

# Watts Capital Partners, LLC

## Client Brochure

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*This brochure provides information about the qualifications and investment advisory business practices of Watts Capital Partners LLC. If you have any questions about the contents of this brochure, please contact us at (212) 735-8920 or by email at: info@wattscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.*

*Additional information about Watts Capital Partners LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Watts Capital Partners LLC's CRD number is: 149049*

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

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## **Item 2. Material Changes**

Watts Capital Partners, LLC regularly files an annual updating amendment using the ADV Form 2A.

No material changes.

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## Item 4: Advisory Business

### 4A. Description of the Advisory Firm

Watts Capital Partners, LLC (together with its affiliates, “Watts Capital”, the “Firm”, “We”, or “Us”) provides services to a wide range of both U.S. and non-U.S. Clients (“Clients” or “You”). The Firm’s primary services include:

1. Financial Planning
2. Wealth Management
3. Investment Management.

The Firm provides these services on a fee-based fiduciary basis, or other basis as disclosed. The Firm’s professional team includes individuals with extensive training in the provision of these services. Credentials held by the Firm’s professionals include:

- Certified Financial Planner™ (CFP®)
- Certified Divorce Financial Analyst® (CDFA®)
- Chartered Financial Analyst® (CFA®)
- Chartered Alternative Investment Analyst® (CAIA®).

Our professionals also hold university degrees such as MBAs and have received other training in areas relevant to the provision the Firm’s services.

Our Core Values provide the foundation for our Firm’s culture and our service to Clients:

- **Integrity.** We honor the trust that our Clients place in us. Our adherence to moral and ethical principles is our first priority.
- **Excellence.** We strive for cultural competence and professional excellence. We base our business on rigorous self-awareness and improvement.
- **Respect.** We value individual differences and promote a company culture that embraces diversity and inclusion.
- **Wellness.** We encourage balanced lives that encompass physical, social, intellectual, emotional, occupational, and spiritual health.
- **Service.** We measure our achievement through the quality of service to our Clients, fellow employees, and our communities.

## 4B. Types of Advisory Services

Watts Capital delivers three primary services to its Clients:

1. Financial Planning
2. Wealth Management
3. Investment Management.

### Financial Planning Services

Watts Capital's team includes professionals with the Certified Financial Planner™ (CFP®) designation, as well as a network of accountants, attorneys and other financial professionals, to deliver planning services focused on seven important areas of one's financial life:

1. **Financial Planning for Business Owners** to help entrepreneurs build the value of their companies, create and protect their personal wealth, monetize the value of their company ownership, and transition to future business and personal activities. These planning services include the development and implementation of employee retirement plans.
2. **Gen X/Gen Y Financial Planning** to serve younger and mid-career individuals and families to establish sound financial foundations, with an emphasis on professionals in high growth industries and the professionals serving them.
3. **Cash Flow Planning** to assist individuals and organizations match the timing of their cash uses with their cash resources, and to advise on bridging cash flow gaps with cost-effective financing resources, as well as to deploy cash balances to attractive investment returns.
4. **Income Tax Planning**, in conjunction with our Client's accountants and tax advisors, to achieve family's financial goals in a tax-effective manner, including identifying methods to avoid or defer taxes. We offer special expertise in tax planning for non-US investors.
5. **Risk Management and Divorce Financial Planning** to help individuals create contingency plans to manage financial risks through the use of appropriate asset deployment, "self-insuring", and the use of insurance products. Divorce presents one of the most substantial risks to net worth and financial well-being. Our Certified Divorce Financial Analyst® (CDFA®) professionals advise individuals and couples as they are contemplating, preparing for, and navigating the financial transition associated with divorce. We also provide post-divorce financial planning

6. **Retirement Planning** to assist individuals and families at all life stages to achieve their lifetime financial goals.
7. **Charitable Gift and Legacy Planning**, in conjunction with Clients' other advisors, to ensure that Clients achieve the intended impact of their financial gifts in the most tax-effective means, both during and after their lives.

With each Financial Planning Client, the firm follows a 4-step process.

#### **Step 1. Assess The Client's Current Financial Situation**

We work closely with each Client to organize and understand their unique circumstances, including their current financial situation, their values and background as they relate to money, and their views on risk. Based on this initial assessment, Watts Capital prepares a summary of the Client's current financial status.

#### **Step 2. Identify The Client's Personal and Financial Goals**

Watts Capital partners with each Client to identify their important personal and financial goals. The Firm works with the Client to understand their long term lifestyle, family, business succession, retirement, legacy and charitable giving goals, while keeping in mind their spending needs and savings patterns.

#### **Step 3. Create The Client's Financial Action Plan**

Watts Capital develops a specific Financial Action Plan to bridge the gap between the Client's current financial situation, and their goals for where they want to be. This action plan centers around the Client's savings and investment plans, but also addresses the entire range of financial issues of concern to the Client, including debt management, spending, sale of a business, tax planning, charitable giving, insurance and trust & estate planning.

#### **Step 4. Monitor and Re-Evaluate Frequently**

Watts Capital views the regular monitoring and re-evaluation of each Client's financial progress as a key component of achieving their financial goals. The firm monitors and re-evaluates the Client's financial situation on a regular basis. The firm updates the Client regularly on its investment views, the actions taken in the Client's portfolio, and the Client's investment performance. In parallel, the Firm stays in touch with each Client to track the developments of their financial life.

## Wealth Management Services

Watts Capital's Wealth Management Services represent the implementation of each Client's Financial Action Plan, which is typically developed during the Financial Planning segment of Our services to Clients.

Implementation steps include taking action in any or all of the eight areas of a Client's Financial Action Plan:

1. Asset allocation and investment monitoring
2. Debt management
3. Spending analysis
4. Sale of a business or execution of a major financial transaction
5. Tax planning
6. Charitable giving
7. Risk management and insurance
8. Trust & estate planning.

The Firm's asset allocation and monitoring process addresses the allocation of investment funds across three broad investment strategies:

- **Core Investment Strategies ("CIS")** based on factors shown by academic research to have higher return potential. These strategies generally incorporate allocations of stocks, bonds and cash, and other investment vehicles that incorporate stocks and bonds such as mutual funds and ETFs. These allocations reflect a Client's individual investment objectives, time horizon, and tolerance for risk. CIS typically involves "tilt" towards smaller companies and companies with lower valuations, which are two of the factors related to higher potential returns.
- **Tactical Investment Strategies ("TIS")** that focus on achieving superior investment returns for defined levels of risk. Watts Capital's Tactical Investment Strategies involve periodic trading to take advantage of expected periods of increased market volatility. The Firm's TIS may include strategies developed or managed by third-parties, as well as strategies proprietary to the Firm. Allocations to the Firm's proprietary strategies are made only on a non-discretionary basis, that is, with each Client's express approval.
- **Alternative Investment Strategies ("AIS")** that incorporate real estate investments, as well as other non-traditional assets such as private equity and



hedge funds to deliver absolute or non-correlated returns. A number of the AIS investments are less liquid than those of CIS or TIS. Allocations to AIS with limited liquidity are made only on a non-discretionary basis, that is, with each Client's express approval. For most investors, they represent a limited portion of a Client's overall portfolio.

### **Investment Management/Advisory Services**

The Firm's investment management/advisory services primarily incorporate the following investment strategies:

- **Tactical Investment Strategies ("TIS")**. The Firm currently offers two proprietary quantitative tactical trading strategies, the Watts KA Managed Income Strategy and the Watts KA Growth Strategy. Each of these strategies is based on quantitative models that incorporate a broad range of fundamental and technical data. These models generate Buy and Sell signals for select sets of securities. The models are based on actual trading results, as well as extensive backtesting of factors that the Firm believes influence future investment returns.
- **Alternative Investment Strategies ("AIS")** that incorporate real estate investments, as well as other non-traditional assets such as private equity and hedge funds to deliver absolute or non-correlated returns. A number of the AIS investments are less liquid than those of CIS or RMIS. For most investors, they represent a limited portion of a Client's overall portfolio.

The Firm also provides fixed income management and other investment management strategies tailored to the individual needs of Clients.

The Firm's investment management/advisory services are provided on both discretionary and non-discretionary bases.

### **4C. Termination of Services**

Clients can terminate our services without penalty within five business days from the executed date of the agreement for services, via written notice. Services may be cancelled at any time by either party for any reasons upon receipt of written notice from the other party. Upon such a request, a Client's files will be reviewed and the Client will be responsible for all unpaid fees through the date of termination or a pro-rated refund of any fees paid in advance will be provided.

#### **4D. Limits Advice to Certain Types of Investments**

Watts Capital provides investment advice on a wide range of investments, including the following:

- Publicly traded equity securities, particularly stocks.
- Publicly traded debt securities including securities issued by the U.S. Government, government agents, municipalities, and companies.
- Exchange Traded Funds (ETFs) and ETNs.
- Mutual funds.
- REITs, MLPs, BDCs and other pooled investment vehicles.
- Investment strategies offered through Separate Managed Accounts (SMAs).
- Insurance and annuity products.
- Public, non-traded securities.
- Private placements of securities.
- Real estate properties, equity, debt, limited partnerships and other pooled real estate investment vehicles.
- Private equity, hedge fund and other alternative investment vehicles.

The Firm does not provide advice on investing in collectibles, TV and movie projects, or intellectual property investments.

The Firm's Core Investment Strategies focus on long-term asset allocations using publicly traded securities. The Core Investment Strategies incorporate re-balancing and tax-loss harvesting where appropriate. These strategies incorporate portfolio "tilt" towards factors shown to lead to higher long-term investment performance such as small-company factors and value-company factors.

Watts Capital's Tactical Investment Strategies are based on investment models developed under license to Watts Capital and focus on generating attractive returns for given levels of risk. These strategies incorporate an element of "risk on/risk off" market timing to reduce risk exposure during times of expected market volatility.

Watts Capital's Alternative Investment Strategies incorporate real estate investments, as well as other non-traditional assets such as private equity and hedge funds to deliver absolute returns or that are non-correlated to the public markets. Incorporation of these investments in Client portfolios is intended to reduce portfolio volatility and increase portfolio risk-adjusted return. The complex and often illiquid nature of these investments often limit their use to the portfolios of a limited number of investors.

#### **4E. Tailor Advisory Services to Individual Needs of Clients**

Watts Capital's services are tailored to the individual needs of each Client, including their net worth, net investable assets, investment horizon, needs for liquidity, income tax position, and individual risk preferences. The Firm also takes into account Clients' special situations like low basis stock, legacy holdings, concentrated holdings, tax treatment and other restrictions on employee stock options and restricted stock, inheritances, trust provisions, closely held businesses, and special tax situations.

The Firm's services also give the Client the ability to reflect preferences or impose restrictions on their holdings, including the incorporation of Environmental, Social and Governance (ESG) guidelines or investing with Social Impact objectives.

Watts Capital works with each Client on a one-on-one basis through interviews and questionnaires to determine the Client's investment objectives and suitability.

#### **4F. Client Assets Under Management/Advisory**

Watts Capital has the following assets under management/advisory:

Discretionary Amounts	Non-discretionary Amounts	Date Calculated
\$105,948,410		02/28/2019

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

### **5A. Fee Schedule**

#### **Financial Planning Fees**

Watts Capital offers Financial Planning services for an annual Financial Planning Fee, which is billed quarterly in advance. The Financial Planning Fee is determined as a percentage of the Client's net worth and the complexity of services to be provided. In special situations, the Firm may undertake a limited financial planning services for a fixed fee.

While Financial Planning services are provided with the intention of the Client implementing plan recommendations through Watts Capital, Clients are not obligated to do so. If a Client elects to have an associated person of the Firm implement the advice provided as part of the Financial Planning services, implementation will be made consistent with the terms outlined in this brochure. When implementing Financial Planning services, the Client may incur fees and expenses in addition to the planning fees described above.

For each Financial Planning assignment, Watts Capital takes step to define the relationship between the Firm and the Client. This includes defining the scope of services to be provided, how the Firm is compensated, and any sources of additional compensation. The Client and the Firm discuss each of their expectations regarding the roles they will have during the Financial Planning process. They also agree on how decisions will be made. The agreement discusses the duration of the relationship and any provision for assignment termination.

### **Wealth Management Fees and Investment Management/Advisor Fees**

Watts Capital charges for Wealth Management Services based on Assets Under Management (AUM) for each household. The Firm's fee schedule is set out in the table below.

<b>Total Household Assets Under Management</b>	<b>Annual Fee Rate</b>
\$0 - \$500,000	1.50%
\$501,000 - \$1,000,000	1.25%
\$1,000,001 - \$5,000,000	1.00%
\$5,000,001 - \$10,000,000	0.85%
Over \$10,000,000	0.60%

The Firm also charges for Assets Under Advisory (AUA) where the Firm provides input on investment selection but does not manage the assets directly. Investment Advisory Fees are charged at an annual fee rate of 0.50%.

These fees are negotiable and the final fee schedule is attached as an exhibit to each Client's Investment Advisory Agreement. Fees are paid quarterly in advance, based on the AUM or AUA as of the last day of the previous period.

For Investment Management/Advisory Services, fees vary by strategy. These are disclosed with the authorization by the Client to engage these services.

### **B. Payment of Fees**

#### ***Payment of Fees***

Financial Planning Fees are paid directly by the Client. Wealth Management and Investment Management/Advisory fees are withdrawn directly from the Client's accounts with Client written authorization.

### **C. Clients Are Responsible For Third Party Fees**

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

### **D. Prepayment of Fees**

The Firm requires payment of Fees quarterly in advance.

### **E. Outside Compensation For the Sale of Securities to Clients**

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

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

For certain investments, Watts Capital does charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the investment. Such fees are disclosed to the Client at the time that the Client authorizes the investment.

## Item 7: Types of Clients

Watts Capital generally provides management supervisory services to the following types of Clients:

- Business Owners
- Enterprises & Institutions
- GenX/Gen Y Professionals
- Individuals and Couples Contemplating and Navigating Divorce
- Individuals and Families Planning their Lifetime Financial Goals
- Individuals and Families Undertaking Charitable and Legacy Planning

### *Minimum Account Size*

There is an account minimum, \$1,000,000, which may be waived by the investment advisor, based on the needs of the Client and the complexity of the situation.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

The Firm's methods of analysis include both fundamental and technical analysis.

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

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

#### *Investment Strategies*

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

**Investing in securities involves a risk of loss that You, as a Client, should be prepared to bear.**

## **B. Material Risks Involved**

### *Methods of Analysis*

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

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

### *Investment Strategies*

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

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

**Investing in securities involves a risk of loss that You, as a Client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

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

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



## **Item 9: Disciplinary Information**

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

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

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

Thomas Watts is a registered representative of Watts Capital, LLC, a broker-dealer affiliate of Watts Capital Partners LLC. This broker dealer is under agreement to be sold. After the sale, Watts may continue to be registered with that firm or another broker dealer.

From time to time, the Firm may offer Clients advice or products from that or another broker dealer. The Firm will always act in the best interest of the Client. Clients are in no way required to implement Financial Plans prepared by the Firm plan through any representative of their Firm in their capacity as a registered representative of a broker dealer.

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

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

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

Mr. Watts is an owner of Watts Capital, LLC, a broker dealer. From time to time, he will offer Clients advice or products from those activities. The Firm will always act in the best interest of the Client.

Watts Capital may also sponsor or create limited partnerships or other investment vehicles for Clients to invest in.

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

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

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

#### **A. Code of Ethics**

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

#### **B. Recommendations Involving Material Financial Interests**

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

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Watts Capital may buy or sell securities for themselves that they also recommend to Clients. This may provide an opportunity for representatives of Watts Capital to buy or sell the same securities before or after recommending the same securities to Clients resulting in representatives profiting off the recommendations they provide to Clients. Watts Capital will always document any transactions that could be construed as conflicts of interest and will always transact Client business simultaneously with or before their own when similar securities are being bought or sold.

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

From time to time, representatives of Watts Capital may buy or sell securities for themselves at or around the same time as Clients. This may provide an opportunity for

representatives of Watts Capital to buy or sell securities before or after recommending securities to Clients resulting in representatives profiting off the recommendations they provide to Clients.

## **Item 12: Brokerage Practices**

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

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

#### **1. *Research and Other Soft-Dollar Benefits***

Watts Capital receives no research, product, or service other than execution from a broker-dealer or third-party in connection with Client securities transactions (“soft dollar benefits”).

#### **2. *Brokerage for Client Referrals***

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

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

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

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

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

## **Item 13: Reviews of Accounts**

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

Client accounts are reviewed at least quarterly each Client's Financial Advisor and a member of the Firm's Client Investment Committee. The Client Investment Committee is instructed to review Clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at Watts Capital are assigned to these reviewers.

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

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

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each Client will receive at least quarterly a written report that details the holdings and activities of the Client's account. In many cases, this report will come from the custodian.

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

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

Watts Capital does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Watts Capital Clients.

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

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

## **Item 15: Custody**

Watts Capital does not take custody of Client accounts at any time. Custody of Client's accounts is held primarily at the Custodian.

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

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

### **Item 17: Voting Client Securities (Proxy Voting)**

Watts Capital will accept voting authority for Client securities in certain cases. When Watts Capital does accept voting authority for Client securities, it has no obligation to vote. When it does vote, it will always seek to vote in the best interests of its Clients. Watts Capital does not maintain preapproved voting guidelines but relies on the Investment Committee to determine the appropriate course of action in voting Client securities that is in the best interest of the Client. Clients may direct Watts Capital on how to vote Client securities by communicating their wishes in writing or electronically to Watts Capital. When voting Client proxies the investment committee will always hold the interests of the Clients above its own interests. Clients of Watts Capital may obtain the voting record of Watts Capital on Client securities by contacting Watts Capital at phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of Watts Capital's proxy voting policies and procedures upon request.

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

#### **A. Balance Sheet**

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

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

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

### **C. Bankruptcy Petitions in Previous Ten Years**

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

## **Item 19: Requirements For State Registered Advisers**

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

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

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

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

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

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

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

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

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

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