

**Item 1: Cover Page**

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FORM ADV PART 2A

FIRM BROCHURE

October 5, 2015

This brochure provides information about the qualifications and business practices of Motley Fool Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us by email at [help@foolwealth.com](mailto:help@foolwealth.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.

**Item 2****Material Changes**

This amendment to the Motley Fool Wealth Management Brochure is dated October 5, 2015 and replaces the previous brochure, which was filed on June 10, 2015. Items 4, 5 and 8 have been revised or updated to reflect the following material changes:

- Certain clients who enter into an advisory agreement with Motley Fool Wealth Management, LLC for access to our separately managed account program may pay an advisory fee that is calculated as a percentage of the market value of the assets in the Client's account. This advisory fee is referred to as an annual "asset-based fee" and is nonrefundable;
- The risk disclosure in Item 8 has been revised to reflect developments in the fixed income market, and include the risks associated with investments in exchange traded funds; and
- As of September 30, 2015, MFWM has \$820 million under management.

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#### **Item 4            Advisory Business:**

##### **A. The Firm - Motley Fool Wealth Management, LLC**

Motley Fool Wealth Management, LLC (“MFWM” or “we”), formerly known as Motley Fool Financial Planning, is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”) since February 12, 2013. MFWM changed its name on March 18, 2014.

MFWM is a wholly-owned subsidiary of The Motley Fool Holdings Inc. (“TMF Holdings”). MFWM has two indirect owners, David H. Gardner and Thomas M. Gardner, who each own 25% or more of TMF Holdings.

##### **B. Advisory Services Offered**

MFWM provides nondiscretionary advice and discretionary account management services, based in part upon Clients’ responses to online questionnaires regarding their financial and portfolio information, risk tolerance levels, time to retirement, need to access assets, their current holdings and any additional information provided by the Client (the “Profile”). In addition to their Profile, Clients can provide MFWM with access to holdings information through third-party account aggregation tools and/or manually enter their holdings, cash positions and other information (collectively, the “Aggregation Tools”). The advisory services made available to a Client will vary depending on the type of offering or package purchased by the Client.

MFWM services are provided to Clients pursuant to an Investment Advisory Agreement, which permits either the Client or MFWM to terminate the agreement with notice.

##### **1. Nondiscretionary Advisory Services.**

MFWM’s equity recommendations, provided via the products and services discussed below, are based upon MFWM’s asset allocation models (which may change from time to time) and our analysis of fundamental data and research provided by third parties, including the newsletters published by our affiliate The Motley Fool, LLC (“TMF”).

- a. Financial Snapshot. Clients can receive a personalized snapshot that provides them with projections on any (or all) of the following areas: retirement, college savings and cash flow as well as an asset allocation target (the “Snapshot”). Based on the Profile and the information provided via the Aggregation Tools, the Snapshot gives Clients a visual representation of their current financial circumstances and estimations on their future financial outlook and likelihood of achieving their goals. The Snapshot also provides suggestions on how Clients can better meet their stated objectives.
- b. Motley Fool Touchstone. Motley Fool Touchstone is MFWM’s proprietary online tool that provides Clients with general asset allocation targets, allocation among types of equities in a Client’s portfolio, and advice about specific equities that may be appropriate for the equity portion of a Client’s portfolio. If a Client chooses not to provide all of the information requested on the online questionnaire, MFWM will ask the Client to contact

its staff as we do not have sufficient information to render any tailored advice. After consultation with the Client, MFWM may then provide the Client with guidance on his or her holdings.

- c. Financial Counseling. MFWM offers certain Clients a full suite of financial planning and counseling services. Our services may include:

- Meetings and consultations with a financial planner;
- Reviewing the Client's online questionnaire inputs and advising on possible changes to closer reflect the Client's actual financial circumstances;
- Assisting the Client in determining which Model Portfolios in MFWM's separately managed account program to follow and providing related asset allocation advice;
- Answering specific questions that a Client may have about financial goals and circumstances including meeting retirement goals and the suitability of current investments;
- Counseling on tax efficiency and general tax considerations; and/or
- Developing comprehensive financial plans based on the stated needs and objectives of the individual Client.

Consultations are generally conducted via telephone or email, but a Client may also request to meet with MFWM in person. Face-to-face meetings are by appointment only and take place at MFWM's offices.

- d. Financial Review. From time-to time, MFWM may offer certain Clients a review and assessment of their financial products and circumstances in light of their stated needs and goals. Based on the information provided, MFWM would provide the Client with general information regarding the identified products and services. This may include information on the fees incurred by the Client and the allocation among the types of equity investments held, as well as other information. MFWM may also evaluate a Client's retirement readiness and risk management strategies as well as provide individualized guidance regarding the suitability of the Client's investments and account types.

All nondiscretionary advice is based upon the Client's personal situation and goals, as communicated to MFWM through the Profile, the Aggregation Tools and any information provided by the Client in emails, telephone calls or face-to-face meetings. If the Client provides inaccurate or incomplete information at any point, MFWM's advice may not be fully tailored to that Client's needs.

## 2. Discretionary Account Management – Separately Managed Accounts.

MFWM's separately managed account program (the "SMA Program" or "Program") enables Clients to own individually tailored portfolios that employ a mix of strategies (the "Model Portfolios"). Each Model Portfolio focuses on a particular investment strategy (such as long term buy and hold) or specific type of security (such as growth stocks). The Model Portfolios represent

different investing strategies that allow Clients to hold balanced and diverse portfolios through various stages in their lives. MFWM may on occasion modify or revise the Model Portfolios when it feels it is in the best interests of our Clients.

Using a Client's Profile, MFWM will create a portfolio that allocates the Client's assets across some, or all of the Model Portfolios (the "Allocated Approach"). The exact allocations will be based on the Client's risk tolerances, needs and goals. A Client may choose to reject MFWM's Allocated Approach. Instead, a Client may choose to hold an SMA account following one Model Portfolio (a "Stand-alone Account"). Not all the Model Portfolios are made available to Stand-alone Accounts. Clients may also choose to adjust the allocations within our Allocated Approach, but generally will not be able to remove a Model Portfolio entirely from the Allocated Approach unless the Client chooses a Stand-alone Account.

MFWM acts as the Program's sponsor and manages the accounts for Clients on a discretionary basis, meaning that Clients have granted MFWM full and exclusive authority to manage the accounts in accordance with MFWM's asset allocation determinations and the chosen Model Portfolios' strategies.

Brokerage and custody services for the Program are provided exclusively by Interactive Brokers, LLC ("IB").

### 3. Premium Wealth Management.

MFWM's premium wealth management ("PWM") service is a mix of discretionary and nondiscretionary services that will be made available to certain SMA Clients. After enrolling, MFWM will conduct an initial analysis of the Client's financial circumstances and advise the Client on the suitability of the PWM service (the "Initial Analysis"). If after conducting the Initial Analysis, we determine that the PWM service is not suitable for a Client, MFWM may decline to provide the PWM service and refund to the Client the fee paid to enroll in the PWM service.

Each PWM Client is matched with a planning team that MFWM believes is best suited to meet the Client's needs (as determined from the Profile and other information provided by the Client) and that team will create and help implement the Client's financial plans. The Client's planning team will be available for regular consultations. Consultations can take place via telephone, video chat or in-person in MFWM's offices.

Depending on the Client's needs, our PWM services may include:

- Comprehensive financial planning;
- SMA account opening assistance and Model Portfolio selection determinations;
- Counselling on general income tax consideration;
- Risk management analysis;
- Retirement/cash flow management advice;
- Trust and estates planning (working with the Client's existing professional advisors); and
- Provide referrals to attorneys, accountants, or other service providers.

## C. Tailored Advice and Investment Restrictions

### 1. Nondiscretionary Advisory Services.

MFWM's nondiscretionary services include general asset allocation advice, specific advice related to the equity portion of its Clients' portfolios, goal modeling as well as guidance on other financial-related matters such as retirement planning. Our advice is based on the information conveyed to us by the Client. We do not, and cannot, verify that such information is accurate or complete. It is the Clients' responsibility to update their information if their situations change.

### 2. Separately Managed Accounts.

Using the Profile, MFWM will advise each Client on the suitability of the Program and the appropriate allocation across the Model Portfolios, along with the appropriate investment minimums associated with each account. A Client may disagree with these assessments and open an account by first acknowledging receipt of such advice and willingness to nonetheless participate in the Program with revised, Client-directed allocations and/or open a Stand-alone Account.

A Client may impose reasonable restrictions on the management of his or her account at any time, but the processing of such restrictions can take up to four business days. Consequently, there could be some lag time between when a restriction is entered and when it is implemented, resulting in trades made on a Client's behalf. In the event a Client restricts a security that is currently held in his or her account, MFWM will refrain from all trading activity in that security. We will not sell any shares that have subsequently been placed on restriction. **In addition, if a Client is paying an asset-based fee for access to the Program, the fee will continue to accrue and be payable with respect to assets restricted by the Client. For this reason and potential operational issues, MFWM encourages Clients to transfer restricted assets out of their SMA accounts at IB.**

MFWM reserves the right to decline or cease management of an account if it deems a Client's restrictions to be unreasonable.

### 3. Premium Wealth Management

MFWM's premium wealth management service is designed for Clients who are high net worth individuals or persons with large investable assets who wish to invest in stocks, bonds and other similar securities. MFWM may decline to work with a Client if we conclude that the Client lacks sufficient financial resources or needs advice in areas where we lack the expertise. While the premium wealth management service is designed for SMA Clients, MFWM may make this service available to other qualified Clients on a case by case basis.

**With respect to all the advisory services we offer, MFWM does not guarantee or ensure the success of any financial plan or investment. Although we take possible tax consequences into**

**consideration when providing our nondiscretionary advice, MFWM does not provide legal or tax advice. Clients who need such advice should consult legal and tax professionals.**

**D. Wrap Fee Programs**

Not applicable.

**E. Assets Under Management**

As of September 30, 2015, MFWM has \$820 million under management.

**Item 5 Fees and Compensation:**

**A. MFWM Compensation for Advisory Services**

The fees paid to MFWM vary based on the offering made available to, and/or purchased by, the Client.

1. Motley Fool One Subscribers. Clients who are current subscribers to Motley Fool One, a newsletter service published by TMF, have access to all of our offerings except for the PWM service. These Clients pay no fee to use MFWM's services. Instead, the newsletter subscribers pay a subscription fee to TMF at the then-prevailing rate; then, if they wish to use MFWM's services, they enter into an Investment Advisory Agreement with MFWM, at which time TMF will compensate MFWM as follows:

Type of Fee	Amount	Payer
Flat Fee	\$600* per subscriber who enters into an Investment Advisory Agreement with MFWM	TMF
AUM	0.25% per account**	TMF

*\*Fee paid annually by TMF as long as Client remains a Motley Fool One subscriber*

*\*\* Annual rate with a maximum of \$2,000. Fees accrue monthly.*

Fees paid by TMF to MFWM for its advisory services are nonrefundable. Clients do not pay MFWM for its services, but they can seek refunds for unused portions of their TMF newsletter service subscription by contacting TMF by telephone. Refunds are prorated on a monthly basis. From time to time, TMF may offer extended refund policies, whereby a subscriber may receive a refund even for some of the used portion of a subscription. Clients that terminate their subscriptions to the Motley Fool One newsletter may elect to continue their advisory relationship with MFWM. MFWM will provide services to these Clients for a mutually agreed upon fee, as discussed below. For the avoidance of doubt, Clients converting to a stand-alone advisory relationship with MFWM will not receive a credit for fees paid by TMF to MFWM as part of the Client's Motley Fool One subscription.



## 2. MFWM-only Clients

MFWM may offer Clients access to our SMA Program for either a flat advisory fee or an asset-based fee (each as described below). The particular fee structure available to a Client will depend upon the terms of the particular MFWM offer, and Clients will generally not be able to choose the applicable fee.

- a. Flat Advisory Fee: Certain Clients may pay a flat advisory fee (the “Flat Advisory Fee”). The Flat Advisory Fee is payable in advance, and is based on the length of the advisory term selected by the Client:

<b>Advisory Term</b>	<b>Advisory Fee</b>	<b>Refund</b>
1 Year	\$3,999	First 12 months: full refund Any subsequent renewal term: pro-rated refund
3 Years	\$7,999	First 12 months: full refund After 12 months: pro-rated refund
5 Years	\$9,999	First 12 months: full refund After 12 months: pro-rated refund

Following the specified period where a full refund is offered, Clients will receive a pro-rated refund if the Investment Advisory Agreement is terminated. Refunds are pro-rated on a monthly basis.

The Investment Advisory Agreement will automatically renew for the same length as the original term unless terminated prior to the renewal date by the Client.

The Flat Advisory Fee is not negotiable. MFWM may from time to time, accept a lesser Flat Advisory Fee as a result of promotional offers. MFWM reserves the right to increase the Flat Advisory Fees at the time of renewal, upon thirty days’ notice to the Client.

- b. Asset-Based Fee. Certain Clients may pay an annual asset-based fee (the “Asset-Based Fee”) that is calculated as a percentage of the market value of the assets in the Client’s accounts.

The Asset-Based Fee will vary depending on the Model Portfolio(s), and may, in certain circumstances, be subject to negotiation.

Model Portfolio	Asset-Based Fee
Asset Allocation Portfolio*	1.15%
Hedged Equity and Equity Substitutes**	1.50%

*\* A portfolio that allocates the Client's assets across some or all of the Model Portfolios in accordance with MFWM's Allocated Approach, or the Client's self-directed allocation across some or all Model Portfolios.*

*\*\* Client accounts employing this single-strategy hedged equity portfolio may also include an allocation to the Fixed Income Model Portfolio.*

In certain circumstances in which MFWM provides other services in addition to the Program, a higher fee may apply. From time to time, and under agreed upon specific situations (which may involve account size, investment strategy, account servicing requirements and other material aspects of a Client's overall relationship with MFWM and its affiliates), MFWM may agree to a lower Asset-Based Fee on a case by case basis. MFWM may change its fee for new Clients from time to time, and MFWM is under no obligation to adjust existing Client fees and/or provide refunds.

Clients paying an Asset-Based Fee agree to instruct IB to deduct the applicable fee directly from the respective Client's account. An advice of debit will be sent to the Client evidencing the fee calculation. MFWM typically charges the Asset-Based Fee after services have been rendered, at the end of each calendar month. Fees are charged at one-twelfth of the applicable annual rate.

The Asset-Based Fee will begin accruing on the day following the Client's transfer or deposit of securities or cash into his or her account at IB. Unless instructed otherwise, MFWM will generally refrain from trading securities in a Client's account until the Client transfers or deposits in full the funding amount he or she indicated. **During any period in which a Client's account is only partially funded, the Asset-Based Fee will accrue and be payable to MFWM even though MFWM has refrained from trading securities on the Client's behalf. Similarly, the Asset-Based Fee will accrue and be payable with respect to assets restricted by the Client.**

The Asset-Based Fees paid to MFWM are not refundable.

- MFWM may make the Snapshot, Motley Fool Touchstone and/or other nondiscretionary services available to SMA Program Clients on a complimentary basis, in which case there would not be a separate charge for these services. In addition, MFWM may make these services available to Clients for a separate charge, either for stand-alone use of these services or part of a bundle of services.
- Clients who enroll in our PWM offering will be charged a total of \$10,999 in advance for one year of service. If MFWM determines that this offering is not suitable for the Client, we will refund the entire amount paid for the PWM service.

A Client may terminate their PWM service at any time and receive a pro-rated refund. Refunds are pro-rated on a monthly basis. If the Client's termination takes place after completion of the Initial Analysis, MFWM will deduct \$5000 from the refund for the Initial Analysis work. Unless the Client specifically terminates the advisory relationship in its entirety, MFWM will continue to manage the Client's SMA account after termination of the PWM service, and the Client will continue to have access to other services provided by MFWM under their Investment Advisory Agreement.

## **B. Other Fees**

Clients who are subscribers to TMF's Motley Fool One newsletter service pay their subscription fees to TMF in installments or in advance at their times of subscription, generally for periods of one, three, or five years, but may be offered the opportunity for longer or shorter subscriptions at times. Payments may be made by electronic check or credit card (currently American Express, Discover, Master Card and Visa), and subscriptions automatically renew for consecutive annual periods at the then-prevailing rate, unless terminated by the subscriber. Our advisory services are provided at no additional cost to subscribers to TMF's Motley Fool One newsletter service, and the TMF newsletter subscription fee does not change, whether or not subscribers avail themselves of MFWM's advisory services.

MFWM does not offer any brokerage or custodian services. Clients bear any custodian, brokerage, insurance, mutual fund, and other fees related to transactions they choose to execute after receiving any nondiscretionary advice from MFWM. Clients must pay any interest, fees, or penalties that their credit card companies charge them for late payment, as well.

Clients participating in the SMA Program must open an IB account, or move their existing IB account into the Program. Clients will pay IB's transaction fees, account fees and other miscellaneous charges. Model Portfolios may from time to time include securities (such as mutual funds and exchange traded funds) that are subject to costs and fees that are passed along to the Client.

## **C. Compensation for the Sale of Securities**

MFWM and its personnel do not accept compensation for the sale of securities or other investment products.

## **Item 6 Performance-Based Fees and Side-by-Side Management:**

MFWM does not charge performance-based fees.

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

Our Clients are individual investors. Pursuant to our Investment Advisory Agreement, Clients must consent to receiving all notices and information about MFWM's services electronically.

Some of our services are available to subscribers of the TMF newsletter service, Motley Fool One. Pursuant to the terms of our Investment Advisory Agreement, the advisory relationship will terminate if the Client's newsletter subscription is cancelled or not renewed. Clients that terminate their subscription to the Motley Fool One newsletter may elect to continue their advisory relationship with MFWM. MFWM will provide services to these Clients for a mutually agreed upon fee.

To participate in the SMA Program, a Client must have an IB account. The account minimums in the SMA Program depend upon the Model Portfolio(s) and generally range from \$25,000 to \$500,000. Model Portfolios following more sophisticated strategies may require higher minimums.

The PWM service is designed for SMA account holders who are high net worth individuals and individuals with significant investable assets.

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

### **A. Methods of Analysis and Investment Strategies**

#### **1.     Financial Snapshot.**

The Snapshot uses a third-party platform and software to provide guidance regarding retirement sufficiency, cash flow, education planning and asset allocation. The underlying analysis is based on the information provided by the Client in the Profile and Aggregation Tools including such data as the Client's age, current and future income, retirement horizon, current and future expenses, current investments, and planned contributions to savings and investment accounts. The Snapshot focuses on four areas:

- Retirement Sufficiency. This analysis is based on a Monte Carlo simulation model, which randomizes potential investment returns in each year of the analysis (current year through end of plan). The Snapshot demonstrates results for the 25th, 50th, and 75th percentile of outcomes of the Monte Carlo simulation based on 2,000 hypothetical scenarios.
- Statement of Client Net Worth and Cash Flow. Clients can receive a 5-year cash flow projection based on their inputs of assets and liabilities. Projections are calculated using fixed returns for the growth of assets as well as for increases in expenses and income. The software operates on a yearly model and assumes that contributions, returns, inflows, and expenses are processed at the mid, and/or end of each year.

- Education Funding. The software uses a third party database to provide Clients with an assessment of their current and planned savings compared to the amount needed to fully fund the projected cost of education at the institution specified by the Client. The analysis also includes recommendations for increased savings amounts, if applicable, based on the funding vehicle (taxable or 529 account) and funding frequency (lump sum or monthly).
- Asset Allocation/Diversified Portfolio. MFWM arrives at the recommended allocation by using the Client's answers to MFWM's risk tolerance questions and then rating the Client on a 1-10 scale where 1 is the most conservative and 10 is the most aggressive. The recommended asset blend represents the best return opportunity for the amount of risk the Client is willing or able to take. MFWM's asset allocation models may change from time to time.

## 2. Motley Fool Touchstone.

MFWM uses a proprietary, interactive, algorithmic system, designed by personnel acting on MFWM's behalf that is based upon the widely utilized Fama-French Capital Asset Pricing Model. MFWM's algorithm and its individual advisors consider factors such as the Client's income, asset allocation, portfolio holdings, assets available for investment, investing period, time to retirement, financial goals, and need to access assets, along with the Client's risk tolerance and preferences regarding the number of positions in his or her portfolio, as well as other information the Client provides.

MFWM's algorithm and its advice are periodically reviewed by MFWM's President and personnel working on his behalf.

Clients are presented with an algorithmically-generated online Investment Dashboard that includes (a) an asset allocation that we believe would be suitable for the Client's needs, (b) an allocation of the equity portion of the Client's portfolio, with consideration for market capitalization, and growth versus value, and investment sectors, and (c) a target equity portfolio along with the recommended transactions to create it.

When MFWM's algorithmic system is unable to present a target portfolio that we view as sufficient for the Client's needs, given the Client's circumstances (particularly the Client's assets available for equity investment) and preferences, we will not provide advice via the Investment Dashboard and instead ask the Client to contact MFWM directly.

## 3. Financial Plans.

Comprehensive financial plans will include a report that includes (a) risk management assessments, (b) retirement sufficiency calculations, (c) investment reviews, and (d) educational planning. The main source of information used by MFWM advisors in preparing the plan is the information provided by the Client. We may also use third party financial planning software to help create financial plans and answer specific financial planning questions.

#### 4. Separately Managed Accounts.

Several of the Model Portfolios are inspired by specific TMF real money portfolio services in that they share the same investment philosophies. Similarly, other Model Portfolios offered are inspired by the mutual funds managed by another affiliate, Motley Fool Asset Management, LLC (“MFAM”), whose personnel also perform research and investment management services for MFWM. Each Model Portfolio embodies a specific strategy or area of focus. They are as follows:

- Long term buy and hold
- Growth investing
- Hedged equity investing and equity substitutes
- Domestic stocks
- Domestic small/mid-cap stocks
- International stocks
- Fixed income

Using the Allocated Approach, MFWM will invest a Client’s assets across the Model Portfolios to match the Client’s risk profile, financial needs and goals. If those needs and circumstances change, MFWM can adjust the asset allocation.

MFWM has determined the minimum investment amount that would allow a Client to follow a chosen Model Portfolio. The holdings, recommended allocations and strategies used in the Model Portfolio were taken into account when arriving at the suggested minimums.

MFWM determines a Client’s suitability by comparing the Client’s investable assets to both MFWM’s allocation guidance and if applicable, the Model Portfolios’ minimum investment requirement.

#### **B. Risk of Loss**

All investments, include government debt, involve risk. MFWM does not guarantee the results of any of its advice or account management. Significant losses can occur from investing in securities, or by following any investment strategy, including those recommended or applied by MFWM. The financial markets may change, sometimes rapidly and unpredictably, and Clients (or MFWM acting on behalf of Clients) may not have the ability to avoid or prevent losses.

Clients participating in the SMA Program should also be aware that their individual account results may not exactly match the performance of the Model Portfolios or that of any fund or publication that inspires them. Such variance is due to a number of factors including without limitation differences in trade prices, transaction fees, market activity, any restrictions they have imposed on their accounts, and the amount, and the timing of, deposits or withdrawals a Client makes to an account as well as deviations that MFWM has made from the Model Portfolios. To the extent a Model Portfolio invests in securities that are subject to costs and fees (such as mutual funds and exchange traded funds) such expenses may be passed along to Clients and potentially reduce their investment returns.

MFWM may at times be required to sell or reduce positions in Clients' SMA Program accounts in order to maintain allocations that are similar to those of the Model Portfolios. These transactions may generate unwanted tax consequences. Clients should consult with their personal tax advisors regarding the possible consequences of MFWM's recommendations and security trades.

### **C. Equity Risk**

- a. Equity Risk in General. The stock of any company may not perform as well as expected, and may lose value, because of factors related to the company, including adverse developments regarding the company's business, poor management decisions, or changes in the company's industry or popularity of its goods and services. In the event a company becomes insolvent, stock holders will generally have lowest priority among owners of that company's obligations as to the distribution of the company's assets. Stocks may also be affected by general market and economic factors, even when their companies' respective business fundamentals are unchanged.
- b. Small and Mid—Capitalization Companies. The securities of smaller companies may involve greater risks than do those of larger, more established companies, because the small companies may, for example, lack the management experience, financial resources, product diversification and competitive strength of larger companies, and their trading may be more volatile.
- c. Foreign and Emerging Market Investments. Investing in securities of foreign companies involves risks generally not associated with investments in the securities of U.S. companies, including the risks associated with fluctuations in foreign currency exchange rates, unreliable and untimely information about issuers, and political and economic instability. Investing in emerging market countries involves risks in addition to and greater than those generally associated with investing in more developed foreign markets. In many less-developed markets, there is less governmental supervision and regulation of business and industry practices, stock exchanges, brokers, and listed companies than there is in more developed markets. The securities markets of certain countries in which MFWM may recommend investment may also be smaller, less liquid, and subject to greater price volatility than those of more developed markets.
- d. Options Trading and Short Selling. Shorting securities or writing option contracts involve additional risks. With short sales and certain forms of option trades, the risk of loss is hypothetically unlimited as investors who short may be required to purchase shares to cover at any time, and at any price. Options can be used to create leverage, which can increase the risk of total loss, since smaller fluctuations in value will have significant effects on the owner's portfolio. Writing options and shorting stocks also involves the risk of timing, where the counter party assigns the option holder shares or forces the short seller to cover a short, which may not allow the strategy to play out.

## **D. Fixed Income Risk**

- a. Fixed Income Risk in General. While often considered to be safer investments, fixed income securities do carry risks. For example, changes in interest rate levels generally cause fluctuations in the prices of fixed-income securities. So if interest rates rise, the prices of these securities usually fall. Also, subsequent to the purchase of a fixed-income security, the ratings or credit quality of such security (and that of its issuer) may deteriorate, which could negatively affect the market price. Depending on the features of the fixed income investment, other risks such as inflation and lack of liquidity, may affect its market value.
- b. Changing Fixed Income Market Conditions. Following the financial crisis that began in 2007, the Board of Governors of the Federal Reserve System (the “Federal Reserve”) has attempted to stabilize the U.S. economy and support the U.S. economic recovery by keeping the federal funds rate at or near zero percent. When the Federal Reserve raises the federal funds rate, there is a risk that interest rates across the U.S. financial system will rise suddenly and significantly. These policy changes may expose fixed-income markets to heightened volatility and reduced liquidity for certain investments, causing the value of Client investments to decline.

## **E. Exchange Traded Fund Risk**

Investments in investment companies or other investment vehicles may include index-based unit investment trusts such as exchange-traded funds (“ETFs”). Such index-based investments sometimes hold substantially all of their assets in securities representing a specific index. With respect to certain strategies (such as Fixed Income and International), MFWM may use ETFs designed to track an index as a way of gaining exposure to an equity or fixed-income markets, or a particular segment of such markets.

When MFWM utilizes ETFs, Clients will incur their pro rata share of the expenses of the ETF, such as investment advisory and other management expenses. In addition, Clients will be subject to those risks affecting the ETF, including the effects of business and regulatory developments that affect ETFs or the investment company industry generally, as well as the possibility that the value of the underlying securities held by the ETF could decrease or the portfolio becomes illiquid.

Certain ETFs may hold common portfolio positions, thereby reducing the diversification benefits of an asset allocation style. ETFs may engage in investment strategies or invest in specific investments in which MFWM would not engage or invest directly. The performance of those ETFs, in turn, depends upon the performance of the securities in which they invest.



**Item 9                    Disciplinary Information:**

Neither MFWM nor any supervised person has been involved in any legal or disciplinary event that is material to a Client's or prospective Client's evaluations of MFWM's advisor business or the integrity of our management.

**Item 10                Other Financial Industry Activities and Affiliates**

**A. Broker-Dealer Registration**

Neither MFWM nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. Commodities Registration**

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

**C. Related Persons**

MFWM is a wholly-owned subsidiary of TMF Holdings. TMF Holdings also owns TMF and MFAM, which is the investment adviser to the mutual funds of The Motley Fool Funds Trust: the Motley Fool Independence Fund, Motley Fool Great America Fund, and Motley Fool Epic Voyage Fund (the "Motley Fool Funds"). Pursuant to a shared services agreement, MFAM personnel perform research and asset management services for the SMAs. The two firms have procedures in place to ensure that both the Motley Fool Funds' team and the MFWM SMA team receive recommendation and other portfolio information at the same time. Trading procedures for the Motley Fool Funds and the SMAs are separate with no overlap.

In certain circumstances (such as when a potential client cannot meet the minimum account sizes associated with the SMA Program), MFWM may refer potential clients to MFAM by directing such individuals to MFAM's website. However, MFWM abstains from recommending that Clients purchase any particular Motley Fool Funds. As part of its nondiscretionary advisory service, MFWM may treat a Client's holdings of the Motley Fool Funds as assets available for sale to permit purchase of individual equities and other securities recommended by MFWM. Also, if a Client transfers a portfolio into the SMA Program, MFWM will sell the securities that are not part of the Model Portfolio (including any Motley Fool Funds holdings), to reallocate the proceeds to the Model Portfolio stocks (unless the Client has restricted the sale of such securities).

**D. Other Investment Advisers**

MFWM does not recommend or select other investment advisers for its Clients, and it does not have other business relationships with those advisers that create a material conflict of interest. As

part of the TMF Motley Fool One service, TMF has contracted with an unaffiliated investment adviser to provide personal finance and non-equity investing advice for subscribers.

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

In accordance with Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”), MFWM has approved and adopted a Code of Ethics (the “Code”). The Code establishes rules of conduct for all of MFWM’s officers and employees and is assigned to govern securities trading by employees and their households.

The Code further sets forth policies and procedures that are reasonably defined to prevent Access Persons, as defined in the Code, from engaging in conduct prohibited by the Advisers Act and establishes reporting requirements for Access Persons.

The Code explains that MFWM and its officers and employees have a fiduciary duty to MFWM’s Clients to place the Clients ahead of their personal interests. The Code is based upon the following principles:

- MFWM and its personnel must at all times place the interests of our clients first. All personal securities transactions must be conducted in a manner consistent with the Code and avoid any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility.
- Employees must not take any inappropriate advantage of their positions at MFWM. Independence in the process of making investment recommendations must be maintained at all times.
- MFWM and its employees must never take unfair advantage of their relationship with any affiliates that are in the publishing or investment business.

More specifically, the Code of Ethics provides that covered persons must:

- 1) Comply with all applicable laws and regulations;
- 2) On an annual and quarterly basis, disclose to our Compliance Officer all holdings in “covered securities,” including:
  - a. Debt and equity securities;
  - b. Options on securities, on indices, and on currencies;

- c. All forms of limited partnership and limited liability company interests, including interests in private investment funds (such as hedge funds), and interests in investment clubs; and
  - d. Foreign unit trusts and foreign mutual funds; and
  - e. ETFs.
- 3) Receive pre-clearance from our Compliance Officer (or his designee) for transactions in covered securities (with limited exceptions).

MFWM will provide a copy of its Code of Ethics to any client or prospective client upon request.

MFWM personnel may buy or sell securities that MFWM recommends to Clients, and personnel may have positions in securities that MFWM recommends. Such investment actions by MFWM personnel pose potential conflicts of interest in that the personnel may benefit from price movements of recommended securities. Our Chief Compliance Officer monitors the personal securities trading of MFWM's personnel to monitor for violations of the Code.

TMF publishes opinions and recommendations regarding the purchase and sale of securities. These opinions and recommendations are published on TMF's website and newsletter services and, because they may be written by different people and/or pursue varying strategies, may be inconsistent with the Model Portfolios. TMF's opinions and recommendations may affect the prices of securities held by Clients or the prices at which Clients and MFWM (acting on behalf of Clients) can purchase or sell particular securities. MFWM has no advance or nonpublic knowledge of TMF's recommendations or opinions.

MFWM receives TMF's trade alerts and other publications via email at the same time as other TMF subscribers.

Violations of the Code of Conduct may result in sanctions up to and including termination.

## **Item 12 Brokerage Practices:**

### **A. Broker Selection**

#### **1. Nondiscretionary advisory services.**

The Clients who receive nondiscretionary investment advice from MFWM and wish to implement our recommendations or advice must do so through brokers and agents of their choosing. MFWM does not recommend, request or require that a Client execute transactions through a specified broker-dealer.

## 2. Separately Managed Accounts.

Brokerage services for the SMA Program are provided exclusively by IB including custody of the accounts in the Program.

When selecting a broker and custodian for the Program, MFWM considered a number of factors including:

- Commissions and fees both in aggregate and on a per-share basis
- Ability to provide both transaction execution and asset custodial services
- Execution, clearance and settlement capabilities
- Trading capabilities including the ability to handle large block and volumes of trade
- Technology
- Responsiveness
- Quality of services
- Reputation

MFWM periodically reviews the quality of services provided by IB, along with their policies and controls designed to, among other things, ensure compliance with applicable law.

Clients are subject to IB's transaction fees, account fees and other miscellaneous charges.

### Soft Dollars

MFWM does not engage in any "soft dollar" practices. IB does provide MFWM with technology, software and other services to assist MFWM in managing and administering Clients' accounts. These services, which may only indirectly benefit Clients, include without limitation:

- Applying MFWM branding to account statements and Client online interfaces;
- Allocating Clients' investments across multiple Model Portfolios; and
- Ability to restrict tickers, based on reasonable restrictions imposed by the Clients.

### Direct Brokerage

To participate in the Program, Clients must either open an account with IB or transfer their existing IB account into the Program. MFWM and IB are unaffiliated entities.

Please be aware that some other advisers may not direct clients to use particular brokerages. Also, by directing brokerage, MFWM may at times be unable to achieve most favorable execution of Client transactions. Under such circumstances, trades may cost Clients more than they otherwise would have.

IB, like other broker-dealers, may from time-to-time pay TMF to display advertisements on TMF's website, fool.com. Any advertising arrangement between IB and TMF is separate from the agreement between IB and MFWM.

MFWM may aggregate orders for a Client's account with similar orders being made contemporaneously for other Clients' accounts. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and Clients will be deemed to have purchased or sold their proportionate share of the securities involved at the average price obtained. Consequently, the price obtained may be less favorable to the Client than it would be if similar transactions were not being made at the same time.

In order to ensure that MFWM can timely trade for a Client account by, among other things, including Client trades in aggregated orders, Clients are encouraged to configure their account at IB as a "Reg T margin" as opposed to "cash" account. When an account is not enabled for Reg T margining, MFWM may be required to wait three business days following the sale of securities for a Client account before MFWM can reinvest the proceeds of that sale in additional securities.

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

#### **1. Financial Snapshot.**

MFWM does not review the Snapshots on a regular or specific schedule and they do not automatically update. A Client who desires a revised Snapshot must access the platform and change, or input new information into his or her Profile. Recommendations and insights will be based upon the information the Client provides, and such information may not be complete or accurate.

#### **2. Motley Fool Touchstone.**

MFWM updates the investment advice on the Client's Investment Dashboard on a regular basis. A Client can see the MFWM's most recent advice when the Client accesses the MFWM website. Recommendations and insights will be based upon the information the Client provides, and such information may not be complete or accurate.

#### **3. Financial planning and counseling.**

Financial plans are not automatically updated. Therefore, financial counseling Clients are urged to contact MFWM if their financial circumstances change and to check in on annual basis to determine whether the financial plan or advice previously provided needs updating.

#### **4. Separately Managed Account Program.**

Clients will receive trade notifications as well as quarterly written account statements from IB (copies of which MFWM will have access to). The quarterly statements summarize account activity and detail the account returns for the previous quarter. Clients are also able to access this information directly on the IB website, using their IB username and password.

## 5. Personal Wealth Management.

PWM Clients meet with members of their planning team on a quarterly basis or more frequently, if requested by the Client. The exact nature of these regular consultations will vary depending on the individual needs of the Client.

MFWM's President and personnel working on his behalf periodically review the advice provided including the algorithms used to generate the advice.

Clients are required to review their Profiles at least annually. However, Clients are encouraged to revise their Profiles whenever there are changes to their financial circumstances.

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

Some of MFWM's clients are subscribers to TMF's Motley Fool One newsletter service, and TMF pays MFWM to provide its services to them. MFWM might have an incentive to recommend that Clients invest in funds managed by MFAM. While MFWM may refer Clients to the MFAM website under certain circumstances, MFWM does not recommend the purchase of any particular MFAM-managed funds.

Except as set out above, MFWM does not compensate any person for client referrals.

### **Item 15      Custody:**

Clients will receive quarterly statements from IB, the custodian of the SMA Program accounts. Such information can also be accessed on the IB site with a Client's username and password. Clients are urged to carefully review all statements and other notices received from IB.

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

Under the terms of the Investment Advisory Agreement, SMA Clients grant MFWM full authority and designate MFWM as their agent and attorney-in-fact to buy, sell, pledge, lend and otherwise deal in securities and contracts relating to securities on their behalf in their applicable accounts. Similarly, PWM Clients have the option of granting a Limited Power of Attorney to open SMA accounts on the Client's behalf, initiate ACAT transfers to the Client's account and handle other related accounting opening matters. In addition, as part of the account opening or transferring process, IB requires that Clients enter into a Discretionary Authority/Limited Power of Attorney Agreement, designating MFWM as the investment manager with the power to execute trades, request information, receive account statements and confirmations, and generally manage the IB account on the Clients' behalf.

**Item 17            Voting Client Securities:**

MFWM does not have, and does not accept, authority to vote Client securities.

**Item 18            Financial Information:**

**A. Prepayment is Required for Certain Services**

An audited statement of financial condition for MFWM, dated March 31, 2015 is attached.

**B. Financial Condition**

The majority of MFWM's Clients in the SMA Program pay a Flat Advisory Fee that is subject to a refund. If a significant number of Clients request refunds of their Flat Advisory Fee, MFWM may not be able to continue to render services to its Clients, and may not have the financial resources to meet all refund requests without financial support from an affiliate.

**C. No Bankruptcy Petitions**

MFWM has not been the subject of a bankruptcy petition at any time during the past ten years.

**Item 19            Requirements for State-Registered Advisers:**

Not applicable.



# **Motley Fool Wealth Management, LLC**

**(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)**

**(SEC File No. 801-77616)**

## **Statement of Financial Condition**

**March 31, 2015**

**(With Report of Independent Registered Public Accounting Firm Thereon)**



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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Member**  
**Motley Fool Wealth Management, LLC**

We have audited the accompanying statement of financial condition of Motley Fool Wealth Management, LLC (a Delaware limited liability company) as of March 31, 2015, and the related notes to the financial statement.

### **Management's responsibility for the financial statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Motley Fool Wealth Management, LLC as of March 31, 2015 in accordance with accounting principles generally accepted in the United States of America.



McLean, Virginia  
June 10, 2015

**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

**STATEMENT OF FINANCIAL CONDITION**

**March 31, 2015**

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	<b>March 31, 2015</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,448
Marketable securities, at fair value	2,197,014
Prepaid expenses	168,759
Fixed assets, net of accumulated depreciation of \$36,676	<u>18,338</u>
<b>Total Assets</b>	<b>\$ <u>2,385,559</u></b>
 <b>LIABILITIES AND MEMBER'S DEFICIT</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 63,194
Accrued expenses	439,763
Accrued payroll, benefits and taxes	<u>97,397</u>
<b>Total Liabilities</b>	<b>600,354</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>—</b>
<b>MEMBER'S EQUITY</b>	
Accumulated other comprehensive income - unrealized gains on investments	116,282
Member's advances payable	3,678,012
Accumulated deficit	<u>(2,009,089)</u>
<b>Total Member's Equity</b>	<b><u>1,785,205</u></b>
<b>Total Liabilities and Member's Equity</b>	<b>\$ <u>2,385,559</u></b>

*The accompanying notes are an integral part of this financial statement.*

**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

**March 31, 2015**

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**NOTE A - ORGANIZATION AND NATURE OF OPERATIONS**

Motley Fool Wealth Management, LLC (the Company) was formed on January 3, 2013, and is a wholly owned subsidiary of The Motley Fool Holdings, Inc. (TMFHI).

The Company is a registered investment advisor with the Securities and Exchange Commission (SEC). The Company offers financial advisory services including providing investing advice, financial planning and managing assets on behalf of individual investors. The Company provides the services through a variety of online tools and direct interaction with customers, some of which are provided in conjunction with subscriptions to services provided by a sister corporation, The Motley Fool, LLC (TMF) another wholly owned subsidiary of TMFHI.

TMFHI and TMF are providers of financial education and independent advice intended to help consumers make better financial decisions.

The Company and the related entities are headquartered in Alexandria, Virginia.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Use of Estimates***

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with an original or remaining maturity of three months or less, when purchased, to be cash equivalents.

***Investments and Fair Value Measurements***

The Company has investments classified as available-for-sale which have been reported in the statement of financial condition at fair values, or at carrying amounts that approximate fair values. Fair values are determined as the last reported sales price on the valuation date.

**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

**NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED**

**March 31, 2015**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Investments and Fair Value Measurements***

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 -** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to assess at the measurement date.
- Level 2 -** Inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 -** Inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Company has evaluated its investments and classified them as Level 1 investments.

Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis.

***Fixed Assets***

Fixed assets comprise primarily of costs incurred in connection with developing the Company's website. Costs incurred during the development stage are capitalized and amortized over the estimated useful life of the site, which is three years. No costs were capitalized for the year ended March 31, 2015.

***Income Taxes***

The Company is a Delaware limited liability company and is a "flow-through" entity under the Internal Revenue Code for tax purposes and, as such, is not directly subject to federal income taxes and most state income taxes. Instead, the participating members are required to report their respective proportionate shares of taxable income or loss, tax deductions and credits on their respective income tax returns.

**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

**NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED**

**March 31, 2015**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Income Taxes - continued***

The Company recognizes the financial statement benefit of an income tax position only after determining that the relevant taxing authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company applies the uncertain tax position guidance to all tax positions in the tax returns filed, as well as any un-filed tax positions. The Company has chosen to treat interest and penalties related to unrecognized tax benefits as income tax expense and as an increase to the income tax liability.

The Company is subject to U.S., state and local tax examinations by tax authorities for all tax years since formation in 2013. The Company is not currently under examination by any taxing authorities.

***Subsequent Events***

The Company has evaluated events occurring after the balance sheet date (subsequent events) through June 10, 2015, the date the statement of financial condition was available to be issued, to determine whether any subsequent events necessitated adjustment to or disclosure in the statement of financial condition. No such events were identified.

**NOTE C - MARKETABLE SECURITIES, AT FAIR VALUE**

The Company held \$2,197,014 of marketable securities at March 31, 2015, primarily consisting of equity securities and mutual funds. The marketable securities have a cost basis of \$2,080,732 and are presented inclusive of unrealized gains of \$116,282 on the statement of financial condition. All of the investment balances are classified as available-for-sale and are measured at fair value using Level 1 inputs.

The available-for-sale securities include \$94,042 of cash in a money market fund designated for future investment as of March 31, 2015.

**NOTE D - CLEARING AGREEMENT**

For separately managed accounts (SMA), the Company establishes a direct brokerage relationship with clients. Direct brokerage transactions are cleared with and for customers on a fully disclosed basis with Interactive Brokers, LLC. (IB) Client SMA funds and securities are maintained by IB.

**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

**NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED**

**March 31, 2015**

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**NOTE E - DEFINED CONTRIBUTION PLAN**

The Company participates in a defined contribution retirement plan covering all eligible full-time employees. The plan is sponsored and administered by TMFHI through The Motley Fool Holdings, Inc. 401K Plan. TMFHI's Board of Directors determines the contributions made by the Company annually.

**NOTE F - RELATED PARTY TRANSACTIONS**

The Company is dependent upon continued financial support from its parent and sole member, TMFHI. TMFHI has agreed to provide such support to the extent necessary to fund the Company's operations. At March 31, 2015, TMFHI had made cumulative advances to the Company of \$3,678,012. The advances are due on demand and are non-interest bearing. The advances have been classified within member's equity in the accompanying statement of financial condition due to their expected long-term nature. TMFHI does not intend to demand repayment for the foreseeable future.

Currently, clients pay no direct fee to use the Company's services - all fee income generated by the Company is inter-company management fee income allocated from TMFHI and affiliates.

This financial statement includes allocations from TMFHI and its affiliates for certain general and administrative expenses such as rent, legal services, insurance, and employee benefits. Allocations are based primarily on an estimate of the percentage of these costs from TMFHI and affiliates that are attributable to the efforts to support the Company based on Management's judgement. Management believes that the method used to allocate the costs and expenses is reasonable; however, such allocated amounts may or may not necessarily be indicative of what actual expenses would have been incurred had the Company operated independently of TMFHI.

Funds are advanced from time to time by TMFHI and its subsidiaries to the Company for funding the Company's operations.

**NOTE G - CONTINGENCIES**

The Company is subject to lawsuits, investigations, and claims arising out of the ordinary course of business. In the opinion of legal counsel and management, resolution of these matters, if disposed of unfavorably, will not have a material adverse effect on the Company's financial position or results of operations. The Company intends to defend itself vigorously in these matters.