

Welty Capital Management, LLC

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May 10, 2012

This Brochure provides information about the qualifications and business practices of WELTY CAPITAL MANAGEMENT. If you have any questions about the contents of this Brochure, please contact us at (925)283-4960. 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.

WELTY CAPITAL MANAGEMENT is a registered investment advisor. Registration of an Investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information about which you determine to hire or retain an advisor.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 2012 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our Form ADV Part 2 did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Richard Welty, President, at (925)283-4960 or weltycap@pacbellnet.

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Item 4 - Advisory Business

Welty Capital Management was founded in 1992, and manages money for both taxable accounts and tax deferred retirement accounts. The firm manages both equity and balanced portfolios. All accounts are separately managed in an effort to tailor portfolios to meet specific client needs. Richard Welty and Susan Welty own 100% of Welty Capital Management (WCM). WCM will hold limited power of attorney to act on a discretionary basis with client funds. As of January 6, 2012, WCM had total discretionary assets under management of approximately \$36.35 million.

Item 5 - Fees and Compensation

A client may terminate an individually managed account by giving 30 days written notice to WCM. If an individually managed account is terminated on any day other than on the last day of the quarter, WCM will refund to the client a prorated portion of any fee paid in advance.

Compensation to be provided to WCM will vary and is negotiable, but will typically consist of a flat annual fee based on a percentage of assets under management as follows: 1.5% on assets of \$500,000 or less, 1.25% on assets between \$500,000 and \$1,000,000, 1.0% on assets between \$1,000,000 and \$2,500,000, 0.8% on assets between \$2,500,000 and \$5,000,000, 0.65% on assets over \$5,000,000 which amount will be paid in quarterly installments in advance of each quarter based on the net market value for each client's account at the close of market on the date the fee accrues and becomes payable. In no case, however, will Applicant's annual fee based on a percentage of assets under management will exceed 3%. Applicant believes that its fees are competitive with those charged by other Investment Advisors for comparable services.; however, comparable services may be available from other sources for lower fees than those charged by Applicant. There is a minimum fee per quarter of \$1,000.

The specific manner in which fees are charged by WCM is established in a client's written agreement with WELTY CAPITAL MANAGEMENT. WCM will generally bill its fees on a quarterly basis. Clients are billed in advance each calendar quarter. By signing our Investment Agreement, Clients authorize WCM

to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

WCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to WCM's fee, and WCM shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that WCM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Item 6 – Performance-Based Fees

WCM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

WCM provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, and endowments. WCM prefers accounts with a minimum of \$300,000 in investable assets.

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

General Investment Approach: WCM believes that over the long term, both financial markets and economic environments tend to move in a cyclical trend. Investment studies have shown that various investments provide significantly

different results depending on where the market is in various economic cycles. Our philosophy is that understanding these cycles provided a useful reference point from which to make investment decisions.

WCM uses both fundamental and technical analysis in analyzing potential investments. We begin the investment process with an analysis of the “top-down” outlook for the U.S. economy. “Top-down” refers to forecasting the direction of the interest rates, inflation, corporate profits and economic growth. This economic research identifies sectors of the economy which should perform well under the expected economic outlook. History shows which specific industries have fared well under different economic scenarios. We use this “top-down” analysis as a tool to help determine the most appropriate allocation of client assets between various types of asset classes. WCM uses these analytical tools to gauge and manage the degree of risk and reward involved with differing investment in the market environment.

WCM also utilizes the expertise of Wall Street economists, who have a proven track record in analyzing the U.S. and global economies. In addition, WCM regularly reviews research done by seasoned Wall Street industry analysts; the Annual and Quarterly reports and other information provided by the companies in which we have invested client assets, and companies where we may want to make a future investment.

For fixed income investment, WCM pays close attention to the direction of interest rates, both in the U.S. and globally. Bonds are selected with close attention paid to the bond issuer’s credit rating.

All investments contain some level of risk. Based on each client’s Management Agreement, there may be many types of securities purchased on behalf of our clients. Also, the concentration in individual securities may vary from client to client. There are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your

evaluation of WELTY CAPITAL MANAGEMENT or the integrity of WELTY CAPITAL MANAGEMENT'S management. WCM has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Item 11 – Code of Ethics

WCM and/or its manager/employees may personally invest in the same securities that are purchased for clients and they may own securities of issuers whose securities are subsequently purchased for a client. If a security is purchased or sold for clients and WCM or its manager or employees on the same day, either the clients, WCM, its manager and employees shall pay or receive the same price, or the client shall receive a more favorable price. WCM and/or its manager and employees may also buy or sell a specific security for its/their own account based on personal investment considerations aside from company or industry fundamentals that they do not deem appropriate to buy or sell for clients.

WCM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at WCM must annually acknowledge the terms of the Code of Ethics, or as amended.

WCM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which WCM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which WCM, its affiliates and/or clients, directly or indirectly, have a position of interest. WCM's employees and persons associated with WCM are required to follow WCM's

Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of WCM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for WCM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of WCM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of WCM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Welty Capital Management and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with WCM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. WCM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

It is WCM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. WCM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where WCM, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An

agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

In selecting a broker for any transaction or series of transactions, WCM may consider a number of factors, including for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to WCM on-line access to computerized data regarding clients' accounts, the availability of stocks to borrow for short trades and other matters involved in the receipt of brokerage services generally. WCM may also purchase from a broker or allow a broker to pay for certain research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, Quotron rent, office rent, office equipment, supplies, telephone charges, accounting fees, legal fees and the like (a "soft dollar" relationship). WCM may pay brokerage commission in excess of that which another broker/dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. In such case, however, WCM will determine in good faith that such commission is reasonable in relation to the value of the brokerage, research and other services and soft dollar relationships provided by such broker/dealer, viewed in terms of either the specific transaction or WCM's responsibilities to the portfolios over which WCM exercises investment authority.

It should be noted, however, that one account may pay higher brokerage commissions than are otherwise available, while the research

and other benefits resulting from the brokerage relationship would benefit all WCM's accounts or WCM's operations as a whole.

WCM does not now have, but may implement, a program of broker compensation that consists of directing a certain amount of brokerage to a broker in return for the broker referral of prospective clients. The direction of brokerage to a broker in exchange for investor referrals creates a conflict of interest in that Applicant will have an incentive to refer its clients' brokerage business to brokers to which it might not otherwise direct its brokerage transactions. WCM understands and will scrupulously comply with its fiduciary obligations to its advisory clients, however. It will regularly review the commission rates paid by its advisory clients to determine that they are competitive with commissions paid by clients of investments advisors that provide services similar to Applicant. WCM may also employ solicitors to whom it will pay cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice will be disclosed in writing to the client and Applicant will comply with the other requirements of Rule 206(4)-3 under the Investment Advisors Act of 1940, as amended.

If WCM is directed by the client to use the client's existing brokerage firm, WCM may not be able to negotiate commissions, and as a result, may pay disparate commissions depending on the clients existing commission arrangement with the broker-dealer, which was established prior to entering into an advisory relationship with WCM.

If the client had not requested WCM to use the existing broker-dealer, the client may be able to pay lower commissions.

If WCM is required to use an existing broker-dealer, WCM may not be able to obtain the best execution in certain transactions due to the reasons stated above.

Item 13 – Review of Accounts

They suggested we copy and paste Items 11.A. & 11.B. of current Part II Schedule F.

WCM DOES NOT HAVE ITEMS 11.A & 11.B

Item 14 – Client Referrals and Other Compensation

Item 15 – Custody

Clients should receive monthly statements from the bank custodian that holds and maintains client's investment assets. WELTY CAPITAL MANAGEMENT urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

WELTY CAPITAL MANAGEMENT receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, WCM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, WCM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to WELTY CAPITAL MANAGEMENT in writing.

Item 17 – Voting Client Securities

Current ADV disclosure regarding proxy voting practices and authority:

WCM will vote all proxies on behalf of each account over which WCM has proxy voting authority based on WCM's determination of the best interests of that account. In determining whether a proposal serves the best interests of an

account, WCM will consider a number of factors, including the economic effect of the proposal on shareholder value, the threat posed by the proposal to existing rights of shareholders, the dilution of existing shares that would result from the proposal, the effect of the proposal on management or director accountability to shareholders, and, if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual. WCM will abstain from voting proxies when WCM believes that it is appropriate.

If a material conflict of interest over proxy voting arises between WCM and a client, WCM will vote all proxies in accordance with the policy described above. If WCM determines that this policy does not adequately address the conflict of interest, WCM will notify the client of the conflict and request that the client consent to WCM's intended response to the proxy solicitation. If the client consents to WCM's intended response or fails to respond to the notice within a reasonable time specified in the notice, WCM will vote the proxy as described in the notice. If the client objects to WCM's intended response, WCM will vote the proxy as directed by the client.

A client can obtain a copy of WCM's proxy voting policy and a record of votes cast by WCM on behalf of that client by contacting Richard Welty at (925) 283-4960.

Item 18 – Financial Information

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about WCM's financial condition. WELTY CAPITAL MANAGEMENT has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisors

Welty Capital Management, LLC

Part 2B of Form ADV

The Brochure Supplement

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May 10, 2012

This brochure supplement provides information about the educational and business background for each member of the company that determines general investment advice to be given to clients.

Richard Stephen Welty

President and Chief Investment Officer

Date of Birth: July 18, 1951

Richard Welty has been a portfolio Manager and Research Analyst since 1980.

Richard is a graduate of San Jose State University with a B.S. in Business/Finance.

Disciplinary Information:

Mr. Welty has not been involved in any legal or disciplinary events that would be material to a clients' evaluation of Mr. Welty or Welty Capital Management.

Other Business Activities:

Mr. Welty is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Welty Capital Management.

Additional Compensation:

Mr. Welty receives no compensation from any other person or entity.

Supervision:

Mr. Welty is the Chief Compliance Officer of Welty Capital Management.