

# **Maclendon Wealth Management, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Maclendon Wealth Management, LLC (hereinafter "MWM"). If you have any questions about the contents of this brochure, please contact Alyson Austin at (561) 293-3520. 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 Maclendon Wealth Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Maclendon Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since Maclendon Wealth Management, LLC's ("MWM") last Annual Updating Amendment, dated March 1, 2013, MWM made the following material change to its Form ADV Part 2 Disclosure Brochure: The "Item 5 Fees and Compensation" section was amended to disclose that we do not charge a separate fee for financial planning services as financial planning is provided as part of our investment management services.

## Item 4 Advisory Business

MWM provides financial planning, consulting, and investment management services. Prior to engaging MWM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with MWM setting forth the terms and conditions under which MWM renders its services (collectively the "*Agreement*").

MWM has been in business since April 25, 2011. Dr. Jeremy S. Office is the principal owner of MWM, and Alyson Austin is the Chief Compliance Officer.

This Disclosure Brochure describes the business of MWM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of MWM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on MWM's behalf and is subject to MWM's supervision or control.

### **Financial Planning Services and Consulting Services**

MWM may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include business planning, liability management, investments, insurance, retirement, education, succession, estate planning, and tax and cash flow needs of the client.

In performing its services, MWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. MWM may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if MWM recommends its own services. The client is under no obligation to act upon any of the recommendations made by MWM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including MWM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of MWM's recommendations. Clients are advised that it remains their responsibility to promptly notify MWM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising MWM's previous recommendations and/or services.

### **Investment Management Services**

Clients can engage MWM to manage all or a portion of their assets on a discretionary or non-discretionary basis.

MWM primarily allocates clients' investment management assets among exchange-traded funds ("ETFs"), individual debt and equity securities, mutual funds, *Independent Managers* (as defined below), as well as the securities components of variable annuities in accordance with the investment objectives of the client. MWM also provides advice about any type of investment held in clients' portfolios.

If you participate in our discretionary portfolio management services, MWM requires you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be

purchased for your account) by providing our firm with your restrictions. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

MWM also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, or other products that may not be held by the client's primary custodian. In so doing, MWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

MWM tailors its advisory services to the individual needs of clients. MWM consults with clients initially and on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. MWM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify MWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon MWM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in MWM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Use of Independent Managers**

As mentioned above, MWM recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between MWM or the client and the designated *Independent Managers*. MWM renders services to the client relative to the discretionary selection or recommendation of *Independent Managers*. MWM also monitors and reviews the account performance and the client's investment objectives. MWM receives an annual advisory fee (payable in quarterly installments) which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, MWM reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that MWM considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, MWM's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by MWM, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to MWM's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than MWM. In such instances, MWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

If MWM refers a client to an *Independent Manager* where MWM's compensation is included in the advisory fee charged by such *Independent Manager* and the client engages the *Independent Manager*, MWM is compensated for its services by receipt of a fee to be paid directly by the *Independent Manager* to MWM in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to the client.

### **Types of Investments**

We may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship. You may request that we refrain from investing in particular securities or certain types of securities.

### **Assets Under Management**

As of January 7, 2014, we manage \$130,000,000 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

MWM offers its services on a fee basis, which may include fixed fees, as well as fees based upon assets under management. Additionally, certain of MWM's *Supervised Persons*, in their individual capacities, may offer insurance products under a commission arrangement.

### **Financial Planning and Consulting Fees**

As part of its Investment Management services, MWM provides financial planning services. MWM does not offer financial planning as a stand-alone service nor does it charge a separate fee for financial planning services.

### **Investment Management Fee**

MWM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by MWM. MWM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. MWM does not, however, receive any portion of these commissions, fees, and costs. MWM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by MWM on the last day of the previous quarter. The annual fee varies (between 0.90% and 2.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

MWM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), MWM generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

MWM may only implement its investment management recommendations after the client has arranged for and furnished MWM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by MWM, broker-dealer directed by the client, trust companies, banks, etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to MWM's fee.

MWM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize MWM or *Independent Managers* to debit the client's account for the amount of MWM's fee and to directly remit that management fee to MWM or the *Independent Managers*. Any *Financial Institutions* recommended by MWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to MWM.

### **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between MWM and the client will continue in effect until terminated by either party upon written notice pursuant to the terms of the *Agreement*. MWM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to MWM's right to terminate an account. Additions may be in cash or securities provided that MWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to MWM, subject to the usual and customary securities settlement procedures. However, MWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. MWM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Compensation for the Sale of Securities Products or Other Investment Products**

Jeremy Office, Principal of MWM, is a registered representative with Purshe Kaplan Sterling Investments ("PKS"), an unaffiliated securities broker-dealer, member FINRA/SIPC. In his capacity as registered representative, Mr. Office may receive commission-based compensation in connection with the purchase and sale of securities. Compensation earned by Mr. Office in his capacity as a registered representative with PKS is separate and in addition to MWM's advisory fees. This practice presents a conflict of interest because Mr. Office may have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities or insurance products through Mr. Office.

Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons may earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents may have an incentive to recommend insurance products to you for the purpose of generating commissions. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

MWM does not provide any services for performance-based fees. Performance-based fees are those fees that are based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 Types of Clients**

MWM provides its services to individuals, trusts, estates, charitable organizations, corporations and business entities.

### **Minimums Imposed By Independent Managers**

MWM does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than MWM. In such instances, MWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

MWM's primary methods of analysis are fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. MWM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that MWM will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that MWM is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### **Investment Strategies**

Before providing investment advisory services to clients, MWM performs an assessment of the client's assets and liabilities, risk tolerance, and goals. During this process, MWM analyzes the client's amount of investable resources and individual investment requirements, while considering potential tax



implications. Once the assessment is complete, MWM constructs the client's portfolio by recommending investments among various asset classes, and implements the recommendations for the client.

MWM's investment strategy emphasizes asset allocation. The multitude of investments available to MWM provides a broad range of diversification options. MWM's belief is that the reliance on asset allocation tends to mitigate the emotional response to short-term market volatility. There is both a strategic and tactical aspect to MWM's investment models. The strategic aspect refers to the rebalancing of the portfolio to the targeted asset mix. The tactical aspect is the reliance on proprietary research which may be derived from newspapers, newsletters, websites, and magazines.

MWM selects securities for clients based on asset allocation decisions, followed by decisions about the attractiveness of individual stocks or bonds. Specifically, MWM determines the mix of common stocks, bonds, alternative investments and money market instruments (cash investments) that offer the best combination of potential return and risk, based on the client's objectives. This asset allocation is custom-designed for individual clients based on their needs, time horizon, and risk tolerance.

MWM's goal is to maximize the long-term total risk adjusted return for a client. At any given time, MWM may allocate all, a portion, or none of a client's assets to equities, exchange traded securities, mutual funds, separately managed accounts, bonds, or to money market instruments. MWM continually monitors client portfolios and rebalances accounts when necessary.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section in this brochure, we recommend all types of securities since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

### ***Market Risks***

The profitability of a significant portion of MWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that MWM will be able to predict those price movements accurately.

### ***Use of Independent Managers***

MWM may recommend the use of *Independent Managers* for certain clients. MWM will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, MWM does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### ***Management Through Similarly Managed Accounts***

For certain clients, MWM may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, MWM buys, sells, exchanges and/or transfers shares of securities based upon the *investment strategy*.

MWM's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.



Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to MWM's clients may be limited. MWM allocates investment opportunities among its clients on a fair and equitable basis.

#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9 Disciplinary Information**

MWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. MWM does not have any required disclosures to this Item.

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

MWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. MWM has described such relationships and arrangements below.

#### **Registration with Broker-Dealer**

Jeremy Office, Principal of MWM, is a registered representative with Purshe Kaplan Sterling Investments ("PKS"), an unaffiliated securities broker-dealer, member FINRA/SIPC. In his capacity as registered representative, Mr. Office may receive commission-based compensation in connection with the purchase and sale of securities. Compensation earned by Mr. Office in his capacity as a registered representative with PKS is separate and in addition to MWM's advisory fees. This practice presents a conflict of interest because Mr. Office may have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities or insurance products through Mr. Office.

#### **Receipt of Insurance Commission**

Certain of MWM's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While MWM does not sell such insurance products to its investment advisory clients, MWM does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that MWM recommends the purchase of insurance products where MWM's *Supervised Persons* receive insurance commissions or other additional compensation.

#### **Venture Capital Company**

Jeremy S. Office is a Managing Partner of SJO Worldwide, LLC, a privately held venture capital company in which one or more clients may be invested.

## **Item 11 Code of Ethics**

MWM and persons associated with MWM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with MWM's policies and procedures.

MWM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by MWM or any of its associated persons. The *Code of Ethics* also requires that certain of MWM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in MWM's *Code of Ethics*, none of MWM's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of MWM's clients.

When MWM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when MWM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact MWM to request a copy of its *Code of Ethics*.

## **Item 12 Brokerage Practices**

As discussed above, in Item 5, MWM generally recommends that clients utilize the brokerage and clearing services of *Fidelity*. MWM may also recommend PKS' brokerage and custodial services with respect to certain securities transactions such as the purchase of annuities. As a registered representative of PKS, Mr. Office may earn commission-based compensation as result of placing the recommended securities transactions through PKS. Please refer to Item 5 for more information on the compensation received by Mr. Office in his capacity as a registered representative of PKS.

Factors which MWM considers in recommending *Fidelity*, *PKS*, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables MWM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by MWM's clients comply with MWM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where MWM determines that the commissions are 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. MWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

MWM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct MWM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and MWM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by MWM (as described below). As a result, the 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. Subject to its duty of best execution, MWM may decline a client's request to direct brokerage if, in MWM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless MWM decides to purchase or sell the same securities for several clients at approximately the same time. MWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among MWM'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 generally be averaged as to price and allocated among MWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that MWM determines to aggregate client orders for the purchase or sale of securities, including securities in which MWM's *Supervised Persons* may invest, MWM generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. MWM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that MWM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, MWM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist MWM in its investment decision-making process. Such research generally will be used to service all of MWM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because MWM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

MWM may receive from *Fidelity*, without cost to MWM, computer software and related systems support, which allow MWM to better monitor client accounts maintained at *Fidelity*. MWM may receive the software and related support without cost because MWM renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit MWM, but not its clients directly. In fulfilling its duties to its clients, MWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that MWM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence MWM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, MWM may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

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

For those clients to whom MWM provides investment management services, MWM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on a periodic basis. For those clients to whom MWM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by the Principal of MWM. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with MWM and to keep MWM informed of any changes thereto. MWM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom MWM provides investment advisory services may also receive a report from MWM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis.

Those clients to whom MWM provides financial planning and/or consulting services will receive reports from MWM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by MWM.

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

MWM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, MWM is required to disclose any direct or indirect compensation that it provides for client referrals. MWM has described such relationships and arrangements below.

If a client is introduced to MWM by either an unaffiliated or an affiliated solicitor, MWM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from MWM's investment management fee, and does not result in any additional charge to the client. If the client is introduced to MWM by an unaffiliated solicitor, the solicitor provides the client with a copy of MWM's

written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of MWM discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of MWM's written disclosure brochure at the time of the solicitation.

MWM may compensate its employees for the establishment of new client relationships. The compensation to these employees is based on a percentage of the advisory fee collected from referred clients. Clients will not be charged additional fees based on this compensation arrangement. Incentive based compensation paid to employees is contingent upon the referred client entering into an advisory agreement with MWM. Therefore, these employees have a financial incentive to recommend MWM's advisory services. This creates a conflict of interest; however, clients are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

### **Item 15 Custody**

MWM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize MWM through such *Financial Institution* to debit the client's account for the amount of MWM's fee and to directly remit that management fee to MWM in accordance with applicable custody rules.

The *Financial Institutions* recommended by MWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to MWM. In addition, as discussed in Item 13, MWM may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from MWM.

### **Item 16 Investment Discretion**

MWM may be given the authority to exercise discretion on behalf of clients. MWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first obtaining the client's consent. MWM is given this authority through a power-of-attorney included in the agreement between MWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). MWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

If clients enter into non-discretionary arrangements with our firm, MWM will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

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

MWM is required to disclose if it accepts authority to vote client securities. MWM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

## **Item 18 Financial Information**

MWM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, MWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. MWM has no disclosures pursuant to this Item.