

Item 1: Cover Sheet

INFORMATIONAL BROCHURE

# WASHINGTON GROWTH STRATEGIES LLC



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**This brochure provides information about the qualifications and business practices of Washington Growth Strategies LLC. If you have any questions about the contents of this brochure, please contact us at (202) 507-5725 via email at [michael@washingtongrowthstrategies.com](mailto:michael@washingtongrowthstrategies.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Washington Growth Strategies LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2:           Statement of Material Changes**

Washington Growth Strategies LLC is submitting this Form ADV Part 2A as part of its 2015 annual amendment. WGS is required to disclose any material changes to this ADV Part 2A here in Item 2. There are no material changes to report.

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WASHINGTON GROWTH STRATEGIES LLC

**Item 4:        Advisory Business**

Washington Growth Strategies LLC (“WGS”) has been in business since 2014. Coe Magruder and Michael Calkin, the firm’s principal owners, have collectively been in the business of providing investment advice to clients for over 35 years.

Washington Growth Strategies LLC provides personalized investment management services. Clients advised may include individuals, trusts, foundations, pensions, corporations and pooled investments.

Asset Management

**Separate Accounts**

Washington Growth Strategies LLC provides highly customized investment management services to its clients. Before we begin investing we will develop a deep understanding of our client’s goals and needs. Our portfolios will be uniquely designed for each client based on their risk tolerance, time horizon, income requirements, and tax considerations. Portfolios will be actively managed with our investment decisions dictated by both financial market conditions and the evolution of our clients’ needs over time.

Clients who engage our services will be asked to execute an Investment Management Agreement that outlines the responsibilities of both the client and WGS. The client will also determine whether they want their assets managed on a “discretionary” or “non-discretionary” basis. While we prefer to have full discretion over our investment decisions, we understand that some clients may prefer to be consulted before decisions are made. Clients that select “non-discretionary” investment services will always be consulted (either verbally or in writing) before any trades are placed in their account.

All clients will receive monthly account statements and trade confirmations from our custodian (Charles Schwab). These may be received electronically or in paper form. In addition, clients may request account information at any time from Charles Schwab or WGS.

For some clients who are engaging WGS to provide asset management or other services, the preparation of a financial plan may be required to properly service a client. If a financial plan is required, it will be included with the costs of the other services, and clients will not be charged any additional fees.

**Pooled Accounts**

WGS acts as the investment manager for a pooled investment vehicle, Washington Growth Fund, LP (“Washington Growth Fund”) and an affiliate of WGS serves as the general partner to the same vehicle. The investment program of Washington Growth Fund involves the investment of assets in various asset classes including exchange traded funds and notes. The Fund may also invest in other securities, including common stock, preferred stock, convertible securities, foreign stock, debt securities, options and other derivatives. The Fund may, among other things, employ leveraging strategies and hedge its investments by short selling and utilizing options in either the stock underlying specific securities or various market indices. Clients may be invited to invest in Washington Growth Fund, but only if the

respective investment is appropriate for the client. WGS charges a management fee to the private placement (please see Item 5 for details). The management of the assets in the Washington Growth Fund are managed in accordance with the funds offering documents. Clients invested in the Washington Growth Fund should consult the offering documents.

### **Wrap Fee Program**

For some clients, WGS may include certain transactional costs in the client's management fee. Fees included in the wrap fee include transaction fees for the purchase or sale of securities, but do not include expenses related to the use of margin, wire transfer fees, the fees charged to shareholders of mutual funds or ETFs, mark-ups and mark-downs, spreads, odd-lot differentials, fees charged by regulatory agencies, and any transaction fees for securities trades executed by a broker-dealer other than Schwab Advisor Services. Because WGS will be managing the assets of wrap fee program clients the same way as other non-wrap fee program clients, the use of external portfolio managers is expected to be limited. Therefore, there is no difference between how WGS manages wrap fee accounts and how WGS manages other accounts. Any fees due to another portfolio manager will be paid by the client.

Because of the nature of a wrap fee program, the wrap fee program client may pay more or less than if the client had compensated WGS Management outside of the wrap fee program. For example, if a client's account is rarely traded, the transaction fees the client would have paid would be minimal, thus limiting the benefits of "wrapping" management fees and transaction fees. WGS receives a portion of the wrap fee for our services. Because WGS will be compensated the same amount whether an account participating in the wrap program is traded or not, we have a financial incentive to avoid trading the account. This creates a conflict of interest between the firm and its wrap clients. WGS attempts to mitigate this conflict by requiring that the firm's employees acknowledge their fiduciary duty to place client interests ahead of their own and by periodically comparing wrap program client performance against any clients who are not in the wrap program.

WGS will receive no additional compensation for offering the wrap fee program.

Clients should refer to the accompanying Wrap Brochure.

### **Assets Under Management**

As of the date of this brochure, WGS has \$183,000,000 in assets under management, in 35 accounts. Of that total, all are managed on a discretionary basis.

## **Item 5: Fees and Compensation**

### **A. Fees Charged**

#### **Asset Management**

All investment management clients will be required to execute an Investment Management Agreement that will describe the type of management services to be provided and the fees, among other items. For some clients, ongoing financial planning will be included in this fee.

Generally, fees vary from 0.50% to 2.00% per annum of the market value of a client's assets managed by WGS. The fee range stated is a guide. Fees may be higher or lower than this range, based on the

nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

#### Pooled Investment Vehicles

Fees charged to pooled investment vehicles are as described in the vehicle's respective private placement memorandum. The fund's general partner, in conjunction with WGS, may modify or waive the fee arrangement for a given limited partner. Please see the fund's private placement memorandum for specific details.

*Included with Other Services:* For some clients who are also engaging WGS to provide asset management or other services, the preparation of a financial plan may be required to properly service a client. If a financial plan is required, it will be included with the costs of the other services, and clients will not be charged any additional fees.

#### B. Fee Payment

##### Asset Management

Fees for asset management will be deducted directly from each client's account. The management fee is paid quarterly, in arrears, and the value used for the fee calculation is the last market day of the previous month. This means that if your annual fee is 1.00%, then each quarter we will multiply the value of your account by 1.00% then divided by 4 to calculate our fee. Once the calculation is made, we will instruct your account custodian to deduct the fee from your account and remit it to WGS. This methodology is also applied to the Washington Growth Fund.

#### Pooled Investment Vehicles

All management and performance fees will be deducted from the investment vehicle on a quarterly basis, in arrears.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

#### C. Other Fees

##### Separate Accounts

All fees paid to WGS for advisory services are separate from the fees and expenses charged to shareholders of mutual fund shares (in the case of mutual funds), ETFs (which may include custody fees, transaction fees, commissions and expenses), or by a third party investment adviser managing the portfolios (in the case of money managers). Clients will be responsible for fees including transaction fees for the purchase or sale of a mutual fund or Exchange Traded Fund, or commissions for the purchase or sale of a stock. Expenses of a fund will not be included in management fees, as they are deducted from the value of the shares by the mutual fund manager. For complete discussion of expenses related to each mutual fund, clients should read a copy of the prospectus issued by that fund. WGS can provide or direct clients to a copy of the prospectus for any fund that we recommend to you, and clients are encouraged to read the prospectus for any mutual fund or ETF thoroughly, as well as the Form ADV for any third party money manager. A prospectus for any new fund clients invest in for the

first time is automatically sent to you by the custodian for your account.

#### Pooled Investment Vehicles

Clients who invest in a pooled invested vehicle managed by WGS will incur costs specific to the operation of the fund, including operational expenses, costs incurred in the investigation, purchase, holding or sale of securities, legal, audit, accounting, tax, registration, insurance, indemnification, financial fees, and any extraordinary expenses. For specific detail about fees and expenses, client should refer to their fund's private placement memorandum.

#### D. *Pro-rata* Fees

If you become a client during a quarter, you will pay a management fee for the number of days left in that quarter. If you terminate our relationship during a quarter, you will be charged a management fee for the portion of the quarter during which you were a client. Once your notice of termination is received, we will charge the fee through the date of transfer of your assets.

#### E. Compensation for the Sale of Securities.

Neither WGS nor any of its employees receives compensation for the sale of securities to our clients. WGS is not a broker-dealer, and no employee of WGS is a registered representative of a broker-dealer.

### **Item 6: Performance Based Fees**

#### Separate Accounts

Fees paid to WGS will not be based upon a share of capital gains or capital appreciation of your accounts (otherwise known as "performance based fees"). However, in the case of a third party money manager or private placement investment, the manager on those assets may charge a performance based fee. WGS will not recommend any third party money manager or private placement that charges a performance based fee to any client who does not meet the definition of a "qualified client" under the Investment Advisers Act of 1940. WGS will also take into consideration the cost-benefit analysis and conflicts of interest inherent in a performance based fee when deciding whether to recommend a third party money manager or private placement that charges such a fee.

#### Pooled Investment Vehicles

Subject to investors maintaining their level of performance (a "high water mark") in the Washington Growth Fund pay a 15% performance based fee according to terms as described in their respective Limited Partnership Agreements and Private Placement Memorandums. *For a more detailed discussion of the terms of the performance based fee, investors should consult their Fund's governing documents.*

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

Clients advised may include individuals, trusts, foundations, pensions, corporations and pooled investments. WGS requires each client to place at least \$1,000,000 with the firm. This minimum may be waived in the discretion of WSG.

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

It is important for you to know and remember that all investments carry risks. **Investing carries a risk of loss all clients should be prepared to bear.**

### A. Separate Accounts

Each client's portfolio will be invested according to that client's investment objectives. We determine these objectives by interviewing the client. Once we ascertain your objectives for each account, we will develop a set of asset allocation guidelines. An asset allocation strategy is a percentage-based allocation to different investment types. For example, a client may have an asset allocation strategy that calls for 40-60% of the portfolio to be invested in mutual funds, 30-40% invested in stocks and the rest in bonds. Another client may have an asset allocation of 50-60% in bonds, and the remainder in mutual funds. The percentages in each type that we recommend are based on the typical behavior of that security type, individual securities we follow, current market conditions, your current financial situation, your financial goals, and the timeline to get you to those goals. Because we develop an investment strategy based on your personal situation and financial goals, your asset allocation guidelines may be similar to or different from another client's.

It is important to remember that because market conditions can vary greatly, your asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary.

The specific securities we recommend for your account will depend on market conditions and our research at the time. Generally, we recommend a mix of mutual funds, stocks, bonds, and exchange traded funds. We may occasionally recommend a private placement (such as a hedge fund). We research securities on a fundamental basis, which means that we review what we believe the value of the security is, and what we think it will be in the future. We base our conclusions on predominantly publicly available research, such as corporate filings, press releases, competitor analyses, and in some cases research we receive from our custodian or other market analyses. We will also occasionally utilize technical analyses, which means that we will review the past behaviors of the security and the markets in which it trades for signals as to what might happen in the future.

### B. Pooled Investment

Each pooled investment vehicle will be managed according to the stated investment program in the fund's private placement memorandum. Individual partners in a fund will not receive individual asset management within the fund. For details regarding the investment program, client should refer to their fund's private placement memorandum.

### C. Risk of Loss

There are always risks to investing. It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up



or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.

- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of your security value in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading.** Clients should note that WGS may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. WGS endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Risks specific to sub-advisors and other managers.** If we invest some of your assets with another advisor, including a private placement, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ.
- **Margin Risk.** "Margin" is a tool used to maximize returns on a given investment by using securities in a client account as collateral for a loan from the custodian to the client. The proceeds of that loan are then used to buy more securities. In a positive result, the additional securities provide additional return on the same initial investment. In a negative result, the additional securities provide additional losses. Margin therefore carries a higher degree of risk than investing without margin. Any client account that will use margin will do so in accordance with Regulation T. WGS utilizes margin on a limited basis for clients with higher risk tolerances.
- **Short Sales.** "Short sales" are a way to implement a trade in a security WGS feels is overvalued. In a "long" trade, the investor is hoping the security increases in price. Thus in a long trade, the amount of the investor's loss (without margin) is the amount paid for the security. In a short sale, the investor is hoping the security decreases in price. However, unlike a long trade where the price of the security can only go from the purchase price to zero, in a short sale, the price of the security can go infinitely upwards. Thus in a short sale, the potential for loss is unlimited and unknown, where the potential for loss in a long trade is limited and knowable. WGS utilizes short sales only when the client's risk tolerances permit.
- **Risk specific to private placements.** If all or a portion of a client's assets are invested in a private placement, there are additional risks. These include risks that the investment strategy of the private placement may not be as specific to your needs as a separately managed account (because the assets are pooled with other investors). Investors in a private placement may not have access to the same

liquidity as in a separately managed account. Risk management guidelines may also be more liberal than we would normally employ. Valuation of the underlying assets may be less frequent and much more subjective. For a more complete discussion of risks associated with a private placement, clients interested in having assets invested in a private placement should refer to the fund's private placement memorandum.

- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.
- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.
- **Concentration Risk.** While WGS selects individual equities and bonds for client portfolios based on an individualized assessment of each security, this evaluation comes without an overlay of general economic or sector specific issue analysis. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's equity portfolio may be affected negatively, including significant losses.
- **Transition risk.** As assets are transitioned from a client's prior advisers to WGS there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by WGS. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of WGS may adversely affect the client's account values, as WGS's recommendations may not be able to be fully implemented.
- **Restriction Risk.** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.
- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.
- **REITs:** WGS may recommend that portions of client portfolios be allocated to real estate investment trusts, otherwise known as "REITs". A REIT is an entity, typically a trust or

corporation, that accepts investments from a number of investors, pools the money, and then uses that money to invest in real estate through either actual property purchases or mortgage loans. While there are some benefits to owning REITs, which include potential tax benefits, income and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, bonds, and mutual funds. First, real estate investing can be highly volatile. Second, the specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful, but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon the manager of the REIT. Clients should ensure they understand the role of the REIT in their portfolio.

- **MLPs:** WGS may recommend that portions of client portfolios be allocated to master limited partnerships, otherwise known as “MLPs”. An MLP is a publicly traded entity that is designed to provide tax benefits for the investor. In order to preserve these benefits, the MLP must derive most, if not all, of its income from real estate, natural resources and commodities. While MLPs may add diversification and tax favored treatment to a client’s portfolio, they also carry significant risks beyond more traditional investments such as stocks, bonds and mutual funds. One such risk is management risk-the success of the MLP is dependent upon the manager’s experience and judgment in selecting investments for the MLP. Another risk is the governance structure, which means the rules under which the entity is run. The investors are the limited partners of the MLP, with an affiliate of the manager typically the general partner. This means the manager has all of the control in running the entity, as opposed to an equity investment where shareholders vote on such matters as board composition. There is also a significant amount of risk with the underlying real estate, resources or commodities investments. Clients should ask WGS any questions regarding the role of MLPs in their portfolio.

#### **Item 9: Disciplinary Information**

None to report.

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

##### **A. Broker-dealer**

Neither WGS nor any of its employees is registered or has a registration pending as a broker-dealer.

##### **B. Futures Commission Merchant/Commodity Trading Advisor**

Neither WGS nor any of its employees are registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

##### **C. Relationship with Related Persons**

WGS is the investment manager to the Washington Growth Fund. The management of a pooled investment vehicle by WGS presents a conflict of interest because it creates an incentive for WGS to allocate resources and individual ideas to Washington Growth Fund over accounts because of the

enhanced competition in the form of a performance fee (see item 5). WGS attempts to mitigate this conflict by adhering to investment program guidelines of each client and following the Firm's Compliance Manual which is designed to assist employees in following applicable laws.

The general partner of the Washington Growth Fund is affiliated with WGS by common ownership. However, the general partner does not have its own employees and employees of WGS provide all such investment advisory services to both the Washington Growth fund and separate accounts.

**D. Recommendations of other Advisers**

Not applicable.

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

- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable.
- C. On occasion, an employee of WGS may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client or after a client, all employee trades must be reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.
- D. On occasion, an employee of WGS may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client or after a client all employee trades must be reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

**Item 12: Brokerage Practices**

- A. Recommendation of Broker-Dealer

WGS recommends that investment accounts be held in custody by Schwab Advisor Services ("Schwab"). Schwab offers enhanced services to independent investment advisors. These services include custody of securities, trade execution platforms, and access to research not available to the general public. Schwab is wholly independent from WGS. It is expected that most, if not all, transactions in a given client account will be cleared through the custodian of that account in its capacity as a broker-dealer.

WGS recommends Schwab to its clients based on a variety of factors. These include, but are not limited to, commission costs. Schwab has what can be considered discounted commission rates. However, in choosing a broker-dealer or custodian to recommend, we are most concerned with the value the client receives for the cost paid, not just the cost. Schwab adds value beyond commission cost. Other factors that may be considered in determining overall value include speed and accuracy of execution, financial strength, knowledge and experience of staff, research and service. Schwab also has arrangements with many mutual funds that enable us to purchase these mutual funds for client accounts at reduced transaction charges (as opposed to other broker-dealers). WGS re-evaluates the use of Schwab at least annually to determine if they are still the best value for our clients.

Schwab provides us with some non-cash benefits (not available to retail customers) in return for placing client assets with them or executing trades through them. Such non-cash benefits are referred to as “soft dollars”. Currently, these benefits come in the form of investment research and sponsored attendance at various investment seminars. We may also receive such items as investment software, books and research reports. These products, services, or educational seminars are items that will play a role in determining how to invest client accounts. If there is any item that has a multi-use aspect, mixed between investment and non-investment purposes, WGS will determine a reasonable allocation of investment to non-investment use and soft dollars will be allocated only to the investment portion of the product (and we will pay the remaining cost). WGS receives a benefit from these services, as otherwise we would be compiling the same research ourselves. This may cause a conflict of interest as we may want to place more client accounts with a broker-dealer/custodian such as Schwab, solely because of these added benefits. As such, WGS may have an incentive to select or recommend a broker-dealer based on interests in receiving the research or other products or services, rather than on clients’ interest in receiving most favorable execution. WGS attempts to mitigate this potential conflict by performing regular reviews of execution services and value clients receive to ensure clients are receiving the best possible value for costs paid. However, the value to all of our clients of these benefits is included in our evaluation of custodians. Products and services received via soft dollars will generally be used for the benefit of all clients. However, it is possible that a given client’s trades will generate soft dollars that acquire products and/or services that are not ultimately utilized for that same client’s account. Soft dollars provide additional value, and are accordingly considered in determining which broker-dealer or custodian to utilize as part of our best execution analysis.

We do not consider whether Schwab or any other broker-dealer/custodian, refers clients to WGS as part of our evaluation of these broker-dealers.

#### B. Aggregating Trades

Commission costs per client may be lower on a particular trade if all clients in whose accounts the trade is to be made are executed at the same time. This is called aggregating trades. Instead of placing a number of trades for the same security for each account, we will, when appropriate, execute one trade for all accounts and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, the securities will be allocated to client accounts on a *pro rata* basis, except where doing so would create an unintended adverse consequence (For example, 1/4 of a share, or a position in the account or less than 1%.)

### Item 13: Review of Accounts

All accounts will be reviewed by a senior professional on at least an annual basis. However, it is expected that market conditions, changes in a particular client’s account, or changes to a client’s

circumstances will trigger a review of an account.

All clients will receive a report from WGS either upon request or for the purpose of reviewing accounts during meetings with WGS, which may take place on a quarterly, semi-annual or annual basis. Clients will also receive statements directly from Schwab, and copies of all trade confirmations directly from Schwab. We encourage you to compare the information on any report prepared by WGS against the information in the statements provided directly from Schwab and alert us of any discrepancies.

Clients invested in a pooled investment vehicle will receive reports specific to Washington Growth Fund on a quarterly basis.

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

A. Economic Benefit Provided by Third Parties for Advice Rendered to Client.

*Please refer to Item 12, where we discuss recommendation of Broker-Dealers.*

B. Compensation to Non-Advisory Personnel for Client Referrals.

Clients may be introduced to WGS via other third parties. In the event that WGS compensates any party for the referral of a client to WGS, any such compensation will be paid by WGS, and not the client. If the client is introduced to WGS by an unaffiliated third party, that third party will disclose the referral arrangement with WGS, including the compensation for the referral, and provide the client a copy of WGS's ADV Part 2A and 2B. The referral source will also provide a written disclosure to the client regarding the relationship between WGS and the referral source, including the fact that referral fees will be paid.

#### **Item 15: Custody**

By virtue of the management and affiliate general partner acting on behalf of a pooled investment vehicle, WGS has custody of client funds. Any private placement managed by WGS will be independently audited. Limited partners will receive statements from an independent administrator, which should be carefully reviewed against information received about the fund from WGS.

#### **Item 16: Investment Discretion**

Please see Item 4 for a discussion of investment discretion.

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

Copies of our Proxy Voting Policies and procedures are available upon request.

From time to time, shareholders of stocks, mutual funds, exchange traded funds or other securities may be permitted to vote on various types of corporate actions. Examples of these actions include mergers, tender offers, or board elections. Clients are required to vote proxies related to their investments, or to

choose not to vote their proxies. WGS will not accept authority to vote client securities for its separate account clients. Clients will receive their proxies directly from the custodian for the client account. WGS will not give clients advice on how to vote proxies.

WGS will vote proxies on behalf of any pooled investment vehicle it manages. Investors in a pooled vehicle will not be able to direct the vote on any particular solicitation.

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

WGS does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

WGS has discretion over some client accounts. There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.

Neither WGS nor any person related to WGS has been the subject of a bankruptcy petition at any time in the past ten years.

**Item 1: Cover Sheet**

**INFORMATIONAL BROCHURE**

**WRAP FEE PROGRAM**

# **WASHINGTON GROWTH STRATEGIES LLC**

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2200 PENNSYLVANIA AVE NW, SUITE 400 EAST  
WASHINGTON, DC 20037  
WWW.WASHINGTONGROWTHSTRATEGIES.COM

Michael S. Calkin  
(202) 507-5725

**February 12, 2015**

**This wrap fee program brochure provides information about the qualifications and business practices of Washington Growth Strategies LLC. If you have any questions about the contents of this brochure, please contact us at (202) 507-5725. Information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Washington Growth Strategies LLC is a registered investment adviser. Registration does not imply any certain level of skill or training.**

**Additional information about Washington Growth Strategies LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**



**Item 2: Material Changes**

Washington Growth Strategies LLC is submitting this Wrap Brochure as part of its 2015 annual amendment. WGS is required to disclose any material changes to this Wrap Brochure here in Item 2. There are no material changes to report.

### **Item 3: Table of Contents**

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## **Item 4: Services, Fees, and Compensation**

The Washington Growth Strategies Wrap Program (the “Program”) is a wrap fee program sponsored by Washington Growth Strategies LLC (WGS) which has been in business since 2014. Coe Magruder and Michael Calkin are the firm’s only principal owners.

WGS provides personalized financial planning and/or investment management services. Clients advised may include individuals, trusts, foundations, pensions and corporations.

### **A. Description of the Program**

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#### *Asset Management*

WGS requires each client to place at least \$1,000,000 with the firm. This minimum may be waived in the discretion of WGS.

Washington Growth Strategies LLC provides highly customized investment management services to its clients. Before we begin investing we will develop a deep understanding of our client’s goals and needs. Our portfolios will be uniquely designed for each client based on their risk tolerance, time horizon, income requirements, and tax considerations. Portfolios will be actively managed with our investment decisions dictated by both financial market conditions and the evolution of our clients’ needs over time.

Clients who engage our services will be asked to execute an Investment Management Agreement that outlines the responsibilities of both the client and WGS. The client will also determine whether they want their assets managed on a “discretionary” or “non-discretionary” basis. While we prefer to have full discretion over our investment decisions, we understand that some clients may prefer to be consulted before decisions are made. Clients that select “non-discretionary” investment services will always be consulted (either verbally or in writing) before any trades are placed in their account.

Because WGS will be compensated the same amount whether an account participating in the wrap program is traded or not, we have a financial incentive to avoid trading the account. This creates a conflict of interest between the firm and its wrap clients. WGS attempts to mitigate this conflict by requiring that the firm’s employees acknowledge their fiduciary duty to place client interests ahead of their own and by periodically comparing wrap program client performance against any clients who are not in the wrap program.

All clients will receive monthly account statements and trade confirmations from our custodian (Charles Schwab). These may be received electronically or in paper form. In addition, clients may request account information at any time from Charles Schwab or WGS.

For some clients who are engaging WGS to provide asset management or other services, the preparation of a financial plan may be required to properly service a client. If a financial plan is required, it will be included with the costs of the other services, and clients will not be charged any additional fees.

As of the date of this brochure, WGS has \$183,000,000 in assets under management, in 35 accounts. Of that total, all are managed on a discretionary basis.

### Schwab's Brokerage Services.

In addition to the foregoing portfolio management and other services, the Program includes the brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. WGS independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us [or you]. Schwab has no responsibility for our services and undertakes no duty to you to monitor our management of your account or other services we provide to you. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when we [or you] instruct them to. While we require that you use Schwab as custodian/broker to participate in our program, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab, then we cannot manage your account in the program. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described below.

### **Fees and Compensation**

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#### Fees Charged

All clients will be required to execute a written agreement that will describe the type of services to be provided and the fees, among other items.

#### Our Wrap Fees

Generally, fees vary from 0.50% to 2.00% per annum of the net value of a client's accounts managed by WGS. The fee range stated is a guide. Fees are negotiable, and may be higher or lower than this range, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

Because our wrap fees are not tied to an account's frequency of trading and apply generally to all assets in the account, this fee arrangement is not appropriate for all accounts. For example, a wrap fee arrangement would not be appropriate for an account that holds primarily cash and cash equivalents, fixed income securities or no-transaction-fee mutual funds for a substantial period of time.

Investment advisory fees will be debited directly from each client's account. The advisory fee is paid quarterly, in arrears, and the value used for the fee calculation is the net value as of the last market day of the previous quarter. This means that if your annual fee is 1.00%, then each quarter we will multiply the value of your account by 1.00% then divide by 4 to calculate our fee. Once the calculation is made, we will instruct your account custodian to deduct the fee from your account and remit it to WGS.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

## **Fees We Pay Schwab.**

In addition to compensating us for our portfolio management, other investment advisory, and other services to you, the wrap fees you pay us also allow us to pay Schwab for the brokerage services it provides to you, as described above, as well as additional services Schwab provides us, as described below. The fees we pay Schwab consist primarily of transaction fees for the purchase or sale of a mutual fund or Exchange Traded Fund, or commissions for the purchase or sale of a stock. Expenses of a fund will not be included in management fees, as they are deducted from the value of the shares by the mutual fund manager. For complete discussion of expenses related to each mutual fund, you should read a copy of the prospectus issued by that fund. WGS can provide or direct you to a copy of the prospectus for any fund that we recommend to you.

The fees we pay Schwab may be more than what we would pay solely for Schwab's brokerage services. In addition to those brokerage services, for the fees we pay Schwab we also receive from a Schwab affiliate a software system and related support services called the "Integrated Office," which helps us manage our client relationships and client investment portfolios. More detail on this arrangement appears below under "Additional Compensation We Receive."

## **Relative Cost of Our Wrap Fee Program to You.**

The program may cost you more or less than purchasing our investment advice and Schwab's brokerage services separately. The relative cost of our wrap fee program to you is influenced by various factors, including the cost of our investment advice and Schwab's brokerage services if you purchased them separately, the types of investments held in your account, and the frequency and size of trades we make for your account. For example, if the number of transactions in your account is low enough, the wrap fee you pay us may exceed the stand alone investment advisory fee and separate brokerage commissions that you otherwise would have paid. In addition, because the fees we pay Schwab and that comprise a portion of the wrap fee you pay us include certain transaction fees, client accounts that trade relatively frequently could disproportionately benefit from the program compared to accounts that trade less frequently.

Our fees for stand-alone investment advisory services that are comparable to those we provide as part of the program fall in the same range as fees for account in the Program.

## **B, C Additional Fees and Costs You May Pay.**

Our wrap fee does not cover the fees and costs listed below, which may apply to assets in your enrolled accounts to which our wrap fee also applies, and to transactions in your accounts.

- Commissions and other fees for services provided by broker-dealers other than Schwab for transactions executed or effected by or through them that settle into or from your account at Schwab such as through our use of Schwab's Prime Brokerage or Trade Away Services. You will be responsible for paying any commissions and other fees or compensation charged by broker-dealers other than Schwab. Because you will pay our wrap fee in addition to any commissions and/or other charges paid to broker-dealers other than Schwab who execute transactions for your account, we may have an incentive to execute transactions for your accounts through Schwab, and this incentive could, in some circumstances, conflict with our duty to seek best execution.

- Fees charged by mutual fund companies, unit investment trusts (UITs), closed-end funds and other collective investment vehicles, including, but not limited to, sales loads (a portion of which are paid to Schwab) and/or charges and short-term redemption fees.
- Short-term redemption fees charged by Schwab for funds other than those available through the Schwab Mutual Fund OneSource® service.
- Markups and markdowns, bid-ask spreads, selling concessions and the like received by Schwab in connection with transactions it executes as principal by selling or buying securities to or from you for its own account. Principal transactions contrast with those in which Schwab acts as your agent in effecting trades between you and a third party. Schwab may make a profit or incur a loss on trades in which it acts as principal. Markups and markdowns and bid-ask spreads are not separate fees, but rather are reflected in the net price at which a trade order is executed.
- Transfer taxes, odd-lot differentials, certificate delivery fees, reorganization fees, fees required by law, and any other fees or charges similar to those described above.

A complete list of Schwab's charges and fees is contained in the Charles Schwab Institutional Pricing Guide, which you will receive promptly following the opening of your account with Schwab.

#### *Pro-rata Fees*

If you become a client during a quarter, you will pay a management fee for the number of days left in that quarter. If you terminate our relationship during a quarter, you will be charged a management fee for the portion of the quarter during which you were a client. Once your notice of termination is received, we will charge the fee through the date of transfer of your assets.

#### **D. Additional Compensation We Receive.**

We may receive more compensation from your participation in our wrap fee program than if you purchased our investment advisory services and Schwab's (or another broker/custodian's) services separately. As part of the services for the fees we pay Schwab, Schwab pays for its affiliate to provide us with the Integrated Office (a customer relationship and portfolio management system and related support services). The Integrated Office benefits us and may indirectly benefit you by enhancing our service to you. If we did not have the fee arrangement with Schwab, as described above, Integrated Office would be available to us only through paying fees for it directly to Schwab's affiliate. Consequently, we may have an incentive to recommend that you participate in our wrap fee program and open your account with Schwab. That incentive may be based on our interest in receiving Integrated Office as part of our services/fees arrangement with Schwab rather than based on your interest in having the most appropriate fee arrangement for our investment advisory services and the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our recommendation of our wrap fee program, including the use of Schwab as custodian and broker, is in the best interests of those of clients to whom we recommend it based on an assessment of their investment objectives, financial situation, our investment plans and anticipated trading activity in their accounts and all other relevant factors.

Some of the products, services and other benefits provided by Schwab benefit WGS and may not benefit WGS's client accounts. WGS's recommendation or requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to WGS, or WGS's agreement to maintain certain assets under management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

## **Item 5: Account Requirement and Type of Clients**

Clients participating in the program may include individuals, trusts, foundations, endowments and corporations. WGS requires each client to place at least \$1,000,000 with the firm. This minimum may be waived in the discretion of WGS.

## **Item 6: Portfolio Manager Selection and Evaluation**

The wrap fee program offered by WGS is sponsored by the firm, and WGS is the only portfolio manager. The only fees covered under the wrap fee program are transaction fees associated with the purchase and sale of securities in an account managed by WGS. All client accounts managed by WGS, including wrap fee program clients, are managed with similar processes, although account recommendations may differ.

## **Item 7: Client Information provided to Portfolio Managers**

Please see response to Item 6, above

## **Item 8: Client Contact with Portfolio Managers**

Clients may contact WGS, the only portfolio manager, at any time.

## **Item 9: Additional Information**

### **Disciplinary Information**

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Neither the firm nor any of its employees or principals has any disciplinary information to report

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

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#### **Broker-dealer**

Neither WGS nor any of its employees is registered or has a registration pending as a broker-dealer.

#### **Futures Commission Merchant/Commodity Trading Advisor**

Neither members of management, nor any related persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### Relationship with Related Persons

WGS is the investment manager to the Washington Growth Fund. The management of a pooled investment vehicle by WGS presents a conflict of interest because it creates an incentive for WGS to allocate resources and individual ideas to Washington Growth Fund over accounts because of the enhanced competition in the form of a performance fee (see item 5). WGS attempts to mitigate this conflict by adhering to investment program guidelines of each client and following the Firm's Compliance Manual which is designed to assist employees in following applicable laws.

The general partner of the Washington Growth Fund is affiliated with WGS by common ownership. However, the general partner does not have its own employees and employees of WGS provide all such investment advisory services to both the Washington Growth fund and separate accounts.

### Recommendations of other Advisers

Not applicable.

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

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- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable. WGS does not recommend to clients that they invest in any security in which WGS or any principal thereof has any financial interest.
- C. On occasion, an employee of WGS may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.
- D. On occasion, an employee of WGS may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.



## **Review of Accounts**

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All accounts will be reviewed by a senior professional on at least an annual basis. However, it is expected that market conditions, changes in a particular client's account, or changes to a client's circumstances will trigger a review of an account.

All clients will receive a report from WGS either upon request or for the purpose of reviewing accounts during meetings with WGS, which may take place on a quarterly, semi-annual or annual basis. Clients will also receive statements directly from Schwab, and copies of all trade confirmations directly from Schwab. We encourage you to compare the information on any report prepared by WGS against the information in the statements provided directly from Schwab and alert us of any discrepancies.

## **Client Referrals and Other Compensation**

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### **Other Products and Services Available to Us from Schwab.**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services described below (in contrast to the Integrated Office, as described above under "Additional Compensation We Receive") are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of the assets of our firm's advisory clients in accounts at Schwab. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of Schwab's support services:

*Services that Benefit You.* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

*Services that May Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and

- assist with back-office functions, recordkeeping and client reporting.

*Services that Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services.**

The availability of the services described above (under the caption "Other Products and Services Available to Us from Schwab") from Schwab benefits us because we do not have to produce or purchase them. In addition, Schwab has agreed to pay for up to \$10,000 of certain marketing and technology products and services provided to us by third parties once the total of our clients' assets maintained in accounts at Schwab reaches \$80 Million. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The minimums described above may give us an incentive to require that you maintain your account with Schwab based on our interest in receiving Schwab's services and Schwab's payment for third party services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services and Schwab's payment for third party services that benefit only us. We have adopted policies and procedures designed to ensure, at account opening and thereafter, that our wrap fee program and our use of Schwab's services is appropriate for each of our clients.

### **Financial Information**

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WGS does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.