

**Schedule F of
Form ADV**
Continuation Sheet for Form ADV Part II

Applicant:
Diversified Capital Management, LLC

SEC File Number:
801- **68231**

Date:
09-14-07

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Diversified Capital Management, LLC		IRS Empl. Ident. No.:
Item of Form (identify)	Answer	

Item 1D

ADVISORY SERVICES AND FEES

Diversified Capital Management, LLC (hereinafter "DCM") is a limited liability company, formed under the laws of the State of California, and registered with the Securities and Exchange Commission as a registered investment adviser. DCM offers investment advisory services to individuals, pensions and profit sharing plans, trusts, estates, charitable organizations, corporations or other organizations. This Schedule F narrative provides clients with information regarding DCM and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of the Firm.

Please contact Paul J. Laughton, Managing Member and Chief Compliance Officer, if you have any questions about this Schedule F narrative. Additional information about DCM is available on the Internet at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for DCM is 144648.

Individuals associated with DCM will provide its investment advisory services. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of the Firm. Such individuals are known as Investment Adviser Representatives (IARs).

DESCRIPTION OF SERVICES PROVIDED

Diversified Capital Management, LLC's Wrap Fee Program for Portfolio Management

DCM provides discretionary and non-discretionary portfolio management services where the investment advice provided is custom tailored to meet the individualized needs and investment objectives of the client. Subject to any written guidelines, which the client may provide, the Firm may be granted the discretion and authority to manage the account by the client. Accordingly, DCM is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. Once the portfolio is constructed, DCM provides continuous supervision of the portfolio as changes in market conditions and client circumstances may require.

DCM will work with its clients to identify their investment goals and objectives as well as risk tolerance in order to create an initial portfolio allocation designed to complement their clients' educational, home ownership and retirement funding goals and objectives etc. DCM may create a portfolio, consisting of individual stocks and/or bonds; no-load funds and/or load-waived funds (front-end commissions will not be charged).

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Item 1D
(Continued)

Each portfolio will be initially designed to meet a particular investment goal, which DCM has determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, DCM will review the portfolio at least quarterly and if necessary, rebalance the client's account based upon the client's individual needs, stated goals and objectives. However, each client will have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. DCM's strategy, generally, will be to seek to meet client investment objectives while providing clients with access to personal advisory services on at least an annual basis, or more often, depending upon the parties prior agreement.

FEE SCHEDULE: Portfolio Management For Managed Accounts

<u>Assets Under Management</u>	<u>Annual Fee</u>	<u>Quarterly Fee</u>
\$0 to \$750,000	1.85%	0.4625%
\$750,001 to \$1,500,000	1.60%	0.4%
\$1,500,001 to \$3,000,000	1.35%	0.3375%
\$3,000,001 to \$5,000,000	1.10%	0.275%
\$5,000,001+	0.85%	0.2125%

It should be noted that DCM reserves the right to offer its services on a flat basis in lieu of the above fee schedule. Any flat fee arrangement would not exceed the maximum fee charged in the fee schedule listed above.

Transaction fees would not be assessed to clients, rather they would be absorbed by DCM as more fully described in Schedule H and DCM's Wrap Fee Program Brochure.

DCM's annual fee shall be pro-rated and paid in advance on a quarterly basis. All fees are negotiable and charged against the balance in the Client's account on the inception date based on inception value and, thereafter, on the first day of each calendar quarter based on the market value of the last day of the previous quarter. DCM reserves the right to waive or reduce the advisory fee for clients primarily in cash positions.

In cases where a Client begins a relationship with DCM for investment advisory services after the beginning of a quarter, then the advisory fees will be assessed on a pro-rata basis for the total number of days remaining in that quarter. Thereafter, the Client will be charged the regular quarterly fee at the beginning of each quarter.

No increase in the annual fee shall be effective without prior written notification to the Client.

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Item 1D (Continued)	<p><i>Financial Planning and Consulting</i></p> <p>Additionally DCM may provide clients with a one-time financial plan and/or financial consulting services. With respect to financial planning, DCM will generally charge a negotiable fixed fee ranging from \$750 to \$10,000 the total of which is dependent upon the level and scope of these services. One-half of the total fees are due upon the execution of DCM's Investment Advisory Agreement and the remaining half will be due to DCM upon the presentation of the financial plan to the Client. The final financial plan shall be due to Client within ninety days of the execution of the aforementioned agreement.</p> <p>DCM's financial planning fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. However, DCM shall not receive any portion of these commissions, fees, and costs. The fixed fees are determined after considering many factors, such as the level and scope of the services, and the client's net worth. Alternatively, DCM may provide financial consulting services to clients based on an hourly basis, which is generally \$250 per hour. One-half of the total anticipated hourly fees will be due upon the execution of DCM's Investment Advisory Agreement and the remaining half will be due upon the conclusion of the consultation. Financial consultations shall be rendered within ninety days of the execution of the aforementioned agreement.</p> <p>The fee-paying arrangements for fixed and/or hourly charges will be determined on a case-by-case basis and will be detailed in the signed agreement for services. The client will be invoiced directly for the fixed or hourly fees.</p> <p><u>ADDITIONAL INFORMATION CONCERNING FEES</u></p> <p>In certain circumstances, advisory fees and account minimums may be negotiable based upon prior relationships as well as related account holdings. The fees charged are calculated as described above and are not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.</p> <p>All fees paid to DCM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. Such fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.</p> <p>A client could invest in a mutual fund directly, without the services of DCM. In that case, the client would not receive the services provided by DCM which are designed, among other things, to assist the client in determining</p>
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Item 1D
(Continued)

which mutual fund or funds are most appropriate to the client's financial condition and objectives. Accordingly, the clients should review both the fees charged by the funds and the fees charged by DCM to fully understand the total amount of fees to be paid by the clients and to thereby evaluate the advisory services being provided.

Upon client's written authorization, fees will be automatically deducted from the account. Clients will be provided with a quarterly statement reflecting deduction of the advisory fee.

Clients can terminate, without penalty, DCM's Agreement within five (5) business days. Thereafter, Clients will receive, where applicable, a prorated refund of any prepaid advisory fees. Such prorated refund will be based upon actual services and termination costs incurred up to and at the time of termination of DCM's services.

DCM hereby discloses that DCM is not, but DCM's representative is an agent/broker with various insurance companies. Such firms pay representatives a commission for the sale of their products. As such, a potential conflict of interest exists between the DCM's interest and the Clients. DCM may utilize various firms for the execution of securities transactions and to custody assets. In certain cases, DCM may recommend that clients execute transactions through unaffiliated broker-dealers further described in Item 12(B) of Schedule F. DCM does not earn any commissions from unaffiliated broker-dealers. In any event, Client is under no obligation to act upon DCM's recommendations and if the Client elects to act on any of the recommendations, the Client is under no obligation to effect the transaction through DCM, or any of the unaffiliated broker-dealers listed in Item 12(B) of Schedule F.

Item 3K(3)

ALTERNATIVE TYPES OF INVESTMENTS

DCM may recommend that clients invest in other types of investments such as limited partnerships, hedge funds, equipment leasing and/or any other non-traditional types of investments.

Item 5

EDUCATION AND BUSINESS STANDARDS

All individuals that render investment advisory services on behalf of DCM shall have attained all required investment-related licenses and/or designations.

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Item 6	<p><u>PERSONAL EDUCATIONAL AND BUSINESS BACKGROUND</u></p> <p>Paul J. Laughton</p> <p>Date of Birth: 1964 Educational history:</p> <p>California State University, Fresno, Bachelor of Science in Business Administration, Finance, 1990</p> <p>Past 5 years of business experience:</p> <p>September , 2007 to Present, Managing Member and Chief Compliance Officer with Diversified Capital Management, LLC, Fresno, CA March, 2002 to September, 2007, Registered Representative with RBC Dain Rauscher, Inc., San Luis Obispo, CA January, 2001 to March, 2002, Registered Representative with Sutro & Co., Fresno, CA</p>
Items 7A & B	<p><u>OTHER FINANCIAL ACTIVITIES OR AFFILIATIONS</u></p> <p>Mr. Laughton is a licensed insurance agent/broker with various companies. In his role as an insurance agent/broker, he may offer commissionable (non-variable) insurance products to DCM's clients for which he may receive compensation. Insurance sales constitute about 10% or less of Mr. Laughton's time.</p>
Items 3(K)3 & 8C(12) and 8D	<p>Mr. Laughton and/or entities he controls serve as the general partner(s) to various real estate limited liability companies.</p>
Item 9E & Miscellaneous	<p><u>PARTICIPATION OR INTEREST IN CLIENTS TRANSACTIONS/CODE OF ETHICS</u></p> <p>DCM and/or its representatives may buy or sell for their personal account(s) investment products identical to those recommended to clients. It is the expressed policy of DCM that neither DCM, nor its representatives may purchase or sell any individual stock or bond prior to a transaction(s) being implemented for an advisory account. This policy is meant to prevent DCM and/or its representatives from benefiting as a result of transactions placed on behalf of advisory accounts.</p> <p>DCM has established the following restrictions in order to ensure its fiduciary responsibilities to clients are met:</p> <p>1) DCM's representatives shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part,</p>

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Item 9E & Miscellaneous	<p>by their role as an Investment Advisory Representative of DCM, unless the information is also available to the investing public on reasonable inquiry. In no case, shall DCM's representatives prefer their own interest to that of their advisory clients. (1) (2)</p> <p>2) DCM emphasizes the unrestricted right of its clients to decline to implement any advice rendered.</p> <p>3) DCM recognizes it must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.</p> <p>Footnotes</p> <p>(1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of DCM's clients trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with DCM's records in the manner set forth above.</p> <p>(2) Open-end mutual funds and/or the investment sub-accounts which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase of redemption. As such, transactions in mutual funds and/or variable insurance products by DCM are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by DCM's Investment policies and procedures.</p>
Miscellaneous	<p><u>INSIDER TRADING</u></p> <p>In accordance with Section 204A of the Investment Advisors Act of 1940, DCM also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by DCM.</p>
Miscellaneous	<p><u>PRIVACY STATEMENT</u></p> <p>DCM is committed to safeguarding the confidential information of its clients and holds all personal information provided to it in the strictest confidence. These records include all personal information that DCM collects from its clients or receives from other firms in connection with any of the financial services they provide. DCM also requires other firms with whom they deal to restrict the use of client's information. DCM's Privacy Policy is available upon client's engagement of the firm's services or by prior request of the clients.</p>
Miscellaneous	<p><u>PROXY VOTING</u></p> <p>DCM will not vote proxies on behalf of clients.</p>

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Item 10	<p><u>CONDITIONS FOR MANAGING ACCOUNTS</u></p> <p>DCM generally requires a minimum of \$100,000 account size for Wrap Fee Program clients. This minimum amount may be negotiable in certain circumstances.</p>
Items 12A1,2	<p><u>INVESTMENT OR BROKERAGE DISCRETION</u></p> <p>DCM generally has discretion on client accounts to determine the specific securities to be purchased or sold as well the amount of securities to be purchased or sold.</p>
Items 12B & 13A	<p><u>SUGGESTION OF BROKERS/ADDITIONAL COMPENSATION</u></p> <p>DCM may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. DCM is independently owned and operated and not affiliated with Schwab. Schwab provides DCM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional, <i>and are not otherwise contingent upon DCM committing to Schwab any specific amount of business (assets in custody or trading)</i>. Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or require a significantly higher minimum initial investment. For DCM's client accounts maintained in its custody, Schwab <i>generally</i> does not charge separately for custody but is compensated by account holders through commissions, transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.</p> <p>Schwab also makes available to DCM other products and services that benefit DCM but may not benefit its clients' accounts. Some of these other products and services assist DCM in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of DCM's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of DCM's accounts, including accounts not maintained at Schwab Institutional.</p>

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Items 12B & 13A (Continued)	Schwab Institutional also makes available to DCM other services intended to help DCM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to DCM by independent third parties. Schwab Institutional may discount or waive fees it 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 DCM. While as a fiduciary, DCM endeavors to act in its clients' best interests, DCM's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to DCM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.
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