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This Brochure provides information about the qualifications and business practices of First Wilshire Securities Management Inc. ("FWSM", "We", "Us", "Our", or "Firm"). If you have any questions about the contents of this Brochure, please contact us at 626-796-6622 or ClientServices@firstwilshire.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

We are an investment adviser registered with the SEC. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about us is also available on the SEC's website at: www.adviserinfo.sec.gov.

Item 2 – Material Changes

Effective April 2, 2018, we withdrew our broker/dealer subsidiary, First Wilshire Securities, Inc. (“FWS”) from registration with the Financial Industry Regulatory Authority (“FINRA”), the industry regulator of broker/dealers. We intend to promptly dissolve FWS as a corporation with the California Secretary of State.

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Item 4 – Advisory Business

We provide discretionary investment management service to separately managed accounts (“SMAs”) established by individuals, pension and profit sharing plans, charitable organizations, corporations and other institutions. We also manage two affiliated private funds.

In the SMAs, we invest primarily in equity securities using a value and contrarian investment philosophy. The SMAs generally hold a portfolio consisting primarily, though not exclusively, of small- and micro-cap U.S. and foreign equity securities. Foreign securities may include but are not limited to ordinary shares, depository receipts including ADRs, ADSs and GDRs, or warrants. Such securities may be traded via the New York Stock Exchange, NASDAQ, the American Stock Exchange, OTCBB, the Pink Sheets, and in other exchanges or venues.

We do not generally tailor our investment strategy and small-cap investment style to the individual needs of clients who open SMAs, meaning that Clients may not generally impose restrictions requiring us to invest in certain securities or types of securities that we believe would hinder our management of the portfolio. However, under certain circumstances we reserve the right to accommodate special restrictions.

We currently offer only fee based SMA advisory services (See Item 5 for a description of services and fees). Not all FWSM services and programs are offered in all states.

As noted above, we managed the assets of two affiliated private funds that are managed differently than the SMAs. See Item 6 for a further description.

We had approximately \$422,899,800 of client assets under discretionary management as of December 31, 2017.

Item 5 – Fees and Compensation

Advisory fees

FWSM is generally compensated for providing investment management services by charging clients an annual investment management fee as set forth in the chart below.

Effective April 1, 2018, FWSM's general fee schedule for SMAs is tiered and based on a percent of assets under management, as follows:

Account Assets		Annual Fee (billed quarterly)
First \$1 million	=	1.75%
over \$1 million up to \$30 million	=	1.50%
over \$30 million up to \$50 million	=	1.25%
over \$50 million	=	Negotiable

The specific manner in which fees are charged is established in a client's written agreement with us. Fees are billed quarterly or monthly, in advance. Fees may be deducted from the client's account or remitted by the client as set forth in the client's investment management agreement.

FWSM reserves the right to negotiate individual SMA fees when appropriate. Factors that might be considered include, without limitation, the amount of assets at account opening or the expectation that assets may increase in the near term, the investment climate, individual account groupings, client tenure, the extent of supplemental services to be provided to the account, the broker holding custody of client assets, and other account specific circumstances. Fee arrangements for some existing long-tenured clients differ from, and may be lower than, the above schedule.

Assets of certain accounts may be aggregated, or househanded, to determine if a lower fee applies. The fees noted in the schedule above may be reduced when a new account is related to or affiliated with a current client.

Clients may be able to obtain services similar to those we provide from other investment advisers for a lower fee.

Brokerage and Custodial Expenses

We do not maintain custody of your assets. We have entered into arrangements with certain registered broker-dealers that may maintain Client accounts and effect trades for such accounts. Those arrangements are summarized below:

- A. SMAs held at Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC; or Wedbush Securities, Inc. ("Wedbush") a registered broker-dealer, member SIPC, are subject to the fee schedule described above. The Client is responsible to pay directly any commissions, transaction fees, custodial fees and any other fees charged by Schwab or Wedbush.

- B. We also manage SMAs held at other broker-dealers that act as custodian for Client accounts, including Raymond James Financial, Inc., RBC Dain Rauscher, Morgan Stanley Wealth Management, Wells Fargo Advisors, and UBS Financial Services, Inc. These firms' representatives may refer Clients to us for investment management services or their clients may select us as the investment manager.

We charge Clients with accounts at these firms an annual management fee of 1.5%. The Client is responsible to pay directly commissions, custodial and other fees to the broker-dealer under a separate agreement with the broker-dealer. FWSM does not negotiate the amount of fees or commissions with these brokerage firms. Clients of these broker-dealers may negotiate other arrangements directly with the broker-dealer. Such arrangements may result in higher or lower costs versus other investment products.

Other information

Clients who want to terminate their accounts with us must send us a written notice of termination. We will continue to charge and collect a fee for 30 calendar days after receipt of the termination notice. We will refund any prepaid fees collected for a period which extends beyond the 30-calendar day notice period except that if a client terminates us during the first quarter of management, we will keep the prepaid fees to cover account set-up costs.

As noted above, clients will incur brokerage and other transaction costs including any charges imposed by custodians, third party investment advisers and other third parties such as transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, clients whose uninvested assets are swept into money market mutual funds for short-term cash management purposes by the client's selected brokerage firm or custodian will also incur the additional fees and expenses assessed by such funds to the extent of a Client's investment in the funds. Clients should carefully read the agreements they sign with an advisory and/or brokerage firm to understand all the fees to which they may be subject. Such charges, fees and commissions are exclusive of, and in addition to, our fee. We do not receive any portion of these commissions, fees, and/or costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g. commissions).

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

As an alternative to the standard asset-based fee arrangements, FWSM may negotiate a combination of performance and asset-based fees as permitted by applicable federal and state regulations, including SEC Rule 205-3. Clients must qualify under applicable laws for a

performance-based fee structure. FWSM currently has no SMA relationships in which we earn or collect performance-based fees.

We have entered into performance fee arrangements with qualified, accredited investors in our affiliated private funds described below.

We have been retained by Lake Street Management, LLC, ("Lake Street Management") the General Partner of Lake Street Fund, L.P., and Mount Wilson Management, LLC, ("Mount Wilson Management"), the General Partner of Mount Wilson Global Fund, L.P., to manage on a discretionary basis, investment portfolios of the Lake Street Fund, L.P. and Mount Wilson Global Fund, L.P. (Lake Street Fund, L.P. and Mount Wilson Global Fund, L.P., collectively, the "Funds").

There is and will be significant overlap in the securities held by the Funds and the SMAs. The Funds are however, managed differently, and may purchase different types of securities, such as options and Private Placements that are not available for purchase for the SMAs.

Scott Hood is an officer and owner of Lake Street Management, LLC and Mount Wilson Management LLC, an investor in the Funds, and the owner of FWSM.

We or our affiliates receive compensation for the management of the Funds as follows:

- We receive from the Lake Street Fund, L.P. a quarterly management fee of 0.375% of the Lake Street Fund's assets. Lake Street Management may also receive an annual incentive fee of 20% above a 5% "hurdle" of each limited partner's share of any net profits if certain conditions are met.
- We receive from the Mount Wilson Fund, L.P. a monthly management fee of 0.125% of the Mount Wilson Fund's assets. Mount Wilson Management may also receive an annual incentive fee of 20% above a 5% "hurdle" of each limited partner's share of any net profits if certain conditions are met.

Some current and/or former employee investors in the Funds do not pay a performance fee or pay a reduced performance fee.

We have potential conflicts of interest in managing our SMA clients and the Funds because certain of our employees and principals are investors in the Funds and because we may receive performance-based incentive payments from the Funds. To avoid these conflicts, we have implemented procedures designed to prevent an allocation preference be given to the Funds. We also prohibit the Funds from taking short positions in securities held by SMAs.

Portfolio managers and trading staff are aware of these potential conflicts and are responsible to conduct trading activities in a manner consistent with policy to avoid such conflicts. FWSM procedures also require our compliance department to periodically review certain trade allocations and prices to verify that allocations and prices are fair and equitable. (See Item 12 for further description of allocation and pricing procedures).

Item 7 – Types of Clients

We provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, private investment funds, trusts and other U.S. and international businesses. Our current minimum new account investment is \$500,000. Accounts of smaller size may be considered under certain conditions; e.g., householding, combining with an existing client relationship, or other circumstances.

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

Methods of Analysis

We primarily use fundamental analysis to determine which companies to purchase and sell. We also utilize a variety of informational sources and strategies to make investment decisions. We may use any or all of the following:

- direct contact with company representatives;
- conference calls;
- on-site visits to companies;
- quote and news service providers;
- various on-line informational websites;
- audited financial statements; and,
- regulatory filings*.

*We rely on the accuracy of information provided in a company's financial audits and regulatory filings.

We may increase or decrease cash positions and /or purchase or sell securities when conditions warrant as part of our overall investment strategy.

Investment advisory account decisions for SMAs and the Funds are made by our investment committee. Our CEO and President, Scott Hood, is the head of our investment committee. As noted above, Mr. Hood is also an officer and owner of the general partner of each of the Funds and an investor in the Funds. We have adopted allocation procedures, followed by the investment committee and reviewed by compliance, to ensure that we fairly and consistently allocate investment opportunities among the Funds and the SMAs, subject to their respective investment objectives, the capital available for investment, and other appropriate considerations.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

- *Market Risk:* The market values of securities held in a client's account may decline, at times sharply and unpredictably.
- *Common Stock Risk:* Stocks may decline significantly in price over short or extended periods of time, particularly when overall economic activity decreases. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market.
- *Small- and Micro-cap Company Risk:* Investment in small-cap and micro-cap equity securities involves greater issuer risk than larger capitalization securities. The markets for such securities may be more volatile and much less liquid. The securities of such companies may be subject to more volatile market movements than securities of larger more established companies. The equity securities of small cap and microcap companies typically are traded in lower volume and are typically more subject to changes in earnings and prospects. In addition, these companies typically have more limited product lines, markets, and financial resources and may be dependent on a smaller management group.
- *Foreign Investment Risk:* Non-U.S. companies or U.S. companies with significant non-U.S. operations may be subject to risks in addition to those of companies that principally operate in the United States. These risks include adverse political, currency, economic, social or regulatory developments in a country including excessive taxation, lack of liquidity, and differing legal or accounting standards. Changes in currency exchange rates may affect the value of an equity security and the gains and losses realized on the sale of equity securities.
- *Emerging Markets Risk:* Investments in companies located in, or with significant operations in, emerging market countries are subject to special political, economic, and market risks that can make emerging market investments more volatile and less liquid than investments in developed markets. The markets of emerging markets countries generally do not have the level of market efficiency and strict standards in accounting and securities regulation to be on par with advanced economies, but emerging markets will typically have a physical financial infrastructure, including banks, a stock exchange and a unified currency. Emerging markets often experience faster economic growth as measured by GDP. All of the risks of investing in non-U.S. securities described above are heightened by investing in emerging markets countries.
- *Lack of 24-Hour Trading Desk:* Although we purchase foreign securities mainly in the form of ADRs and ADSs that are listed on a U.S. exchange and trade during U.S. trading hours, we may also purchase or sell foreign listed securities. We do not maintain a 24-hour trading operation; however, we have relationships with 24-hour trading desks to purchase and/or sell foreign securities for clients' accounts. We typically do not engage in high frequency trading in client accounts.

- *Currency Risk:* Although all managed accounts will be denominated in U.S. currency, the value of foreign securities may vary depending upon the value of the U.S. dollar in relation to the currency of the company in which the managed account is invested. The exchange rates between the U.S. dollar and non-U.S. currencies depend upon such factors as supply and demand in the currency exchange markets, international balance of payments, governmental intervention, speculation and other economic and political conditions.

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 your evaluation of us or the integrity of our management.

No individual representative of FWSM has a reportable disciplinary history.

FWSM has not had a reportable material disciplinary event during the most recent 15-year period.

Item 10 – Other Financial Industry Activities and Affiliations

1. General Partner and Sponsor of Private Funds that invest in securities.

See Item 6 for a description of our affiliated Funds, including the conflicts of interest and potential conflicts of interest associated with our management of the Funds.

2. Other business activities of FWSM Employees.

Several of our representatives or employees engage in non-securities related business activities that do not fall under our supervision. For example, some of these business activities currently include tax preparation, and assisting in the operation of businesses or other services. Any income from these non-FWSM related activities is solely received by the employee and does not benefit us.

In addition, we have employees with industry related outside business activities. Specifically, as previously described, the firm's president performs duties related to his ownership and oversight of Lake Street Management and Mount Wilson Management which are the general partners of investment funds. Another employee maintains an outside registered investment advisory firm that receives a referral fee for accounts referred to FWSM. See Item 14 for additional information on referred accounts.

We also permit our employees and officers to maintain securities accounts with other broker dealers and engage in securities transactions executed away from us. We

supervise transactions in these accounts as if they were transactions executed through us. See Item 11 for a description of our Code of Ethics that applies to investing by our employees and officers.

3. Employees who hold the CFA designation

Several members of our research and investment committee hold the CFA designation. Below is a brief description of the designation.

The Chartered Financial Analyst (CFA) charter is a graduate-level investment credential established in 1962 and awarded by the CFA Institute — the largest global association of investment professionals.

To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) adhere to, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Item 11 – Code of Ethics

We have established and adopted a Code of Ethics which sets forth standards of conduct expected of personnel employed by the firm.

Investment Adviser Code of Ethics

Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act") requires all investment advisers registered with the Securities and Exchange Commission ("SEC") to adopt codes of ethics that set forth standards of conduct and require compliance with federal securities laws.

Our Code of Ethics (the "Code") is intended to reflect fiduciary principles that govern our conduct and our supervised persons in situations where we act as an investment adviser in providing investment advice to clients. The Code contains policies regarding standards of conduct and compliance with laws, rules and regulation, protection of material non-public information and personal securities trading.

This Code applies to all our employees. All employees are required to read, be familiar with, and comply with the provisions of the Code.

Standard of Conduct and Compliance with Laws, Rules and Regulations

The Code requires employees to comply with laws and regulations applicable to our business.

Protection of Material Non-Public Information

Our employees are prohibited from using non-public material information regardless of the source, including information regarding portfolio holdings or client transactions for their personal benefit. Specifically, employees are prohibited from using advance knowledge of non-public material information to trade ahead of or otherwise benefit from such knowledge.

Personal Securities Trading

Employees are required to obtain pre-trade approval for all individual company securities trades in order to alert our compliance staff to potential trading conflicts in covered securities.

Employee accounts managed by third parties on a discretionary basis require prior approval by our compliance department. Further, duplicate confirmations and monthly statements are received by FWSM and these account transactions are then monitored by our compliance department. Covered securities are generally defined as any stock, bond, future, investment contract or any other instrument that is considered a security under the Advisers Act, options, limited partnerships, foreign unit investment trusts or foreign mutual funds, private investment funds, hedge funds and investment clubs.

Our surveillance program monitors holdings and trades in employee securities accounts to ensure compliance with the Code, our Written Supervisory Procedures, and other applicable firm policies. Our employees are required to disclose all securities accounts they beneficially own or control within 30 days of their hire date and to quarterly submit duplicate account statements to the firm. We require employees to submit duplicate account statements for all outside brokerage accounts to the compliance department. At least annually during their employment, employees are asked to review and confirm the accuracy and status of their disclosed securities accounts.

Initial Public Offerings and Private Placements

Our employees are prohibited from purchasing securities in an initial public offering. However, subject to the preclearance requirement described above, our employees may purchase securities in the secondary-market. Our employees must receive written permission from the compliance department to purchase any private placement. We grant permission when we believe the investment would not be suitable for our clients or if there are sufficient securities for both our clients and our employees to purchase the private placement.

If there are insufficient securities to fill orders for both client accounts and employee accounts, orders for client accounts will be filled first.

Employee and Client Transactions in the Same Securities

We may purchase or sell the same securities for our own proprietary accounts at the same time as we purchase or sell these securities for clients, but clients will receive the same or more favorable price than we receive on the same day at the same custodian. Similarly, our employees may purchase or sell the same securities at the same time as we purchase or sell

for client accounts. In these instances, clients will receive the same or more favorable prices for same time / same custodian orders.

If there are insufficient securities to fill orders for both client accounts and employee accounts, orders for client accounts will be filled first.

Gifts and Entertainment

No employee may receive any gift, service, or anything else of more than \$100 value from any person or entity that does business with or on behalf of the Firm. No employee may give or offer any gift of more than \$100 value to existing clients, prospective clients, or any entity that does business with the Firm or on our behalf without pre-approval by the compliance department. The giving or receipt of gifts from family or personal friends, who also happen to be clients, is permitted.

No employee may provide to or accept extravagant or excessive entertainment from a client, prospective client, or any person or entity that does or seeks to do business with or on behalf of the Firm. Our employees may provide or accept a business entertainment event, such as dinner or a sporting event, of reasonable value, if the person or entity providing the entertainment is present.

Consequences for Failure to Comply and Reporting Certain Conduct

We may discipline our employees for violation of the Code or other applicable Firm policies. Sanctions include, among other things, suspension or termination of employment. Employees are required to report violations of the Code to the compliance department. Our employees who in good faith raise an issue regarding a possible violation of law, regulation, the Code or other Firm policy or any suspected illegal or unethical behavior will be protected from retaliation.

We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Item 12 – Brokerage Practices

Directed Brokerage

We do not maintain custody of your assets; although we may be deemed to have custody of your assets if you give us authority to withdraw management fees from your account (See Item 15 Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. The broker-dealers with which we have an existing relationship are detailed under Item 5.

Each client independently chooses the broker-dealer with which it prefers to do business and opens their account by entering into an account agreement directly with that broker-dealer. As detailed in Item 5 above, we have established relationships with Schwab and Wedbush as broker-dealer/custodians. We identified these counterparties based on their historical stability,

reputation, ability to provide professional services, competitive commission rates and prices, compatible administrative systems, and other services that help FWSM in providing investment management services to its clients. While we may accommodate a client's request to use an alternative broker-dealer/custodian and may assist in the preparation of new account documentation, we do not open broker-dealer accounts for clients.

We generally require that clients direct brokerage for their account to the broker-dealer with custody of their account. As a result of this requirement, we cannot aggregate all client transactions in the same security to obtain large volume discounts. We can only aggregate the transactions for those accounts directed to the same brokerage firm. Further, orders for portfolio transactions are placed separately at each client-directed brokerage firm using a rotation system. The result will be that some clients' orders will go ahead of other clients' orders. Consequently, the price a client's account receives for a security may be higher or lower than the price paid or received by other clients of the Firm who have directed brokerage to different brokers. Thus, by directing brokerage, we may not be able to achieve the most cost-effective execution of client transactions and this practice may cost clients money. Moreover, such direction prevents us from effectively negotiating brokerage commissions on a client's behalf.

Depending on where clients decide to custody their accounts, we may be unable to participate in certain transactions for their account. For example, if we are able to obtain a block of securities from a third party it's possible that we could only distribute those securities to accounts held at custodians who permit "trade aways." Also, some brokers may participate in public offerings while others do not. We can only allocate these transactions to accounts held at custodians that participate in the offering.

Products and Services Available to Us from Schwab

The following section applies to clients who choose to use Schwab as their custodian and broker-dealer.

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide the Firm and its clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us because we render investment management services to clients that maintain/custody assets at Schwab. These products and services are not provided in connection with clients' securities transactions (i.e., not "soft dollars"). We have received a one-time monetary allowance from Schwab that may be used towards technology and administrative services. In addition, Schwab has agreed to a one-time payment of the transition costs of certain clients that moved their assets to Schwab from another broker-dealer. While this compensation went directly to the client, and does not benefit us, this is a conflict of interest for

us. This compensation is not available to all clients and Schwab provided the compensation in anticipation of us having a certain level of assets on the Schwab platform.

We endeavor at all times to put the interests of our clients first. Clients should be aware, however, that receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence our preference of one broker-dealer over another broker-dealer that does not furnish similar products, services, and/or compensation.

Following is a more detailed description of Schwab's support services:

Services

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

Services That May Not Directly Benefit You

Integrated into Schwab's institutional brokerage services, Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. This includes investment research, both Schwab's own and that of third parties; which is also made available to retail clients. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs

- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

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

Products and Services Available to Us from Wedbush

The following section applies to clients who choose to use Wedbush as their custodian and broker-dealer.

Wedbush provides FWSM with access to its institutional trading and operations services, which are typically not available to Wedbush retail investors. These services generally are available to registered independent investment advisors at no charge to them. FWSM receives some benefits from Wedbush through its participation in the registered adviser program. These benefits include some or all of the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving FWSM participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information.

Brokerage Commissions

Wedbush or Schwab, as the executing broker and custodian, will charge a flat rate per equity transaction as set forth in their respective commission schedule. Other brokerage firms, may have more favorable rates.

When a client chooses a brokerage firm other than Wedbush or Schwab, it is up to the client to negotiate the flat fee or commission rates for all transactions. Typically, the brokerage commission rate or flat fee for brokerage services is set by the brokerage firm and may be higher or lower than that which could be obtained from another brokerage firm and may be higher or lower than what our other clients pay. FWSM reserves the right to charge a different investment management fee for accounts moved to such broker/custodians.

We do not utilize client commissions to pay for third-party research, research products or research related services. We also do not accept payment for order flow.

Trade Aggregation, Trade Sequence and Allocation of Partially Filled Orders

As noted above, we may purchase and sell the same securities on the same day for some or all of our SMAs and Funds. In order to obtain better execution of orders for client accounts, we may combine orders of client accounts custodied at the same brokerage firm. However, we are often unable to purchase or sell a sufficient quantity of stock at a price to fill all combined orders. When a partially completed, combined order is large enough to effectively allocate across multiple accounts, we will allocate the partially completed order to accounts participating in the order as described below.

We use a proprietary program to assist with the task of determining the sequence of placing orders with brokerage firms and allocating partially completed orders to client accounts. When adding to a position already held in client accounts, the program is designed to sort accounts first according to the percentage of the stock held in the account and second according to the percentage of cash in the account. The accounts which own the lowest percentage of the particular stock being purchased, and then the highest percentage of cash, will be at the beginning of the sorted list. Typically, we will place orders first with brokerage firms that hold accounts at the beginning of the list and next with brokerage firms lower on the list and so on until all orders have been placed. Partially completed orders for purchases at each brokerage firm will typically be allocated in the same manner. -When purchasing a stock that is not held in client accounts, the program sorts accounts by the percentage of cash in descending order so that accounts with the highest percentage of cash will be at the beginning of the list. New accounts opened on any given day may occasionally purchase stock after existing accounts have received allocations on the day of the account opening, and as a result, may receive different prices.

When selling a stock, the program is designed to sort accounts according to the percentage of the stock held in client accounts in descending order so that orders for accounts that have the largest percentage of the stock will be at the beginning of the list. We will allocate a partially completed order to accounts according to the list so that the accounts with the highest percentage of the stock being sold will be first. When transactions are executed at different brokerage firms, the prices client accounts receive may vary from firm to firm. However, client accounts that use the same brokerage firm will receive the same price on the same day for the same transaction. As a result, certain accounts, including those of the Funds in which our officers and employees have invested, may receive more favorable prices for the same security than other client accounts held at other custodians on the same day.

Although the above described method is designed to provide a basis for fair and consistent allocations, there are several additional factors that a portfolio manager considers during the process. Other considerations often dictate buys and sells that are not consistent with the selection by our proprietary program. Other factors include the suitability of a transaction for an account, transaction costs, sector weight, tax consequences, portfolio restrictions, known future cash requirements, client directive, age of the account, transactions that may arise out of the account review, or other factors as determined during account review. Additional factors may be considered on a case by case basis.

Item 13 – Review of Accounts

Portfolio Manager Review

The Portfolio Manager or designee regularly reviews SMAs and the Funds for account performance, sector weight, geographic exposure, holdings percentages, and recent transactions. In addition, the Portfolio Manager typically compares accounts to the composite holdings of all accounts and reviews outliers and/or exceptions.

Compliance Review

The compliance department reviews client accounts on a periodic basis. The review is typically based on account activity, value of assets held in the account and/or account charges, but may be based on other factors. Review frequency is based on activity in the account and any other information concerning the account that may suggest a review is necessary. Account review may be conducted on a daily, monthly, quarterly or other basis. Documents subject to review could include a combination of account statements, confirmations, trade allocation spreadsheets, transaction memorabilia and electronic in-house systems, clearing firm systems, or other databases.

The broker-dealer will provide trade confirmations to clients as trades occur. Clients' will also receive monthly and/or quarterly account statements from the broker-dealer/custodian. Unless requested by the client, we do not prepare or send periodic account specific statements or reports to clients aside from the quarterly billing fee statement.

See Item 15 for further information about custody of client assets.

Item 14 – Client Referrals and Other Compensation

We currently have several arrangements with various third parties who are paid a referral fee for introducing clients to us. The referral fee is based on a percentage of assets of client accounts that are referred to us and the percentage is disclosed to clients at the time a third party makes a referral. Clients must also consent to such arrangements prior to, or at the time, we accept a referred client's account.

Item 15 – Custody

We do not act as custodian of clients' accounts. Clients should receive, at least quarterly, account statements from the broker-dealer or other qualified custodian that holds and maintains the assets in a FWSM-managed client account. We urge you to carefully review confirmations,

account statements, and any other documentation sent to you by your selected custodian or brokerage firm.

Notwithstanding the above, under government regulations, we may be deemed to have constructive custody of your assets if, for example, you authorize us to instruct your custodian to deduct our advisory fees directly from your account.

Item 16 – Investment Discretion

In the written investment management agreement we enter into with a client, we receive discretionary authority from the client to select the identity and amount of securities to be bought or sold without a client's prior consent. When selecting securities and determining quantities to be transacted, we seek to comply with the client's investment policies as outlined in each client's investment management agreement. As noted above, clients may impose restrictions on our investment authority only to the extent that such restrictions would not hinder our management of the portfolio. (See Item 4 above for additional information). In addition, various securities and/or tax laws as well as our internal policies may impose additional restrictions on the investments that may be made for your account.

Item 17 – Voting Client Securities / Securities Litigation

We will vote proxies only for the Funds. For SMAs, we will confine our activities on behalf of clients to the purchase and sale of securities, unless otherwise consented to by FWSM and authorized by Client. Upon request, we may provide information or other assistance to the client designed to assist the client in making his/her voting choice. Clients will receive proxy solicitations from their broker-dealer/custodian.

We are not responsible to vote proxies for pension plans or other employee benefit plan accounts covered by ERISA. Pension plan fiduciaries / trustees expressly retain proxy voting authority over their pension plan or employee benefit plan accounts and agree to do so by and when opening an account with us.

We will maintain the following records relating to proxy voting of securities held by the Funds.

- Proxy voting policies and procedures;
- Proxy statements received for securities held by the Funds.
- Records of votes cast on behalf of the Funds; and,
- Any documents prepared by us that were material to making a proxy voting decision or that memorialized the basis for the decision.

Proxies for the Funds are to be voted in the best interest of the Funds' investors; Fund investors may request information related to any voting decision by contacting us. The portfolio manager and/or analysts employed by us may assist in determining how to vote when necessary.

Should any material conflicts of interest arise, we will "mirror vote" for the Funds, meaning we will vote in line with the majority of other shareholders.

Clients may obtain a copy of our proxy voting policy by contacting us at (626) 796-6622.

Clients may request from us historical transactional information about their account to assist with their submission of securities litigation claims. We, however, are not responsible to submit such claims on the clients' behalf.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that may impair our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding.