

BROCHURE FOR STOCK MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of Stock Management LLC. If you have any questions about the contents of this brochure, please contact us at 253-535-5530 or Invest@BenHeeb.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Stock Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisors to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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Advisory business.

The principal owners of the Stock Management LLC are Ben Heeb, Carol Heeb and Susan Williams and more information about them is listed in the brochure supplement. The primary service we provide for you is investment supervisory services, rather than financial planning alone. You may always ask questions and you can give direction to us. We are concerned mostly with providing you good investments that are appropriate to you and your families and businesses within the goals we set together. We do not participate in wrap fee programs or use load mutual funds. As of March 30, 2011 we manage about \$44 Million in client assets on a discretionary basis.

We provide the investment advisory services for a percentage of assets under management and do not charge on a commission basis. We determine a set of goals, in discussion with you, based on your circumstances and when you expect to need to use your investments. Those goals will include your liquidity requirements, as you know them and share with us. These discussions will yield targets for stocks, fixed income and money market funds. Those ratios being set, we will select the stocks, bonds, ETFs and no-load mutual funds that will appropriately approach your goals, as previously agreed. Sell targets for the stocks will be initially set by the Investment Advisor. The client may request or direct modifications to the sell target or to order the sale of a stock or to change the goals previously set. Since it is the client's money, those changes are made. There are a few other ways a stock's sell target is set. If it goes up 60% it is sold. If the stock goes down 50% it is sold or if the stock's financial strength is downgraded by Value Line to C+ or worse. On rare occasions, a sale will be made because of a fundamental change in the company's circumstances.

Fees and Compensation.

You may choose to pay by direct billing or deduction by the custodian from your account. Fees are not negotiable. Fees may be waived or decreased for family, employees and non-profit organizations at the discretion of the company. Fees are billed quarterly, in arrears, based on the account value as of the last day of the quarter. Bonds are not assessed fees and so are not included in the billable assets for the purpose of fees. Only half of the mutual fund total is considered as billable assets for the purpose of fees.

The fee schedule is:

Billable Assets	Quarterly Fee
Portion over \$1,000,000	0.0625%
Portion over \$100,000 to \$1,000,000	0.125%
Portion over \$50,000 to \$100,000	0.25%
Portion over \$15,000 to \$50,000	0.125%
Portion below \$15,000	0.625%

For example: A \$500,000 account of 50% bonds, 40% stocks, and 10% mutual funds at the end of a quarter would have \$250,000 in bonds, \$200,000 in stocks and \$50,000 in mutual funds. The billable assets would be \$225,000 consisting of zero in bonds, \$25,000 (half of the mutual funds) plus \$200,000 in stocks. Fees are based on the billable assets (\$225,000), not the \$500,000 total assets.

For this example, the fee would be \$550. The calculation would be: \$93.75 (first \$15000 x .00625); plus \$175 (next \$35,000 x .0050); plus \$125 (next \$50,000 x .0025); plus \$156.25 (next \$125,000 x .00125).

The quarterly fee rate for this example is the \$550 divided by the \$500,000 which is 0.11%. Multiplying the quarterly fee by 4 would give an annual rate for fees of 0.44% in the example.

Monthly balance sheets contain the formula for how billable assets are calculated and the fee table and the quarterly fee rate for the account. We generally have small accounts mainly in mutual funds and small accounts should never contain all individual stocks. If they did, the 0.625% quarterly fee, and corresponding 2.5% annual rate would be too expensive. In practice since only half of the mutual fund assets are included in billable assets, small accounts actually are managed for a lesser annual rate than that. At the top of each balance sheet, three performance figures are calculated: A return of the portfolio since inception, a year-to-date ratio, and the most recent quarterly return. If there have been no deposits or withdrawals in the period, the current value is simply subtracted from the closing value at the end of the last period and that result divided by the closing value at the end of last period. When deposits or withdrawals occur during the period, appropriate pro-rated adjustments are made so that the timing of the transfers is not a factor in the performance figures. Performance returns are net of fees since fees are deducted before performance is calculated. Dividends and interest are included since they are part of the performance of the portfolio. Clients will incur brokerage and mutual

fund expenses in addition to our fees. We never recommend load mutual funds unless the loads are waived.

Performance-Based Fees and Side-by Side Management.

We think this would be a conflict of interest and we do not participate in this type of management.

Types of Clients.

We provide investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations.

We invest mainly in exchange-listed securities, mutual funds, and in corporate bonds and CDs. If appropriate, we will buy municipal bonds and government bonds. We will help you with your existing variable annuities and may help buy fixed annuities, in the rare case that they are appropriate. We use no-load mutual funds and annuities, if at all possible. We try to keep costs down and have an incentive to do so.

We use fundamental analysis to pick stocks to your goals. We mainly buy stocks with data from Value Line. We tend to think data from other sources has a bias. We do listen to the news and read the Wall Street Journal, Barron's, Fortune, Money Magazine and such, but we are skeptical of this information. Our first screening of a potential stock is the company's financial strength. We do not consider it if the company does not have at least a B+ financial strength. We are bargain hunters by instinct. We want to buy the most growth at the most reasonable price. Our primary source is Value Line and we do a comparative analysis of all of the stocks, with proper financial strength, to give us a current list in order of the growth at a reasonable price. Dividends are considered in this analysis, of course, as applicable.

We buy the stocks with the intent of holding for at least a year, but will sell earlier if our sell targets are met. We very seldom use margin, and then only at a client's request.

Investing in securities and bonds involves risk of loss that clients should be prepared to bear. As discussed above, our discussions will yield targets for stocks, fixed income and money market funds. No matter how well chosen, most stocks will go down if the market goes down. Since we are not in stocks only, the entire portfolio should not lose as much as the stocks alone. Bonds go down when interest rates go up or the quality of the company decreases. We mitigate this by having mainly bonds that mature and have an intent to hold to maturity. This is called a bond ladder and it reduces interest rate risk. If the portfolio is too small for individual bonds we use shorter duration bond funds to reduce the risk. Money Market Funds are not FDIC insured and pay very small interest. We keep these levels small in line with the next two month's liquidity needs. The market

fluctuates, up and down. We review the portfolio's goals at least monthly and reinvest if the goals are out of balance by 2% or more. This means that we harvest gains when we have them and have the money to invest when there are losses.

Disciplinary Information.

There have never been any legal or disciplinary events in our firm's history.

Other Financial Industry Activities and Affiliations.

We don't have any other financial industry activities and affiliations.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

The company has established a code of ethics. The underlying fact is that we have a fiduciary responsibility to the client to do our actions in a way that is favorable to the client. A client or prospective client may request a copy of the code of ethics by contacting the contact persons on page 1 or emailing us at Invest@BenHeeb.com. We don't have any securities for sale so cannot recommend things on which we have a conflict of interest. Employees of the firm do buy the same listed securities that we buy for clients. We prohibit buying for ourselves before buying for clients. That would be "front running" and is a conflict of interest. Employees do not place their own trades so each transaction is reviewed by a principal of the firm.

Brokerage Practices.

Stock Management LLC does not have the authority to determine the broker to be used or the commission rates paid. This is established at the time the account is opened and funded. Clients may specify the broker to be used, but are advised that a discount broker is recommended, such as Schwab, Fidelity or Scottrade, which allow appropriate management of client accounts and have reasonable fees. No broker is paid extra commissions in recognition of the value of services provided, unless the client has requested a more expensive brokerage agreement. In such a case, no portion would go to our company.

Research and Other Soft Dollar Benefits.

Stock Management LLC does have an arrangement where it receives some economic benefit from a non-client in connection with giving advice to clients which is known as "soft money". Charles Schwab & Co provides "Schwablink for Windows" and "Schwablink Web" software and internet access codes as account management tools. Fidelity Investments currently provides "Advisor Channel Technology Suite" as an account management tool. There is no cost to the company or any client for these services. These programs are necessary to effectively manage accounts, view positions,

place trades electronically, enroll new accounts, obtain sales materials, and communicate more effectively with the brokerage firm.

Brokerage for Client Referrals.

We do not receive referrals from Brokers. This would be a potential conflict of interest because it would give an incentive to not pick a broker based on the clients' interests.

Directed Brokerage.

We pick listed securities, funds, and bonds. We buy them all in the brokerage firm selected by the client when they fund the account. If we bought securities of any kind at a different brokerage fund than where the account is located, the client might have to pay higher brokerage commissions, we may not be able to aggregate orders to reduce transaction cost, or the client may receive less favorable prices. Additionally there could be costs related to paying for the securities and transferring them to the account. We often aggregate orders when we buy or sell the same stocks at the same time at the same brokerage firm. This will generally reduce transaction costs and each client is not front running another client, resulting in fairness to all.

Review of Accounts.

We review each account at least monthly and whenever a position is sold or when a deposit or withdrawal is made. This review leads to a rebalancing when appropriate. The Principals of the firm make this review. We provide monthly statements to clients of these accounts. These statements are sent by the method requested by the client, by mail or email.

Client Referrals and Other Compensation.

We appreciate all referrals but we do not compensate persons for them.

Custody.

The Broker sends each client a monthly account statement. Clients should carefully review those statements. Since you also receive a monthly account statement from us, we urge you to compare the account statements. It is your best defense to make sure that they match up in all material ways. Many frauds occur when there are not two statements to check against each other.

Investment Discretion.

We manage security accounts on behalf of clients who have provided us with discretionary authority in their brokerage applications and confirm it on their contracts

with us. We exercise that discretion within the constraints of the asset allocation goals. Clients may, and often do, give us a list of stocks to avoid.

Voting Client Securities.

Clients choose whether to retain authority to vote their own securities on their account application. Clients receive their proxies or other solicitations directly. Clients can contact us with questions if they wish. Clients can change whether to have us vote proxies at any time.

Financial Information.

We do not require or solicit prepayment of fees. We have not been the subject of a bankruptcy petition in our history.