

Watts Capital Partners LLC

Firm Brochure

This brochure provides information about the qualifications and business practices of Watts Capital Partners LLC. If you have any questions about the contents of this brochure, please contact us at (212) 735-8920 or by email at: dwilson@wattscapital.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 Watts Capital Partners LLC is also available on the SEC's website at www.adviserinfo.sec.gov. Watts Capital Partners LLC's CRD number is: 149049

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Registration does not imply a certain level of skill or training.

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Item 2: Material Changes

Watts Capital Partners LLC has not yet filed an annual updating amendment using the ADV Form 2A. Therefore there are no material changes to report.

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Item 4: Advisory Business

A. Description of the Advisory Firm

This firm has been in business since September 29, 2009, and the principal owner is Thomas Wynne Watts IV.

B. Types of Advisory Services

Watts Capital Partners LLC (hereinafter "WCP") offers the following services to advisory clients:

Investment Supervisory Services

WCP offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. WCP creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Securities Selection
- Risk Tolerance
- Personal investment policy
- Regular portfolio monitoring

WCP evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. WCP will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Selection of Other Advisors

WCP may direct clients to third party money managers. Before selecting other advisors for clients, WCP will always ensure those other advisors are properly licensed or registered as an investment advisor.

Services Limited to Specific Types of Investments

WCP limits its money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, REITs, private placements, and government securities. WCP may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

WCP offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent WCP from properly servicing the client account, or if the restrictions would require WCP to deviate from its standard suite of services, WCP reserves the right to end the relationship.

D. Wrap Fee Programs

WCP does not participate in any wrap fee programs.

E. Amounts Under Management

WCP has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$24,086,000.00	\$10,439,000	05/30/2013

Item 5: Fees and Compensation

A. Fee Schedule

Investment Supervisory Services Fees

Total Assets Under Management	Annual Fee
\$0 - \$1,000,000	1.25%
\$1,000,000 - \$2,000,000	1.00%
\$2,000,000 - \$5,000,000	0.85%
\$5,000,000 - \$10,000,000	0.70%
Over \$10,000,000	0.60%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Agreement. Fees are paid monthly in arrears, and clients may terminate their contracts with ninety five days' written notice. Lower fees for comparable services may be available from other sources. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

B. Payment of Fees

Payment of Investment Supervisory Fees

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid monthly in arrears.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by WCP. Please see Item 12 of this brochure regarding broker/custodian.

D. Prepayment of Fees

WCP collects its fees in arrears. It does not collect fees in advance.

E. Outside Compensation For the Sale of Securities to Clients

Representatives of WCP are also registered representatives with WCP's affiliated broker-dealer, Watts Capital, LLC, and accept compensation for the sale of securities to WCP clients.

1. This is a Conflict of Interest

WCP and its supervised persons may accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and WCP an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which WCP receives compensation, WCP will document the conflict of interest in the client file and inform the client of the conflict of interest.

2. Clients Have the Option to Purchase Recommended Products From Other Brokers

Clients always have the option to purchase WCP recommended products through other brokers or agents that are not affiliated with WCP.

Item 6: Performance-Based Fees and Side-By-Side Management

WCP does accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

WCP generally provides management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

Minimum Account Size

There is an account minimum, \$500,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

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

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

Technical analysis involves the analysis of past market data; primarily price and volume.

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

Investment Strategies

WCP uses long term trading, short term trading, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

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

B. Material Risks Involved

Methods of Analysis

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold : 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

Investment Strategies

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

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

C. Risks of Specific Securities Utilized

WCP generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it may utilize margin transactions and options writing which generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

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

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Thomas Watts and David Wilson are registered representatives of Watts Capital, LLC, a broker-dealer affiliate of Watts Capital Partners LLC. From time to time, they will offer clients advice or products from those activities. WCP will always act in the best interest of the client. Clients are in no way required to implement the plan through any representative of WCP in their capacity as a registered representative

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither WCP nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Mr. Watts is an owner of Watts Capital, LLC, a broker dealer. From time to time, he will offer clients advice or products from those activities. WCP will always act in the best interest of the client. WCP may also sponsor or create limited partnerships for clients to invest in. Clients may be solicited to invest in Watts Performance Fund, LP. There is a minimum investment requirement of \$250,000 and the current value of the fund is 1.6 million dollars. This fund invests in hedge funds, private equity funds, and makes direct investments in stocks, bonds and other instruments.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

WCP may direct clients to third party money managers. Before selecting other advisors for clients, WCP will always ensure those other advisors are properly licensed or registered as investment advisor.

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

A. Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

WCP does not recommend that clients buy or sell any security in which a related person to WCP has a material financial interest.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of WCP may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of WCP to buy or sell the same securities before or after recommending the same securities

to clients resulting in representatives profiting off the recommendations they provide to clients. WCP will always document any transactions that could be construed as conflicts of interest and will always transact client business simultaneously with or before their own when similar securities are being bought or sold.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of WCP may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of WCP to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

The Custodian was chosen based on its relatively low transaction fees and access to mutual funds and ETFs. WCP will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

1. *Research and Other Soft-Dollar Benefits*

WCP receives no research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

2. *Brokerage for Client Referrals*

WCP receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. *Clients Directing Which Broker/Dealer/Custodian to Use*

WCP will not allow clients to direct WCP to use a specific broker-dealer to execute transactions. Clients must use the WCP recommended custodian (broker-dealer). By requiring clients to use our specific custodian, WCP may be unable to achieve most favorable execution of client transactions and this may cost clients money over using a lower-cost custodian.

B. Aggregating (Block) Trading for Multiple Client Accounts

WCP maintains the ability to block trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least quarterly only by Thomas Wynne Watts IV and/or David Wilson. The chief advisors are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at WCP are assigned to these reviewers.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Each client will receive at least quarterly a written report that details the client's account which will come from the custodian.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

WCP does not receive any economic benefit, directly or indirectly from any third party for advice rendered to WCP clients.

B. Compensation to Non -Advisory Personnel for Client Referrals

WCP may directly or indirectly compensate third parties who are not advisory personnel for client referrals. WCP shall notify clients in any case in which a referral fee or other compensation is paid to a third party in relation to the client's account.

Item 15: Custody

WCP does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the Custodian.

Item 16: Investment Discretion

For those clients' accounts where WCP provides ongoing supervision, the client has given WCP written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides WCP discretionary authority via a limited power of attorney in the Investment Advisory Agreement and in the contract between the client and the custodian.

Item 17: Voting Client Securities (Proxy Voting)

WCP will accept voting authority for client securities in certain cases. When WCP does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. WCP does not maintain preapproved voting guidelines but relies on the investment committee to determine the appropriate course of action in voting client securities that is in the best interest of the client. Clients may direct WCP on how to vote client securities by communicating their wishes in writing or electronically to WCP. When voting client proxies the investment committee will always hold the interests of the clients above its own interests. Clients of WCP may obtain the voting record of WCP on client securities by contacting WCP at phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of WCP's proxy voting policies and procedures upon request.

Item 18: Financial Information

A. Balance Sheet

WCP does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither WCP nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

WCP has not been the subject of a bankruptcy petition in the last ten years.

Item 19: Requirements For State Registered Advisers

A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background

WCP currently has only one management person/executive officer; Thomas Wynne Watts IV. Thomas Wynne Watts IV's education and business background can be found on the Supplemental ADV Part 2B form.

B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)

Thomas Wynne Watts IV's other business activities can be found on the Supplemental ADV Part 2B form.

C. How Performance Based Fees are Calculated and Degree of Risk to Clients

WCP may accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client, in relation to certain products and services available only to Accredited Investors. The description of those fees is provided in separate agreements for those specific products and services.

D. Material Disciplinary Disclosures for Management Persons of this Firm

No management person at WCP has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)

Neither WCP, nor its management persons, has any relationship or arrangement with issuers of securities, other than relationships that WCP's broker-dealer affiliate Watts Capital LLC may have.