

Item 1. Cover Page

Part 2A or Form ADV Firm Brochure

October 19, 2012

Acacia Wealth Advisors, LLC

SEC File No. 801-64174

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This brochure provides information about the qualifications and business practices of Acacia Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at alewis@acaciawealth.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Acacia Wealth Advisors, LLC, is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This Firm Brochure is our disclosure document prepared according to new regulatory requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4. Advisory Business

A. Description of Your Advisory Firm

Acacia Wealth Advisors, LLC ("Acacia" and/or the "firm"), is organized as a California limited liability company. Acacia Wealth Management, Inc., is the managing member of Acacia, which is principally owned by Meloni Hallock, Chief Executive Officer, and Alev Lewis, President and Chief Operating Officer. Acacia has been offering investment advisory services since 2005.

A copy of Acacia's privacy policy notice and written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), shall be provided to each client prior to or contemporaneously with the execution of the agreement.

B. Description of Advisory Services Offered

Acacia is an investment adviser providing financial planning, consulting and investment management services to high-net-worth individuals, trusts, estates, charitable organizations, corporations, and other business entities.

Acacia, depending upon the engagement, offers its services on a fee basis, which may include fixed fees as well as fees based upon assets under management. Prior to engaging Acacia to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with Acacia setting forth the terms and conditions under which Acacia shall render its services (collectively the "agreement").

Acacia's clients are advised to promptly notify Acacia if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Acacia's management services. Neither Acacia nor the client may assign the agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of Acacia shall not be considered an assignment.

B.1. Financial Planning & Consulting Services

Acacia may provide its clients with a broad range of financial planning and consulting services (which may include tax and other non-investment related matters). Prior to engaging Acacia to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with Acacia setting forth the terms and conditions of the engagement. Acacia may provide financial planning and/or consulting services for a fixed fee.

In performing its services, Acacia will not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. The client is under no obligation to act upon any of the recommendations made by Acacia under a financial planning and/or consulting engagement and/or the services of any such recommendations. Moreover, clients are advised that it remains their responsibility to promptly notify Acacia if there is ever any change in their financial

situation or investment objectives for the purpose of reviewing, evaluating, or revising Acacia's previous recommendations and/or services to provide.

B.2. Investment Management Services

Acacia may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager(s) ("independent manager(s)") based on the stated investment objectives of the client. The terms and conditions under which the client is to engage the independent manager(s) will be set forth in separate written agreements between (i) the client and Acacia and (ii) the client and the designated independent manager(s). Acacia will continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which Acacia will receive an annual advisory fee.

Factors that Acacia will consider in recommending independent manager(s) include the client's stated investment objective(s) and the independent manager(s) management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated independent manager(s) and the corresponding designated broker-dealer/custodian of the client's assets may be exclusive of, and in addition to, Acacia's investment advisory fee set forth in Item 5 of this brochure. In addition to Acacia's written disclosure statement, the client will also receive the written disclosure statement of the designated independent manager(s). Certain independent manager(s) may impose more restrictive account requirements and varying billing practices than Acacia. In such instances, Acacia may alter its corresponding account requirements and/or billing practices to accommodate those of the independent manager(s).

B.3. Variable Annuity & Life Products and Individual Employer-Sponsored Retirement Plans

Acacia may render nondiscretionary investment management services to clients relative to (i) variable life/annuity products that they may own, and/or (ii) their individual employer-sponsored retirement plans. In so doing, Acacia either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

B.4. Private Placements

Acacia may recommend that clients that are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the client's investment objectives. When Acacia recommends that the client invest in private placement securities, Acacia will receive no additional compensation, but it will continue to receive applicable investment advisory fees on the client's assets under management.

C. Client-Tailored Services and Client-Imposed Restrictions

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

D. Wrap Fee Programs

Although Acacia neither sponsors nor manages portfolios in a wrap fee program, it may recommend third-party wrap fee programs depending on the needs of a particular client. (Wrap fee programs offer services for one all-inclusive fee.)

E. Client Assets Under Management

As of December 31, 2011, Acacia has \$554,952,634 in client assets under supervision.

Item 5. Fees and Compensation

A. Methods of Compensation and Fee Schedule

A.1. Financial Planning and Consulting Fees

Acacia may provide its clients with a broad range of financial planning and consulting services (which may include tax and other non-investment related matters). Acacia's financial planning and consulting fees are negotiable, but generally range from \$50,000 to \$500,000 on a fixed fee basis depending upon the level and scope of services and the professional rendering of the financial planning and/or the consulting services.

Prior to engaging Acacia to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with Acacia setting forth the terms and conditions of the engagement (scope of the services to be provided and the portion of the fee that is due from the client prior to Acacia commencing services). Acacia may provide financial planning and/or consulting services for a fixed fee, which will be billed quarterly or monthly as agreed upon with the client. Either party may terminate the agreement by written notice to the other. In the event the client terminates Acacia's financial planning and/or consulting services, the balance of Acacia's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall be entitled to a full refund.

A.2. Investment Management Fees

In the event the client determines to engage Acacia to provide investment management services, Acacia shall do so on a fee-only basis. If engaged, Acacia will charge an annual fee based upon a percentage of the market value of the assets being managed by Acacia.

For the initial quarter of investment management services, the first quarter's fees will be calculated on a pro rata basis and charged in arrears. For subsequent quarters, Acacia's annual fee will be prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The annual fee will vary (between 0.25% and 1.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

<u>Portfolio Value</u>	<u>Annual Fee</u>
First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.50%
Next \$5,000,000	0.35%
Above \$10,000,000	0.25%

Acacia requires a minimum portfolio size of \$10,000,000, which equates an annual fee of \$52,500 at the highest fee tier in the current fee schedule. Acacia, in its sole discretion, may negotiate to waive its stated account minimum or charge a lesser management fee based upon certain criteria (e.g., anticipated future earnings capacity, anticipated future additional assets,

dollar amount of assets to be managed, related accounts, account composition, preexisting client, account retention, pro bono activities, etc.).

As discussed in Item 5.C below, Acacia's annual fee is exclusive of, and in addition to, brokerage commissions, transactions fees, and other related costs and expenses which will be incurred by the client. Acacia does not receive any portion of these commissions, fees, and costs. Clients may incur certain charges imposed by their financial institution(s) and other third parties, such as fees charged by independent managers, custodial fees, charges imposed directly by a mutual fund or exchange-traded fund in the account, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on commission and transaction fees. Additionally, clients may incur brokerage commissions and transaction fees.

B. Client Payment of Fees

Acacia will not take custody or possession of client funds or securities at any time except to the extent that Acacia may deduct fees directly from the client's account. Acacia will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides the qualified custodian written authorization, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

C. Additional Client Fees Charged

The fees charged by Acacia do not include fees charged by any mutual fund or independent manager selected by the client or in any privately pooled investment vehicle. Similarly, the fees charged by Acacia do not include any fees charged by a broker-dealer or custodian retained by a client to implement Acacia's advice or to otherwise hold the client's portfolio securities. The management fees for investment managers are generally disclosed in each investment manager's disclosure brochure and brochure supplement; or in the case of a mutual fund, the fund's prospectus; or in the case of the privately pooled investment vehicle, the confidential private placement memorandum and applicable subscription documents. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

D. Prepayment of Client Fees

Acacia requires all investment management fees to be prepaid on a quarterly basis. In addition, Acacia requires that some portion of the estimated financial planning fee, as mutually agreed upon by the client and Acacia, be prepaid as described in the client's financial planning agreement. Acacia's fees will either be paid directly by the client or disbursed to Acacia by the qualified custodian of the client's investment accounts, subject to prior written consent of the

client. The qualified custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

Either party may terminate the agreement by written notice to the other. In the event the client terminates Acacia's financial planning and/or consulting services, the balance of Acacia's unearned fees (if any) shall be refunded to the client and any earned, unpaid fees will be immediately due and payable.

Any client who has not received a copy of Acacia's written disclosure statement at least 48 hours prior to executing the agreement will have five business days subsequent to executing the agreement to terminate the agreement without penalty.

E. External Compensation for the Sale of Securities to Clients

Acacia's financial advisors are compensated solely through a salary and bonus structure. Acacia is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

Item 6. Performance-Based Fees and Side-by-Side Management

Acacia does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

Item 7. Types of Clients

Acacia offers personalized investment management, financial planning, and consulting services to high-net-worth individuals and related trusts, charitable organizations, corporations, and other business entities. Although Acacia provides investment services to various types of clients mentioned, the services are conditioned upon meeting the following certain minimum criteria established by Acacia.

Acacia requires a minimum portfolio size of \$10,000,000, which equates to an annual fee of \$52,500 at the highest fee tier in the current fee schedule. Acacia may, in its sole discretion, waive the minimum account size and minimum fee.

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

A. Methods of Analysis and Investment Strategies

As further discussed in the response to Item 4 of this Brochure, Acacia may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain independent manager(s), based upon the stated investment objectives of the client. When recommending an independent manager for a client, Acacia will review information about the independent manager, such as its disclosure statement and material supplied by the independent manager and/or independent third parties. This includes descriptions of the independent manager's investment strategies, past performance, and risk results.

A.1. Mutual Funds, Exchange-Traded Funds, Independent Investment Managers, and Pooled Investment Vehicles

Acacia may recommend (i) independent managers to manage client assets; (ii) no-load and load-waived mutual funds and individual securities (including fixed income instruments); and (iii) pooled investment vehicles. Such management styles will include, among others, large-cap, mid-cap, and small-cap value, growth, and core; international and emerging markets; and alternative investments. Acacia may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that will be taken into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), managers, and pooled investment vehicles is set forth below.

Acacia has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, managers, and pooled investment vehicles

Acacia may utilize additional independent third parties to assist in recommending and monitoring securities, mutual funds, managers, and pooled investment vehicles to clients as appropriate under the circumstances.

Acacia reviews certain quantitative and qualitative criteria related to mutual funds and managers to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis

- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity. Acacia will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Acacia on a quarterly basis or such other interval as mutually agreed upon by the client and Acacia. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager identified by Acacia (both of which are negative factors in implementing an asset allocation structure). Based on its review, Acacia will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

Acacia may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Acacia will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Acacia will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

A.2. Material Risks of Investment Instruments

On behalf of its clients, Acacia effects transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit

- Municipal securities
- U.S. government securities
- Private placements
- Option contracts on securities
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

A.2.a. Equity Securities

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

A.2.b. Warrants and Rights

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

A.2.c. Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

A.2.d. Exchange-Traded Funds ("ETFs")

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs[®], streetTRACKS[®], DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQsSM"), iShares[®] and VIPERs[®]. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be pre-payment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

A.2.f. Municipal Securities

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

A.2.g. U.S. Government Securities

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

A.2.h. Private Placements

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

A.2.i. Option Contracts on Securities

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

A.2.j. Pooled Investment Vehicles

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, Acacia will be unable to monitor or verify the accuracy of such performance information.

A.2.k. Structured Products

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high investment grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

A.2.l. Government and Agency Mortgage-Backed Securities

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

A.2.m. Corporate Debt Obligations

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow

money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, Acacia may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

A.2.n. Mortgage-Backed Securities

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Acacia may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

A.2.o. Collateralized Obligations

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a

monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

B. Investment Strategy and Method of Analysis Material Risks

B.1. Leverage

Although Acacia, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Roush Investments will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

B.2. Short-Term Trading

Although Acacia, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

B.3. Option Strategies

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Acacia as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

B.3.a. Covered Call Writing

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

B.3.b. Long Call Option Purchases

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options

are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

B.3.c. Long Put Option Purchases

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

B.3.d. Option Spreading

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

B.3.e. Short Call Option Strategy

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

B.3.f. Short Put Option Strategy

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a

price potentially well above its then-current market value, exposing the investor to potential loss.

B.3.g. Equity Collar

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified "cap rate." A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified "floor rate." A collar involving stock is called an "equity collar." In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

B.3.h. Long Straddle

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

C. Security-Specific Material Risks

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

Item 9. Disciplinary Information

A. Criminal or Civil Actions

There is nothing to report on this item.

B. Administrative Enforcement Proceedings

There is nothing to report on this item.

C. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report on this item.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealer Affiliation

Neither Acacia nor its affiliates are registered broker-dealers and do not have an application to register pending.

B. Commodity, FCM, CPO or CTA Affiliation

Neither Acacia nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

C. Relationships Material to Advisory Business

Acacia does not currently have any relationships with individuals or entities that are material to its advisory business. Relationships deemed material could be an affiliation of an Acacia member with a broker-dealer, sitting on the board of a mutual fund, etc.

D. Recommendation of Other Advisors

Acacia does not receive any remuneration from advisors, investment managers, or other service providers that it recommends to clients.

Item 11. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

A. Code of Ethics Description

Acacia does not buy or sell for itself securities that it also recommends to clients. However, persons associated with Acacia ("associated persons") are permitted to buy or sell securities that it also recommends to clients consistent with Acacia's policies and procedures. Acacia has adopted a Code of Ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws. In accordance with Section 204A of the Advisers Act, Acacia's Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Acacia or any of its associated persons. The Code of Ethics also requires that certain of Acacia's personnel (called "access persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Clients may contact Acacia to request a copy of its Code of Ethics.

B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

Acacia does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Acacia does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest

Acacia, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Acacia specifically prohibits. Acacia has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Acacia's procedures when purchasing or selling the same securities purchased or sold for the client.

D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest

Acacia, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Acacia clients. Acacia will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. It is the policy of the firm to place the clients' interests above those of Acacia and its employees.

Item 12. Brokerage Practices

A. Factors Used to Select Broker-Dealers for Client Transactions

A.1. Custodian Recommendations

Acacia may only implement management recommendations after the client has arranged for and furnished Acacia with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, broker-dealers recommended by Acacia, broker-dealers directed by the client, trust companies, banks, etc. (collectively referred to herein as "custodians"). The brokerage commissions and/or transaction fees charged by financial institution(s) are exclusive of and in addition to Acacia's fee. Where a client requests, Acacia may recommend broker-dealers based on numerous factors, including their respective financial strength, reputation, execution, pricing, research, and service.

A.1.a. Soft Dollar Arrangements

Acacia does not utilize soft dollar arrangements. Acacia does not direct brokerage transactions to executing brokers for research and brokerage services.

A.1.b. Institutional Trading and Custody Services

Such custodians may provide Acacia with access to their institutional trading and custody services, which are typically not available to financial institution(s) retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. These services are not contingent upon Acacia committing to a custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

A.1.c. Other Products and Services

The custodian also makes available to Acacia software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Acacia's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

The custodian also offers other services intended to help Acacia manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Acacia. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third-party providing these services to Acacia.

A.1.d. Independent Third Parties

In addition, the custodian may make available, arrange, and/or pay for these types of services rendered to Acacia by independent third parties. These custodians may discount or waive fees they would otherwise charge for some of these services, or pay all or a part of the fees of a third party providing these services to Acacia. As a fiduciary, Acacia endeavors to act in its clients' best interests.

A.2. Brokerage for Client Referrals

Acacia does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

A.3. Directed Brokerage

A.3.a. Acacia Recommendations

Acacia typically recommends HSBC and Schwab Institutional as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

A.3.b. Client-Directed Brokerage

The client may direct Acacia in writing to use a particular broker-dealer to execute some or all transactions for the client. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Acacia will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by Acacia. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Acacia may decline a client's request to direct brokerage if, in Acacia's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

B. Aggregating Securities Transactions for Client Accounts

B.1. Best Execution

Certain broker-dealers will enable Acacia to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by recommended broker-dealers may be higher or lower than those charged by other broker-dealers. Where Acacia has recommended a broker-dealer to clients, the commissions paid by the clients shall comply with Acacia's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Acacia determines, in good faith, that the commission is reasonable in relation to the value the brokerage and research services received.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Acacia will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for the client transactions. If the client requests Acacia to arrange for the execution of securities brokerage transactions for the client's account, Acacia will direct such transactions through broker-dealers that Acacia reasonably believes will provide best execution. Acacia will periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

Acacia may receive from financial institution(s), without cost to Acacia, computer software and related systems support that allow Acacia to better monitor client accounts maintained at financial institution(s). Acacia may receive the software and related support without cost because Acacia renders investment management services to clients that maintain assets at financial institution(s).

B.2. Security Allocation

Since Acacia may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Acacia in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. Such aggregate orders may include transactions for accounts for employee benefit plans and private investment vehicles, such as limited partnerships or limited liability companies, in which Acacia, its affiliates, principals, or employees are among the investors.

Acacia's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. Acacia will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Acacia's advice to certain clients and entities and the action of the firm for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment

objective, guidelines, and circumstances. Thus, any action of Acacia with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the firm to or on behalf of other clients.

B.3. Order Aggregation

Acacia does not aggregate orders because the firm is required to speak with each client and obtain their authorization prior to effecting any transactions.

B.4. Allocation of Trades

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Acacia acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Acacia determines that such arrangements are no longer in the best interest of its clients.

Item 13. Review of Accounts

A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Acacia monitors portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Acacia provides financial planning and/or consulting services, reviews are conducted on an "as-needed" basis. Such reviews are conducted by Acacia's CEO. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Acacia and to keep Acacia informed of any changes thereto. Acacia shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

B. Review of Client Accounts on Non-Periodic Basis

Acacia may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Acacia formulates investment advice.

C. Content of Client-Provided Reports and Frequency

In addition to monthly statements (no less frequently than quarterly) provided by the client's custodian, which detail transaction activity, holdings, and portfolio value, Acacia engages a third party to produce quarterly client performance reports. Such performance reports detail account performance and risk metrics including standard deviation, comparison of account performance against appropriate benchmarks, and other such measures designed to identify the risk and performance of the client's investment portfolio.

The client's independent custodian also provides regular account statements directly to the client. The custodian's statement is the official record of the client's account and supersedes any statements or reports created on behalf of the client by Acacia.

Item 14. Client Referrals and Other Compensation

A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

Acacia does not receive economic benefits for referring clients to third-party service providers.

B. Advisory Firm Payments for Client Referrals

Acacia does not make payment for client referrals.

Item 15. Custody

Clients will receive at least quarterly account statements directly from their qualified custodian containing a description of all activity, cash balances, and portfolio holdings in the client's account. Acacia urges that clients compare the account balance(s) shown on their Acacia Quarterly Portfolio Review to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

Item 16. Investment Discretion

Acacia does not exercise discretionary authority for its clients. All investment management rendered by Acacia are on a non-discretionary basis.

Item 17. Voting Client Securities

Acacia will not take any action with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which a client's assets may be invested. On occasion, Acacia may provide advice to clients on the voting proxies; however, the ultimate responsibility for such voting rests with the client. All proxy-related materials received directly by Acacia will be forwarded to the client for direct action.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Acacia has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Acacia also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Acacia has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Acacia receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

Item 18. Financial Disclosures

A. Balance Sheet

Acacia does not require the prepayment of fees of \$1,200 or more, six months or more in advance.

B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

Acacia does not have any financial issues that would impair its ability to provide services to clients.

C. Bankruptcy Petitions During the Past Ten Years

There is nothing to report on this item.