

## **Brochure**

### **Form ADV Part 2A**

#### **Item 1 - Cover Page**



**WILLINGDON WEALTH  
MANAGEMENT**

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**March 2, 2015**

This brochure provides information about the qualifications and business practices of Willingdon Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at (704) 659-7810 or [pete@willingdonwealth.com](mailto:pete@willingdonwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Willingdon Wealth Management, Inc. is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about Willingdon Wealth Management, Inc. also is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

#### **Item 2 - Material Changes**

This Brochure is prepared in the revised format required beginning in 2011. Registered Investment Advisers are required to use this format to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include providing a Summary of Material Changes (the "Summary") reflecting any material changes to our policies, practices, or conflicts of interest made since our last required "annual update" filing. In the event of any material changes, such Summary is provided to all clients within 120 days of our fiscal year-end. Our last annual update was filed on March 28, 2014. Of course the complete Brochure is available to clients at any time upon request.

### Item 3 - Table of Contents

### Page

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

#### ***Item 4 - Advisory Business***

##### **General Information**

Willingdon Wealth Management, Inc. ("WWM") was formed in 2003 and provides portfolio management, financial planning, research services, and general consulting services to its clients.

Lewis M. ("Mike") Kayes, III is the majority owner of WWM. Theodore E. Ake and Peter J. Hunt are also shareholders. Please see ***Brochure Supplements***, Exhibit A, for more information on Messrs. Kayes, Ake, and Hunt, as well as any other individuals who formulate investment advice and have direct contact with clients, or have discretionary authority over client accounts.

As of December 31, 2014, WWM managed \$262,163,262 on a discretionary basis, and \$5,854,627 of assets on a non-discretionary basis.

#### **SERVICES PROVIDED**

At the outset of each client relationship, WWM spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and reviewing options for the client. Based on its reviews, WWM generally develops with each client:

- a financial outline for the client based on the client's financial circumstances and goals, and the client's risk tolerance level (the "Financial Profile"); and
- the client's investment objectives and guidelines (the "Investment Policy Statement" or "Investment Plan").

The Financial Profile is a reflection of the client's current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments WWM will make or recommend on behalf of the client to meet those goals. The Profile and the Plan are discussed regularly with each client, but are not necessarily written documents.

Where WWM provides general consulting services, WWM will work with the client to prepare an appropriate summary of the specific project(s) to the extent necessary or advisable under the circumstances.

##### **Portfolio Management**

As described above, at the beginning of a client relationship, WWM meets with the client, gathers information, and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by WWM based on updates to the client's financial or other circumstances.

Under normal circumstances, to implement the client's Investment Plan, WWM will manage the client's investment portfolio on a discretionary basis. On occasion, WWM may accept a client on a non-discretionary basis. As a discretionary investment adviser, WWM will have the authority to supervise and direct the portfolio without prior consultation with the client. Under a non-discretionary arrangement, clients must be contacted prior to the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary

arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on WWM in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of WWM.

#### Financial Planning

WWM offers financial planning services to those clients in need of such service in conjunction with Portfolio Management services. WWM's financial planning services normally address areas such as general cash flow planning, retirement planning, and insurance analysis. The goal of this service is to assess the financial circumstances of the client in order to more effectively develop the client's Investment Plan.

#### Research Services

From time to time, WWM may enter into agreements with financial planning firms and other similar services providers, wherein WWM provides research services that assist these other providers in evaluating securities, investment opportunities, etc.

#### Sub-Adviser Services

WWM may be engaged by other investment advisers, banks or others to act as a sub-adviser.

#### General Consulting

In addition to the foregoing services, WWM may provide general consulting services to clients. These services are generally provided on a project basis, and may include, without limitation, minimal cash flow planning for certain events such as education expenses or retirement, estate planning analysis, income tax planning analysis and review of a client's insurance portfolio, as well as other matters specific to the client as and when requested by the client and agreed to by WWM. The scope and fees for consulting services will be negotiated with each client at the time of engagement for the applicable project.

### ***Item 5 - Fees and Compensation***

#### General Fee Information

Fees paid to WWM are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third party consultants. Please see ***Item 12 - Brokerage Practices*** for additional information. Fees paid to WWM are also separate and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, WWM and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

### Portfolio Management Fees

The annual fee schedule, based on a percentage of assets under management, is as follows:

Accounts valued up to \$1,000,000	1.20%
Accounts valued at \$1,000,000 - \$2,000,000	1.00%
Accounts valued at \$2,000,001 - \$5,000,000	0.80%
Accounts valued above \$5,000,000	0.60%

The minimum portfolio value is generally set at \$500,000. The minimum annual fee for any account is \$6,000. WWM may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where WWM deems it appropriate under the circumstances.

Portfolio management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. With client authorization and unless other arrangements are made, fees are normally debited directly from client account(s).

Either WWM or the client may terminate their Investment Management Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to WWM from the client will be invoiced or deducted from the client's account prior to termination.

### Research Services Fees

Fees for research service arrangements are negotiated separately. Fees are normally paid monthly or quarterly in arrears, or at the conclusion of a specific project.

### Sub-Adviser Services

Fees for sub-adviser services are negotiated separately and are based on a percentage of the assets managed by WWM under the arrangement.

### General Consulting Fees

When WWM provides general consulting services to clients, these services are generally separate from WWM's financial planning and portfolio management services. Fees for general consulting are negotiated at the time of the engagement for such services, and are normally based on a fixed fee basis.

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

WWM does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because WWM has no performance-based fee accounts, it has no side-by-side management.

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

WWM serves individuals, pension and profit-sharing plans, banks, corporations, trusts, and estates. With some exceptions, the minimum portfolio value eligible for conventional investment advisory services is \$500,000 and the annual minimum fee charged is \$6,000. Under certain circumstances and in its sole discretion, WWM may negotiate such minimums.

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

### **Methods of Analysis**

In accordance with the Investment Plan, WWM will primarily invest in individual stocks and bonds. WWM may also include ETFs (Exchange Traded Funds), MLPs (Master Limited Partnerships), REITs (Real Estate Investment Trusts), preferred stocks, option strategies, and mutual funds in client accounts.

WWM focuses on fundamental analysis when selecting investments for client accounts. This type of analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The following is a discussion of some of the specific details of our analytical work.

### **Core Large Cap Equity Investment Strategy and Process:**

WWM utilizes a time-tested, three-stage process for selecting core equity portfolios. The analysis is top-down driven with a strong emphasis on identifying quality based on peer-to-peer analysis in each industry and sector. Portfolios typically include 30 – 35 stocks.

#### **1. Qualitative analysis:**

WWM defines quality as the sustainable competitive advantage a company enjoys over its competition. WWM has a checklist to assess competitive advantage including the following variables: product, price, service, management, cost position, market position, financial strength, strategic planning, technology, and execution. This is a dynamic process whereby different variables are given greater weight in some industries while given lesser weight in others. The key is to determine the critical driving forces in each industry in order to accurately assess the relative competitive advantages that each company may possess.

#### **2. Top-Down Analysis:**

WWM identifies long-term market drivers, or secular trends, which determine the sectors of the market likely to outperform and those likely to underperform the overall market. Based on this analysis we will position portfolios to hold a larger or smaller position in relation to the sector weights in the S&P 500.

#### **3. Quantitative Analysis:**

WWM utilizes industry-specific valuation methodologies to determine the upside and downside potential for stocks that pass our qualitative screens. Typically this involves approximately 200 companies. Valuation parameters include: Price/Earnings (PE), Price/Cash Flow (PCF), Price to Growth (PEG), and Price/Book Value (PBV).

### **Portfolio Review and Sell Discipline:**

WWM is continually retesting each holding in the portfolio in the context of our three-step investment process. WWM continually challenges our qualitative assessment as the competitive landscape changes in response to the economy or other market forces. Likewise, WWM review of the overall top-down strategy on an ongoing basis through the various stages of the economic cycle. Lastly, through the quantitative valuation models WWM monitors the relative upside and downside of each individual stock in the portfolio.

WWM's sell discipline flows from our three-step process as follows: First, if the company loses its quality – no longer has a sustainable competitive advantage vs. its competition - it would be a

candidate for sale. Second, a change in the top-down strategy may lead to increasing exposure in one sector and reducing exposure in another sector. Third, if a stock becomes over-valued based on our valuation analysis it may be a candidate for sale.

### **Covered Call Portfolio Strategy:**

When appropriate for a client's investment objectives and risk tolerance, WWM may utilize a covered call strategy for a portion of a managed portfolio.

#### **What is a Covered Call?**

A covered call portfolio is constructed by selling call options on stocks that are owned in a portfolio. The sale of call options produces income, which is received in exchange for future price appreciation over the strike price of the call option. The goal of our covered call portfolio is to enhance total return by generating income and providing limited downside protection.

#### **What is a Call Option?**

A call option gives the owner the right to buy a stock before a specified date (expiration) and at a specified price (strike price). In a covered call portfolio, this right is sold to someone else in exchange for income.

#### **Do options increase the risk in my investment portfolio?**

While certain option strategies can be high risk, covered call writing actually lowers the risk of a stock portfolio. The income received from selling call options dampens the volatility of a portfolio, which means the portfolio loses less money in bear markets and makes less money in bull markets. A covered call portfolio is an equity strategy, and therefore does contain risk, however all else being equal, a covered call position has less risk than owning the stock outright.

#### **What type of stocks are best for this strategy?**

We identify stocks with minimal downside risk to current price levels and modest upside potential. Large cap stocks are targeted due to the significant liquidity advantage in the options market that large cap stocks hold over small caps. The universe of large cap stocks that are candidates for covered call portfolios is derived from our core, large-cap quality growth equity process.

#### **When is this strategy most effective?**

A covered call strategy works best in a relatively flat or slightly positive market environment. In these scenarios, the owner of a covered call portfolio receives income from writing the call, dividend income from the underlying stock, and modest appreciation potential of the underlying shares.

### **Income Portfolio Strategy:**

Generating steady income from traditional fixed income investments is a challenge due to the current low interest rate environment. The Income Portfolio attempts to overcome this by building a diversified portfolio of income generating securities across asset classes and sectors. This portfolio does contain more risk than traditional high quality bonds, however we believe the long-term risk is lower than reaching for yield within fixed income by focusing solely on long-dated or lower credit quality bonds. The primary objectives in selecting securities are the sustainability of the current dividend and the ability of the company to raise the dividend in the future. The



portfolio may be comprised of high dividend paying stocks, preferred stocks, master limited partnership, and fixed income investments.

In addition to fundamental analysis, WWM will also employ charting/technical analysis. This involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. WWM may evaluate and select individual bonds based on a number of factors including, without limitation, rating, yield and duration.

#### Investment Strategies

WWM's strategic approach is to invest each portfolio in accordance with the Plan that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances.

Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

Options Trading/Writing: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

Trading – securities sold within 30 days

Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

#### Risk of Loss

While WWM seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While WWM manages client investment portfolios based on WWM's experience, research and proprietary methods, the value of client investment portfolios will change



daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that WWM allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that WWM's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, WWM may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). These investments are subject to risks associated with the markets in which they invest. In addition, the success of index funds and ETFs will be related to the ability of the fund to track its designated index. The success of actively managed funds will depend on the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* WWM will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. Individual stocks and funds that invest in stocks and other equity securities are subject to the risks of the overall stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* WWM will often invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* WWM may invest portions of client assets into individual stocks or pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

### ***Item 9 - Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of WWM or the integrity of WWM's management. WWM has no disciplinary events to report.

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

From time to time WWM may serve as a Sub-adviser for other investment advisers. In such

instances WWM normally provides assistance, for a fee, with the selection of individual stocks and bonds in certain portfolios of the other adviser.

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

#### Code of Ethics and Personal Trading

WWM has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. WWM's Code has several goals. First, the Code is designed to assist WWM in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, WWM owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with WWM (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated such persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for WWM's associated persons. Under the Code's Professional Standards, WWM expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, WWM associated persons are not to take inappropriate advantage of their positions in relation to WWM clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, WWM's associated persons may invest in the same securities recommended to clients. Under its Code, WWM has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

Because associated persons may invest in the same securities as those purchased in client accounts, WWM has established a policy requiring its associated persons to pre-clear transactions in certain of these securities with the Chief Compliance Officer. The goal of this policy is to avoid any conflict of interest that may present itself in these situations. Some types of securities, such as CDs, treasury obligations and open-end mutual funds are exempt from this pre-clearance requirement. However, in the event of other identified potential trading conflicts of interest, WWM's goal is to place client interests first.

Consistent with the foregoing, WWM maintains policies regarding participation in initial public offerings (IPOs) and private placements to comply with applicable laws and avoid conflicts with client transactions. If a WWM associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

Finally, if associated persons trade with client accounts (i.e., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with WWM's written policy.

## ***Item 12 - Brokerage Practices***

### **Best Execution and Benefits of Brokerage Selection**

When given discretion to select the brokerage firm that will execute orders in client accounts, WWM seeks “best execution” for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, WWM may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of WWM’s clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

WWM participates in the Fidelity Institutional Wealth Services (“FIWS”) program. While there is no direct link between the investment advice WWM provides and participation in the FIWS program, WWM receives certain economic benefits from the FIWS program. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of WWM’s fees from its clients’ accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of WWM’s accounts, including accounts not held at Fidelity. Fidelity may also make available to WWM other services intended to help WWM manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Fidelity may make available, arrange and/or pay for these types of services to be rendered to WWM by independent third parties. Fidelity may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to WWM, and/or Fidelity may pay for travel expenses relating to participation in such training. Finally, participation in the FIWS program provides WWM with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the FIWS program do not necessarily depend upon the proportion of transactions directed to Fidelity. The benefits are received by WWM, in part because of commission revenue generated for Fidelity by WWM’s clients. This means that the investment activity in client accounts is beneficial to WWM, because Fidelity does not assess a fee to WWM for these services. This creates an incentive for WWM to continue to recommend Fidelity to its clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, WWM believes that Fidelity provides an excellent combination of these services. These services are not soft dollar arrangements, but are part of the institutional platform offered by Fidelity.

### **Directed Brokerage**

Clients may direct WWM to use a particular broker for custodial or transaction services on behalf of the client’s portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangement that WWM has with Fidelity is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers may in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

By directing WWM to use a specific broker or dealer, clients who are subject to ERISA confirm and agree with WWM that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

#### Aggregated Trade Policy

WWM may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This method permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. It allows WWM to execute trades in a timely, equitable manner, and may reduce overall costs to clients.

WWM will only aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of WWM's Investment Advisory Agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all WWM's transactions in a given security on a given business day. Transaction costs for participating accounts will be assessed at the custodian's commission rate applicable to each account; therefore, transaction costs may vary among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

WWM will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of WWM. WWM's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as

practicable following the settlement, and WWM will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

#### Cross Trades

From time to time, WWM may direct a “cross trade” of securities (including, without limitation, fixed income securities) between client accounts, whereby WWM arranges for one client account to purchase a security directly from another client. In such cases, WWM will seek to obtain a price for the security from one or more independent sources. WWM is not a broker-dealer and receives no compensation from a cross trade; however, the broker-dealer facilitating the cross trade normally charges administrative fees to the clients’ accounts.

WWM may direct a cross trade when WWM believes that the transaction is in the best interest of the clients, that no client will be disfavored by the transaction, and that the transaction is consistent with WWM’s duty to seek best execution.

#### “Soft Dollar” Benefits

Consistent with its duty of best execution, when client transactions are not effected through Fidelity, WWM has selected other brokers through which it effects Client trades in order to collect additional amounts per share traded (referred to as soft dollars), which funds are aggregated and set aside to defray a portion of WWM’s independent third-party subscription research expenses. By using Client brokerage commissions in this manner, WWM benefits by virtue of a reduction in its operating expenses that otherwise might have been allocated for the payment of these specific expenses. Because of this financial benefit, Clients should consider that there is a potential conflict between their interests in obtaining best execution and WWM’s receipt of and payment for research through brokerage allocations, and that Clients may pay commissions higher than those charged by other broker-dealers as a result. However, WWM believes that soft dollars benefits its Clients because WWM is able to purchase additional research which improves the level of asset allocation and securities selection activities it provides for all of its Clients.

WWM does not generally enter into agreements with brokers regarding any obligation to direct a specific amount of brokerage to the brokers; however WWM will generally have an obligation to pay a certain amount for the research provided. Any funds generated above this amount will be rolled forward to pay the next year’s research cost.

Per-share brokerage commissions, including soft dollar add-ons, are paid by all WWM Clients on a transaction-specific basis except accounts that may not be eligible to participate in soft dollar arrangements. Because these “Non-Soft Dollar Accounts” may own the same securities and benefit from the same asset allocation research as the rest of WWM’s Clients, they benefit from research services which are paid for exclusively by other Clients. In addition, Clients who pay soft dollars may incur higher commissions than those who do not. WWM does not seek, and does not believe it would be practical, to allocate the benefits of soft dollar research only to Client accounts which generate the credits.

WWM reviews on a periodic basis the amount of its soft dollar research expenditures relative to the level of soft dollars accumulated for such purposes. As a result of this analysis, WWM may direct brokerage to different executing brokers for a period of time if the determination is made that the present rate of soft dollar accumulation exceeds or is inadequate relative to reasonable budgeted expenditures for research. WWM seeks to minimize expenses in all client accounts to the extent possible, and to gain economies of scale when opportunities arise.



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

Managed portfolios are reviewed at least quarterly, but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by WWM. These factors may include but are not limited to, the following: change in general client circumstances (marriage, divorce, retirement); or economic, political or market conditions. Mike Kayes, WWM's President, reviews all accounts.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. WWM will provide additional written reports as needed or requested by the client.

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

WWM participates in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which WWM receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. WWM is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control WWM, and SAI has no responsibility or oversight for WWM's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for WWM, and WWM pays referral fees to SAI for each referral received based on WWM's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to WWM does not constitute a recommendation or endorsement by SAI of WWM's particular investment management services or strategies. More specifically, WWM pays to SAI a portion of the management fees received from clients. These referral fees are paid by WWM and are not additional fees incurred by the client. As required, SAI discloses the compensation arrangements to prospective clients before such clients enter into an agreement with WWM.

To receive referrals from the WAS Program, WWM must meet certain minimum participation criteria, but WWM may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, WWM may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and WWM may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to WWM as part of the WAS Program. Under an agreement with SAI, WWM has agreed that Advisor will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, WWM has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when WWM's fiduciary duties would so require; therefore, WWM may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit WWM's duty to select brokers on the basis of best execution.

From time to time, WWM may enter into arrangements with other third parties (“Solicitors”) to identify and refer potential clients to WWM. Consistent with legal requirements under the Investment Advisers Act of 1940, as amended, WWM enters into written agreements with such Solicitors under which, among other things, Solicitors are required to disclose their compensation arrangements to prospective clients before such clients enter into an agreement with WWM.

#### ***Item 15 - Custody***

Fidelity is the custodian of nearly all client accounts at WWM. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian’s responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify WWM of any questions or concerns. Clients are also asked to promptly notify WWM if the custodian fails to provide statements on each account held.

From time to time and in accordance with WWM’s agreement with clients, WWM will provide additional reports. The account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, accrued interest on bonds, and pending trades.

#### ***Item 16 - Investment Discretion***

As described in ***Item 4 - Advisory Business***, WWM will accept clients on either a discretionary or non-discretionary basis. For *discretionary accounts*, a Limited Power of Attorney (“LPOA”) is executed by the client, giving WWM the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and, the withdrawal of advisory fees directly from the account. WWM then directs investment of the client’s portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client’s investment advisory agreement with WWM and the requirements of the client’s custodian.

For *non-discretionary* accounts, the client also generally executes an LPOA, which allows WWM to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the investment advisory agreement between WWM and the client, WWM does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to WWM’s agreement with the client and the requirements of the client’s custodian.

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

With respect to securities selected on behalf of the client in a managed account or recommended to a client, WWM may vote proxies where required under client agreements. (Proxy matters for securities transferred in and/or held at the discretion of the client will not be voted by WWM.) WWM seeks to vote proxies in the best interest of the client(s) holding the applicable securities. In voting proxies, WWM considers factors that WWM believes relate to the client’s investment(s) and factors, if any, that are set forth in written instructions from the client.

In general, WWM believes that voting proxies in accordance with the following guidelines, with respect to such routine items, is in the best interests of our clients. Accordingly, WWM generally votes **for**:



- The election of directors (where no corporate governance issues are implicated);
- Proposals that strengthen the shared interests of shareholders and management;
- The selection of independent auditors based on management or director recommendation, unless a conflict of interest is perceived;
- Proposals that WWM believes may lead to an increase in shareholder value;
- Management recommendations adding or amending indemnification provisions in charter or by-laws; and
- Proposals that maintain or increase the rights of shareholders.

WWM will generally vote **against** any proposals that WWM believes will have a negative impact on shareholder value or rights. If WWM perceives a conflict of interest, WWM's policy is to notify affected clients so that they may choose the course of action they deem most appropriate.

A copy of our complete policy, as well as records of proxies voted; are available to clients upon request. As required under the Advisers Act, such records are maintained for a period of five (5) years.

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

WWM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure required for this item.

Set forth below is the Summary of Material Changes for Willingdon Wealth Management, Inc.:

<b>Date of Change</b>	<b>Description of Item</b>
May 2014	Willingdon Wealth Management, Inc. was approved for Fidelity's referral ("WAS") program. Please see <i><b>Item 14, Client Referrals and Other Compensation</b></i> for additional information concerning this change.

# **Exhibit A**

**Brochure Supplement**

**Form ADV Part 2B**

**Item 1 - Cover Page**

**Lewis M. Kayes, III, CFA**

**CRD# 2955249**

**of**

**Willingdon Wealth Management, Inc.**

13801 Reese Boulevard  
Suite 155  
Huntersville, North Carolina 28078

(704) 659-7810

[www.WillingdonWealth.com](http://www.WillingdonWealth.com)

March 2, 2015

This brochure supplement provides information about Lewis “Mike” Kayes, and supplements the Willingdon Wealth Management, Inc. (“WWM”) brochure. You should have received a copy of that brochure. Please contact us at (704) 659-7810 if you did not receive WWM’s brochure, or if you have any questions about the contents of this supplement.

Additional information about Mike is available on the SEC’s website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

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***Item 2 - Educational Background and Business Experience***

Lewis M. Kayes, III (year of birth 1959) is President of WWM, which he founded in 2003. Mike began his investment career in the early 1980s in Columbus, OH as a research analyst at the Public Employees Retirement System of Ohio. He brings a 25+ year investment career to WWM, with extensive experience in fundamental analysis and portfolio management.

Mike earned his BBA from St. Bonaventure University in 1981 and his MBA from the University of Michigan in 1983. He holds the Chartered Financial Analyst® designation\* and is a member of the North Carolina Society of Financial Analysts.

Mike is active in the community through his participation in Stewards of the Game, a Christian youth sports organization he co-founded in 2001. He is the author of several books including,

*“Coaching Youth Basketball with Faith and Fundamentals, Calling Tom Canning, My Most Meaningful Bible Verses, and Eleven is Heaven.”*

\* The Chartered Financial Analyst® (“CFA®”) designation is a professional designation given by the CFA Institute that measures the competence and integrity of financial analysts. The CFA Program is a graduate-level self-study program that combines a broad-based curriculum of investment principles with professional conduct requirements. Candidates are required to pass three levels of examinations covering areas such as accounting, economics, ethics, money management and security analysis. Before a candidate is eligible to become a CFA charterholder, he/she must meet minimum experience requirements in the area of investment/financial practice. To enroll in the program, a candidate must hold a bachelor’s degree.

***Item 3 - Disciplinary Information***

Advisers are required to disclose any material facts regarding certain legal or disciplinary events that would be material to your evaluation of an adviser; however, Mike has no such disciplinary information to report.

***Item 4 - Other Business Activities***

Mike is not engaged in any other business activities.

***Item 5 - Additional Compensation***

Mike has no other income or compensation to disclose.

***Item 6 - Supervision***

Mike is the Principal Owner and President of Willingdon Wealth Management, Inc. and also serves as Chief Compliance Officer. As Chief Compliance Officer, Mike is responsible for providing compliance supervisory oversight to the staff. He also participates as a team member in the investment and trading processes, and may be contacted at (704) 659-7810.

**Brochure Supplement**

**Form ADV Part 2B**

**Item 1 - Cover Page**

**Peter J. Hunt, CTFA**

**CRD# 5645273**

**of**

**Willingdon Wealth Management, Inc.**

13801 Reese Boulevard  
Suite 155  
Huntersville, North Carolina 28078

(704) 659-7810

[www.WillingdonWealth.com](http://www.WillingdonWealth.com)

March 2, 2015

This brochure supplement provides information about Peter “Pete” Hunt, and supplements the Willingdon Wealth Management, Inc. (“WWM”) brochure. You should have received a copy of that brochure. Please contact us at (704) 659-7810 if you did not receive WWM’s brochure, or if you have any questions about the contents of this supplement.

Additional information about Pete is available on the SEC’s website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

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***Item 2 - Educational Background and Business Experience***

Peter J. Hunt (year of birth 1975) is Senior Wealth Advisor of WWM. Pete received his Master’s in Business Administration from Campbell University in 1998. He received his undergraduate degree in Trust Management and minor in Financial Planning from Campbell University in 1998, as well. Pete is a member of the American Bankers Association, and a Certified Trust and Financial Advisor\* (CTFA). He is a member of the Charlotte Estate Planning Council and serves on the steering committee for Estate Planner’s Day at Queens University.

Pete spent 5 years with Bank of America’s Trust Department in Tampa, Florida as an account opening coordinator and team leader. He spent an additional 3 years with Bank of America’s Wealth Management in Charlotte, North Carolina as a local Trust Officer. Prior to joining WWM, Pete spent the previous 3 years with First Charter Bank as a Trust Officer in Charlotte, North Carolina.

Pete joined WWM in February of 2009. His primary responsibilities include business development, customer service, and estate planning. His commitment to providing the highest level of personal service to WWM's clients will be an integral part of WWM's future success.

Pete's wife, Leslie, has worked in Trust & Wealth Management since 2003. They have four children, three daughters, Ava, Audrey, Claire, and a son, Coleman.

\* The CTFA designation is the credential for financial services professionals whose primary function and expertise focus on the provision of fiduciary services related to trusts, estates, guardianships, and individual asset management accounts. This designation signifies that an individual working in this field has attained comprehensive training in Fiduciary & Trust activities, Financial Planning, Tax Law & Planning, Investment Management, and Ethics. A CTFA candidate must meet one of the following prerequisites: A minimum of three years of experience in wealth management as well as completion of one of the Institute of Certified Bankers (ICB) approved wealth management training programs; Five years of experience in wealth management and a bachelor's degree; or, ten years of experience in wealth management. To maintain a CTFA designation, CTFA professionals must pay an annual fee and complete 45 credits of continuing education every three years.

### ***Item 3 - Disciplinary Information***

Advisers are required to disclose any material facts regarding certain legal or disciplinary events that would be material to your evaluation of an adviser; however, Pete has no such disciplinary information to report.

### ***Item 4 - Other Business Activities***

Pete is not engaged in any other business activities.

### ***Item 5 - Additional Compensation***

Pete has no other income or compensation to disclose.

### ***Item 6 - Supervision***

Mike Kayes, President and Chief Compliance Officer, is responsible for providing compliance oversight for Pete and for reviewing accounts. Mike can be reached at (704) 659-7810.



**Brochure Supplement**

**Form ADV Part 2B**

**Item 1 - Cover Page**

**Theodore E. Ake**

**CRD# 1715634**

**of**

**Willingdon Wealth Management, Inc.**

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Suite 155  
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[www.WillingdonWealth.com](http://www.WillingdonWealth.com)

March 2, 2015

This brochure supplement provides information about Theodore “Ted” Ake, and supplements the Willingdon Wealth Management, Inc. (“WWM”) brochure. You should have received a copy of that brochure. Please contact us at (704) 659-7810 if you did not receive WWM’s brochure, or if you have any questions about the contents of this supplement.

Additional information about Ted is available on the SEC’s website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

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***Item 2 - Educational Background and Business Experience***

Theodore E. Ake (year of birth 1955) joined WWM in 2012 as a Director. He has worked in the Fixed Income markets for over 30 years. Prior to joining Willingdon, Ted had been responsible for managing an institutional trading desk including developing both short and long term strategies. Most recently, Ted was a Managing Director responsible for building the US dollar Rates platform at Societe Generale Securities in New York City. Prior to that, Ted managed all taxable trading for Mizuho Securities, USA in New York. Ted has traded in New York, Chicago, San Francisco and Charlotte working for a variety of securities firms focused on Rates products (US Treasuries and Agencies). Early in his career, he sold money market instruments including short-term treasuries and municipal securities.

Ted earned his BA from Northwestern University in Political Science and Economics and his MBA from the University of Illinois.

***Item 3 - Disciplinary Information***

Advisers are required to disclose any material facts regarding certain legal or disciplinary events that would be material to your evaluation of an adviser; however, Ted has no such disciplinary information to report.

***Item 4 - Other Business Activities***

Ted is not engaged in any other business activities.

***Item 5 - Additional Compensation***

Ted has no other income or compensation to disclose.

***Item 6 - Supervision***

Mike Kayes, President and Chief Compliance Officer, is responsible for providing compliance oversight for Ted and for reviewing accounts. Mike can be reached at (704) 659-7810.

**Brochure Supplement**

**Form ADV Part 2B**

**Item 1 - Cover Page**

**Valorie Elizabeth Ake**

**CRD# 1156909**

**of**

**Willingdon Wealth Management, Inc.**

13801 Reese Boulevard  
Suite 155  
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(704) 659-7810

[www.WillingdonWealth.com](http://www.WillingdonWealth.com)

March 2, 2015

This brochure supplement provides information about Valerie “Val” Ake, and supplements the Willingdon Wealth Management, Inc. (“WWM”) brochure. You should have received a copy of that brochure. Please contact us at (704) 659-7810 if you did not receive WWM’s brochure, or if you have any questions about the contents of this supplement.

Additional information about Val is available on the SEC’s website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

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***Item 2 - Educational Background and Business Experience***

Valerie Elizabeth Ake (year of birth 1960) joined WWM in 2012 as a Director. Val’s career in Finance was as a Senior Account Officer in Institutional sales servicing clients who manage investments for corporation, money market funds, and insurance companies. She sold fixed income products – US treasuries, money market instruments, mortgage-backed securities, and interest rate products.

Val earned her BA from Washington University in Economics with a double minor in Business Administration and History. She has been a full-time mother of two children and an active community volunteer for the past twenty years.

***Item 3 - Disciplinary Information***

Advisers are required to disclose any material facts regarding certain legal or disciplinary events that would be material to your evaluation of an adviser; however, Val has no such disciplinary information to report.

***Item 4 - Other Business Activities***

Val is not engaged in any other business activities.

***Item 5 - Additional Compensation***

Val has no other income or compensation to disclose.

***Item 6 - Supervision***

Mike Kayes, President and Chief Compliance Officer, is responsible for providing compliance oversight for Val and for reviewing accounts. Mike can be reached at (704) 659-7810.

**Brochure Supplement**

**Form ADV Part 2B**

**Item 1 - Cover Page**

**Steven E. Lewis**

**CRD# 1626337**

**of**

**Willingdon Wealth Management, Inc.**

13801 Reese Boulevard  
Suite 155  
Huntersville, North Carolina 28078

(704) 659-7810

[www.WillingdonWealth.com](http://www.WillingdonWealth.com)

March 2, 2015

This brochure supplement provides information about Steven Lewis, and supplements the Willingdon Wealth Management, Inc. ("WWM") brochure. You should have received a copy of that brochure. Please contact us at (704) 659-7810 if you did not receive WWM's brochure, or if you have any questions about the contents of this supplement.

Additional information about Steven is available on the SEC's website at  
[www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

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***Item 2 - Educational Background and Business Experience***

Steven E. Lewis (year of birth 1961) is the Senior Vice President of Marketing of WWM. His primary responsibilities include new business development and expansion of the firm's institutional business initiatives. Steven is an experienced leader with a strong track record in driving growth, managing change and building top-performing teams. Prior to joining WWM in November 2013, Steven served as a Consultant for SEL Advisors in 2013 and as a Consultant for Intermedium Financial, LLC and Cazenovia Creek Investment Management, LLC from 2011 to 2012. He was a Managing Director for Cortview Capital Securities, LLC from 2010 to 2011 and Managing Director for Rait Securities, LLC from 2009 to 2010. His previous financial industry experience includes almost two decades of experience working with Wells Fargo Securities, LLC and its predecessor companies and Wachovia Brokerage Service.

Steven earned a Bachelor of Science in Business Administration from Washington and Lee University and holds the FINRA Series 65 license.

Steven and his wife Marguerite have 6 children. Steven is the former Board President and current member of the finance and strategic planning committee for the Ronald McDonald House of Charlotte. He has served on the Board of the local Humane Society and is an active fundraiser for the Charlotte Country Day School. Steven leads an active life style and keeps busy with a wide variety of family activities, coaching youth sports, tennis and golf.

***Item 3 - Disciplinary Information***

Advisers are required to disclose any material facts regarding certain legal or disciplinary events that would be material to your evaluation of an adviser; however, Steven has no such disciplinary information to report.

***Item 4 - Other Business Activities***

Steven is not engaged in any other business activities.

***Item 5 - Additional Compensation***

Steven has no other income or compensation to disclose.

***Item 6 - Supervision***

Mike Kayes, President and Chief Compliance Officer, is responsible for providing compliance oversight for Steven and for reviewing accounts. Mike can be reached at (704) 659-7810.