

Robert W. Duggan and Associates

555 Bryant St. Suite 721  
Palo Alto, CA 94301  
(503)720-3175  
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FIRM BROCHURE  
Form ADV – Part 2A and 2B

This brochure provides information about the qualifications and business practices of Robert W. Duggan and Associates, a sole proprietorship. If you have questions about the contents of this brochure please contact us at the phone number above.

## **ITEM 2-MATERIAL CHANGES:**

This summary of material changes is part of the other-than annual amendment. Since our last update in 2009 this document has been amended as follows:

- Duggan and Associates no longer has a website. This is due in part to not needing one as we do not recruit clients and clients do not need the site to access accounts. All accounts can be accessed through our custodian, Charles Schwab & Co.
- Michael R. Shields is no longer Operations Manager. This responsibility has been given to Autry Liggett who will assist Robert W. Duggan with day-to-day operations.
- The firm is registering with the Securities and Exchange Commission as an Investment Adviser.

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## ITEM 4 – ADVISORY BUSINESS

### ***A) Describe your advisory firm, including how long you have been in business. Identify your principal owner(s)***

#### **The Firm:**

Robert W. Duggan and Associates (RWDA) is an investment advisor registered with the State of California. The Firm initiated business operations in 1991 in Santa Barbara, CA and recently relocated to Palo Alto, CA. RWDA is a sole proprietorship owned entirely by Robert W. Duggan.

### ***B) Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.***

#### **Types of Advisory Services**

The types of investment advisory services available to clients of the firm consist of the following:

- (i) discretionary management of client accounts by a qualified financial advisor.
- (ii) Customization of Advisory Services as follow:

The Firm offers a limited range of investment advisory services. In order to provide appropriately customized services, the client's financial advisor will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile, and other information regarding financial and investment needs.

### ***C) Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.***

At least annually the firm's advisors will review with clients their financial circumstances, investment objectives and risk profile. For the firm to provide effective advisory services, it is important that clients provide accurate and complete information to the firm and update their information when there is any change in circumstances, objectives or risk tolerance.

***D) If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.***

RWDA does not participate in wrap fee programs

***If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.***

**Breakdown of Assets of Under Management**

As of July 1, 2014 Assets Under Management are as follows:

Discretionary:\$0

Non Discretionary:\$1,329,756,245

## ITEM 5 – FEES AND COMPENSATION

***A) Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.***

### **How We Are Compensated:**

RWDA currently charges fees to 3 clients. All other clients are not assessed a fee. The breakdown in fees for two (2) clients is 1% of AUM annually and one (1) client is 20% of annual profit.

***B) Describe whether you deduct fees from clients assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.***

### **FEE PAYMENT PROCESSES**

Generally clients will pay fees quarterly after a notice has been given. Fees are then paid by check or wire. The firm does not charge additional fees or accept additional forms of compensation from any clients. For clients charged as a percent of annual profit, the client is billed first quarter of the following year.

***c) Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.***

Robert W. Duggan and Associates utilizes independent, third party custodians to safeguard and record keep investments. The only fee currently associated with this is a trade fee from Charles Schwab & Co. that as of July 1, 2014 costs the client \$8.95 per trade. Robert W. Duggan and Associates currently does not buy mutual funds for its clients. If it is to engage in such practice in the future, it will likely come in the form of a low cost fund such as Vanguard or Fidelity.

***d) If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.***

RWDA does not take prepayment of quarterly or any other type of fee.

***E) If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.***

RWDA does not engage in such practices.

## **Item 6- PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

***If you or any of your supervised persons accepts performance-based fees –that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.***

RWDA and its employees do charge performance based fees, which are fees based on a share of capital gains on or capital appreciation of client assets, and do participate in side-by-side management, which refers to the practice of managing accounts that are charged performance based fees while at the same time managing accounts that are not charged performance based fees. RWDA sees no conflict of interest in its side-by-side management approach and all accounts are given equal access to resources and other matters.

## ITEM 7 – TYPES OF CLIENTS

***Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.***

The Firm offers investment advisory services to individuals, trusts, charitable organizations and business entities. There is no minimum requirement to open an account with RWDA, although at this time RWDA is not bringing on new clients.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

***A) Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear***

RWDA's methods of analysis include fundamental analysis, technical analysis, and cyclical analysis.

***B) For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.***

- Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.
- Technical analysis involves the analysis of past market data; primarily price and volume.
- Cyclical analysis involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

***C) If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.***

RWDA does not currently invest in futures, options, or other derivative trading. All clients hold equities and/or cash.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

RWDA utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies. RWDA ,however, invests primarily in equities or holds cash reserves. RWDA generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## ITEM 9 – DISCIPLINARY INFORMATION

As a registered investment adviser, the Firm is required to disclose all material facts regarding any legal or disciplinary event that would be material to a client's evaluation of the Firm or the integrity of management personnel. The Firm and its management personnel have no legal or disciplinary events to disclose.

***If there are legal or disciplinary events that are material to a clients or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.***

***Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a management person has been involved in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the management person's favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final order, judgment, or decree was entered, or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed. Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a management person has been involved in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a client's or prospective client's evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a client's or prospective client's evaluation.***

***A) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person***

***1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;***

Does not apply

***2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;***

Does not apply

***3. was found to have been involved in a violation of an investment-related statute or regulation; or***

Does not apply

***4) was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.***

Does not apply

***B) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person***

***1. was found to have caused an investment-related business to lose its authorization to do business; or***

Does not apply

***2. was found to have been involved in a violation of an investment related statute or regulation and was the subject of an order by the agency or authority***

***(a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;***

Does not apply

***(b) barring or suspending your firm's or a management person's association with an investment-related business;***

Does not apply

***(c) otherwise significantly limiting your firm's or a management person's investment-related activities; or***

Does not apply

***(d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.***

Does not apply

***C. A self-regulatory organization (SRO) proceeding in which your firm or a management person***

***1. was found to have caused an investment-related business to lose its authorization to do business;***

Does not apply

***2) Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.***

Does not apply

## **ITEM 10– OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

RWDA generally does not engage in business practices that present a conflict of interest with clients. However, from time to time RWDA may engage in certain business practices or may receive compensation or other benefits that create a potential for conflict between the interests of clients and the interests of RWDA. RWDA generally address potential conflicts of interest by disclosing them to clients through documents provided to clients, prior to entering into agreements with them. In addition, RWDA is subject to policies and procedures that require its employees to: provide investment advice that is appropriate for advisory clients (based upon the information provided by such clients); make full disclosure of all potential, material conflicts of interest; act with good faith in dealings with advisory clients; and seek to obtain “best execution” of advisory client transactions.

As of 1 July 2014, RWDA has no other financial industry activities and affiliations.

## **ITEM 11– CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

RWDA has a Code of Ethics as required by Rule 204A-1 under the Investment Advisers Act of

1940. The Code of Ethics contains provisions that remind employees of their obligations to clients and obligations to comply with federal securities laws, set forth standards of conduct, restrict personal securities trading and require reporting of personal securities transactions and holdings. Financial advisors may buy or sell securities identical to those securities recommended to clients and therefore may have an interest or position in certain securities that are also recommended and bought or sold to clients.

Financial advisors do not trade ahead of clients or obtain a better price for themselves than for a client for the same securities traded on the same day. The Firm is required to maintain a list of all securities holdings for its associated persons. RWDA employees are prohibited from trading on non-public information or sharing such information. The Firm conducts its securities and investment advisory business in accordance with all applicable Federal and State securities regulations. RWDA do not maintain an inventory of investments for resale and does not buy or sell securities for itself that it recommends to (or purchases or sells for) clients.

## ITEM 12 – BROKERAGE PRACTICES

### ***A) Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions)***

Advisory clients will generally have brokerage accounts with Charles Schwab. RWDA selected Charles Schwab as its primary custodian/broker to hold client assets and execute transactions on terms that are advantageous when compared to other available providers and their services. In making this determination a wide range of factors was taken into account, including, (1) the combination of transaction execution services and asset custody services; (2) the ability to execute, clear and settle trades; (3) the ability to facilitate transfers and payments to and from accounts; (4) the range of available investment products and services; (5) quality of services and firm reputation, size and stability; and (6) price competitiveness.

RWDA does not receive research or other products or services other than execution from Charles Schwab in connection with client transactions. In other words the Firm does not use “soft dollars” to obtain research or other services as allowed under Section 28(e) of the Securities and Exchange Act of 1934. The Firm is able to access certain research and other services through the affiliation with Charles Schwab however those services are provided pursuant to the overall size of the relationship, generally as measured by the amount of client assets, and is not related to the costs charged to clients for investment transactions in client accounts.

For client accounts that Charles Schwab maintains, RWDA has determined that having Charles Schwab execute client trades is consistent with the RWDA’s duty to seek “best execution” for client trades. Best execution means the most favorable terms for a transaction based on all relevant factors.

### **Item 13- REVIEW OF CLIENT ACCOUNTS**

***A) Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review***

Client accounts are reviewed annually by RWDA. Each client will receive at least quarterly a written report detailing the client's account which comes from the custodian.

***B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review***

In addition to the above, reviews are triggered when we are made aware of a change in situation or objectives that could impact the client's investment strategy

***C) Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.***

Clients receive hard copy statements directly from their account custodian. Depending on account activity, the statements are mailed either monthly or quarterly. Content includes account balances, holdings and transactions.

Client accounts are maintained on a daily valuation recordkeeping system. Clients may at any time review their account, through the custodian's website, [www.schwab.com](http://www.schwab.com).

Content includes:

- On demand statements
- Account transactions
- Realized and unrealized gain/loss schedules
- 1099 reconciliation, etc.

**Item 14- CLIENT REFERRALS AND OTHER COMPENSATION**

***A) If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.***

Does not apply.

***B) If you or a related person directly or indirectly compensates any Person who is not your supervised person for client referrals, describe the arrangement and the compensation.***

Does not apply

## ITEM 15 – CUSTODY

***If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.***

All assets for RWDA are held with Charles Schwab.

## ITEM 16 – INVESTMENT DISCRETION

***If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).***

Firm advisory accounts require written authorization from the client granting discretionary authority to: (1) automatically deduct fees from the accounts; (2) make investment decisions and direct the purchase and sale of securities in the accounts without first contacting the client; or (3) engaging in certain client transactions such as transfers, withdrawals, etc.

## ITEM 17– VOTING CLIENT SECURITIES

***A) If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4) 6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.***

The firm votes client securities on behalf of clients unless a separate agreement has been made with clients wishing to vote their securities.

***B) If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.***

Does not apply

## ITEM 18 – FINANCIAL INFORMATION

***A) If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.***

***1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.***

***2. Show parenthetically the market or fair value of securities included at cost.***

***3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.***

The following statements conform to the specific requests required by the SEC with respect to this portion of this Form ADV brochure. RWDA does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. RWDA has discretionary authority over client accounts but does not have custody of client assets. RWDA has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. RWDA has never been subject of a bankruptcy petition.

**FORM ADV PART 2B – BROCHURE SUPPLEMENT**  
**1 July 2014**

Robert Duggan, 69, is founder and CEO of Robert W. Duggan and Associates

In addition to owning RWDA, Mr. Duggan is currently CEO and Chairman of the Board of Pharmacyclics. Mr. Duggan was Chairman of the Board and Chief Executive Officer of Computer Motion, Inc., the world's first surgical robotics company. Mr. Duggan invested in Computer Motion in 1990, became Chairman of the Board in 1993, and Chief Executive Officer in 1997. In 2003, post the merger of Computer Motion with Intuitive Surgical, Mr. Duggan served as a board member of Intuitive Surgical and retired from the Board in 2011. During his tenure with Computer Motion, Mr. Duggan developed an extensive understanding of the complex business, operational, scientific, regulatory, and commercial issues facing medical healthcare product-driven organizations.

Mr. Duggan has been an entrepreneur and industrialist for his entire career. He has participated as a CEO, director, investor, and advisor to numerous businesses in healthcare, computer local and wide area networking, PC hardware and software distribution, consumer retail goods, outdoor media communications as well as specialty restaurants and cafes.

In 1985, Mr. Duggan received the Congressman's Medal of Merit from Texas Congressman Ron Paul, and in 2000 he was proclaimed a Knight of the Legion of Honor by then President of France, Jacques Chirac.

Mr. Duggan is also a member of the University of California at Santa Barbara Foundation Board of Trustees.