

**DIVERSIFIED CAPITAL
MANAGEMENT, LLC'S
WRAP FEE PROGRAM
ACCOUNTS**

Wrap Fee Program Brochure

Sponsored by:
Diversified Capital Management, LLC
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Arroyo Grande, CA 93420
(805) 489-6700

This brochure provides clients with information about Diversified Capital Management, LLC and our Wrap Fee Program (the "Program"). You should consider the information in this brochure carefully before becoming a Program client. Please note that this information has not been approved or verified by any governmental authority.

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Program Description

Diversified Capital Management, LLC's Wrap Fee Program has been designed to connect Diversified Capital Management, LLC's clients with professional in-house money managers and investment vehicles suitable for their financial circumstances and investment objectives.

Diversified Capital Management, LLC's Wrap Fee Program

Diversified Capital Management, LLC will emphasize continuous personal client contact and interaction in providing mainly discretionary investment supervisory services. Further, Diversified Capital Management, LLC 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' financial goals and objectives. Diversified Capital Management, LLC may create a portfolio, consisting of, but not limited to individual stocks or bonds, electronically traded funds, no-load funds and/or load-waived funds (front-end commissions will not be charged).

Each portfolio will be initially designed to meet a particular investment goal, which Diversified Capital Management, LLC has determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, Diversified Capital Management, LLC will review the portfolio at least quarterly and if necessary, rebalance the 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. Diversified Capital Management, LLC'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 prior agreement.

Diversified Capital Management, LLC's Services

Diversified Capital Management, LLC's Wrap Fee Program Accounts. The Diversified Capital Management, LLC's Wrap Fee Assets will generally be managed by Diversified Capital Management, LLC on a discretionary basis. Diversified Capital Management, LLC will review the Wrap Fee Assets on a regular and continuous basis and make changes as Diversified Capital Management, LLC deems appropriate. Because the Wrap Fee Program Accounts will generally be managed on a discretionary basis, Diversified Capital Management, LLC will implement any changes without the client's prior approval. The client agrees to review trade confirmations received from the client's custodian and notify Diversified Capital Management, LLC immediately of any errors.

Brokerage and Custody of Program Accounts

Diversified Capital Management, LLC will direct transactions for Wrap Fee Program Accounts to broker-dealers that the client and Diversified Capital Management, LLC jointly agree upon. In directing or recommending broker-dealers, Diversified Capital Management, LLC seeks "best execution" for client accounts, which is a combination of a number of judgmental factors including price, execution quality and client needs. Recognizing the value of these judgmental factors, brokers selected or recommended may charge commissions that are higher than the lowest commissions that might otherwise be available.

Diversified Capital Management, LLC has a relationship 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. Diversified Capital Management, LLC is independently owned and operated and not affiliated with Schwab. Schwab will provide custody and execution services in accordance with the terms set forth in their custodial agreement. Diversified Capital Management, LLC

reasonably believes that in the case of managed accounts, Schwab's blend of execution services, commission and transaction costs as well as professionalism allows Diversified Capital Management, LLC to seek best execution and competitive prices.

Program Fees

The annual Program Fees payable to Diversified Capital Management, LLC are as follows:

Under the all-inclusive billing alternative, Diversified Capital Management, LLC will assess one client fee that captures the management, brokerage and administrative portions collectively. The standard rate schedule is shown below. As noted in Schedule F of Form ADV Part II, Diversified Capital Management, LLC reserves the right to offer its services on a flat basis in lieu of the below fee schedule. Any flat fee arrangement would not exceed the maximum fee charged in the fee schedule listed below.

FEE SCHEDULE: Portfolio Management through Diversified Capital Management, LLC's Wrap Fee Program

Diversified Capital Management, LLC's annual fee for investment management services provided under this Agreement shall be based on the market value of the assets under management in each account and be calculated as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>	<u>Quarterly Fee</u>
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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%

The above fees are negotiable and charged on a pro-rata basis in advance. They are inclusive of all trading costs. In some cases, clients account termination fees may be absorbed by Advisor when accounts are being transitioned to Advisor for management from another firm. Clients may incur charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for transfers of securities.

Advisory fees are based on the fair market value of the portfolio under management at the closing date of each quarter (March 31, June 30, September 30, December 31). In the event that the client terminates the managed account between quarterly billing cycles, the client will receive a pro-rata refund based on the amount of time their account has been under management and the time remaining within the calendar quarter.

What services are covered by the Program Fees? The Program Fees pay for Diversified Capital Management, LLC's advisory services to clients under the Program, administrative expenses of the Program, custody charges for clients custodied at Schwab and brokerage services for Program accounts to the extent trades are conducted through Schwab.

What services are not covered by the Program Fees? The Program Fees do not cover brokerage to the extent trades are conducted through brokers or dealers other than Schwab and custody charges if clients are custodied anywhere other than Schwab. Finally, the Program Fees do not include expenses of mutual funds and electronically traded funds that may be included in the client's portfolio.

How are fees charged? Program fees are charged quarterly in advance. If management begins after the start of a quarter, Program Fees will be prorated accordingly. If a client terminates its agreement with Diversified Capital Management, LLC, then any balance due to either party shall be settled in a reasonable time frame.

Is there a minimum fee and are fees negotiable? Program accounts are not subject to a minimum annual fee but clients are required to invest a minimum amount of \$100,000 in the Program. In some instances fees and minimums may be negotiable, at the discretion of Diversified Capital Management, LLC

Additional Information about Program Fees. Diversified Capital Management, LLC generally does not offer the services provided under the Program separately. However, clients may be able to purchase services similar to those offered under the Program from other service providers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than the Program, depending on the fees charged by such other service providers.

About Diversified Capital Management, LLC and its Affiliations

Key Personnel

Paul J. Laughton Year of Birth: 1964

Educational history:

California State University, Fresno, Bachelor of Science in Business Administration, Finance, 1990

Past 5 years of business experience:

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

Education and Business Standards

Diversified Capital Management, LLC requires that all individuals who render investment advisory services on behalf of the firm attain all required investment-related licenses and/or designations.

Additional Information

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 Diversified Capital Management, LLCs' clients for which he may receive compensation. Insurance sales constitute about 10% or less of Mr. Laughton's time. Mr. Laughton and/or entities he controls serve as the general partner(s) to various real estate limited liability companies.