfield, CT, 1990

MBA in Finance, Fordham University Graduate School of Business, New York, NY, 1995

Business Background:

Chris Versace joined Fabian Wealth Strategies in November of 2013. Versace began his 20-year career in the financial industry in the equity research department of Salomon Brothers, where he worked with the Institutional Investor ranked equity research teams for the machinery, homebuilding, and building product teams. After several years at Salomon Brothers and Donaldson, Lufkin & Jenrette, he moved to FBR & Co.'s equity research department. Soon thereafter in 1999, he was named Senior Vice President and launched research coverage on the mobile phone ecosystem. Chris left FBR in 2005 and consulted with several companies including Sprint-Nextel, and contributed to The Street.com's Real Money Pro. In 2009, he launched *The Thematic Investor*, an investment newsletter geared toward institutional investors. In 2011, Chris started to write and edit the PowerTrend Profits newsletter for Eagle Publishing and the free e-letter PowerTrend Brief. In late 2012, Versace and Eagle began ETF PowerTrader that was later amended to PowerTrader. During this time, Chris began contributing to Forbes.com.

Chris' responsibilities with Fabian Wealth Strategies include managing the Thematic Growth Portfolio.

ITEM 3 - DISCIPLINARY INFORMATION

Chris Versace has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

In addition to his portfolio management duties at Fabian Wealth Strategies, Chris Versace is the editor of *PowerTrend Profits*, an investment newsletter published by Eagle Publishing; *PowerTrader*, an investment trading service published by Eagle Publishing; the host of the business and economics podcast *PowerTalk* that is distributed by Eagle Publishing; and a contributor to both The Street's Real Money Pro and Forbes.com. Chris' efforts regarding each of these activities generally compliments his management of FWS' Thematic Growth Portfolio. Versace is also an adjunct professor at New Jersey City University.

ITEM 5 - ADDITIONAL COMPENSATION

Chris Versace is compensated by FWS based on the amount of assets under management in the Thematic Growth Portfolio, which he manages. Additionally, in exchange for his editor duties for both *PowerTrend Profits* and *PowerTrader*, Eagle Publishing pays Versace a portion of the subscription fees as

well as a portion of the advertising fees collected for *PowerTalk*. Both The Street and Forbes pay Versace a per diem per contribution.

ITEM 6 - SUPERVISION

Doug Fabian, President, supervises all FWS personnel. Doug can be reached at 800-391-1118.

FACTS

WHAT DOES FABIAN WEALTH STRATEGIES, INC. DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Fabian Wealth Strategies, Inc. chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Fabian Wealth Strategies, Inc. share?	Can you limit this sharing?
For our everyday business purposes - as permitted by law	YES	NO
For our marketing purposes - to offer our products and services to you	YES	NO
For joint marketing with other financial companies	NO	We Don't Share
For our affiliates' everyday business purposes - information about your transactions and experiences	NO	We Don't Share
For our affiliates' everyday business purposes - information about your creditworthiness	NO	We Don't Share
For nonaffiliates to market to you	NO	We Don't Share

Questions?

Call 800-391-1118 or go to <http://www.fabianwealth.com>

WHO WE ARE

Who is providing this notice?	Fabian Wealth Strategies, Inc.
-------------------------------	--------------------------------

WHAT WE DO

How does Fabian Wealth Strategies, Inc. protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
--	---

How does Fabian Wealth Strategies, Inc. collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> • seek advice about your investments • enter into an investment advisory contract • tell us about your investment or retirement portfolio • tell us about your investment or retirement earnings • give us your contact information <p>We also collect your personal information from other companies.</p>
--	---

Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> • sharing for affiliates' everyday business purposes - information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>
--------------------------------	---

DEFINITIONS

Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • <i>Fabian Wealth Strategies, Inc. has no affiliates</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> • <i>Fabian Wealth Strategies, Inc. does not share with nonaffiliates so they can market to you</i>
Joint Marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> • <i>Fabian Wealth Strategies, Inc. does not jointly market</i>