

**Item 1: Cover Page**  
**Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure**  
**January 2016**

**Mandala Wrap Program**

**Sponsored By:**

**Mandala Wealth Management, LLC**  
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**Firm Contact:**

**Jay Liao**  
**Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Mandala Wealth Management, LLC (hereinafter referred to as “us”, “our Firm”, or “we”). If you have any questions about the contents of this brochure, please contact Jay Liao by telephone at (415)633-6804 or [jay@mandalawealth.com](mailto:jay@mandalawealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority. Additional information about our firm is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #282151.

Please note that the use of the term “registered investment adviser” and description of our firm and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm’s associates who advise clients for more information on the qualifications of our firm and our employees.

## **Item 2: Material Changes**

Mandala Wealth Management, LLC is required to advise you of any material changes to the Firm Brochure ("Wrap Brochure"). Since this is our initial filing, there are no material changes to report.

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## **Item 4: Services, Fees & Compensation**

We provide investment advisory services designed around meeting our client's financial goals and objectives. We work closely with clients to understand their (i) rate of return objectives, (ii) risk tolerances, (iii) liquidity needs, (iv) time horizon, (v) potential tax considerations, and (vi) other circumstances that may be relevant to their financial situation. Based on this information, we construct customized investment portfolios comprised of financial securities, including publicly traded stocks, bonds, exchange-traded funds ("ETF's), mutual funds, options, alternatives, and other public or private securities and investments. We review client portfolios on a regular basis, rebalancing and readjusting as needed based on market conditions and/or material changes to the client's financial or personal circumstances, as communicated to us by the client.

Our Comprehensive Portfolio Management Wrap Fee Program allows clients to pay a single fee for these services and associated custodial transaction costs. Because our firm absorbs client transaction fees, an incentive exists to limit trading activities in client accounts. For non-wrap accounts, client pay transaction costs directly to their custodian. Depending on the client's account or portfolio trading activity, clients may pay more for using our wrap fee services than they would for using our non-wrap services.

### **How We Are Compensated for Our Advisory Services**

Our wrap fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by us on the last day of the previous quarter. The maximum annual fee charged for this service will not exceed 2.50% of the client's total assets under value but will vary depending on the market value of the assets under management. Fees to be assessed will be outlined in the advisory agreement to be signed by the client. We, in our sole discretion, may negotiate a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.). Fees will be deducted from your managed account. Adjustments will be made for deposits and withdrawals during the quarter. In rare cases, we will agree to directly bill clients. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) We send a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) Our invoice includes a legend that urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

### **Other Types of Fees & Expenses:**

The fees not included in the advisory fee for our wrap services are charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

### **Wrap Fee Program Recommendations**

Our firm does not recommend or offer the wrap program services of other providers.

## **Item 5: Account Requirements & Types of Clients**

We may service the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations and Limited Liability Companies and/or Other Business Types

We do not have requirements for opening and maintaining accounts.

## **Item 6: Portfolio Manager Selection & Evaluation**

### **Selection of Portfolio Managers**

Our firm and its related persons act as portfolio manager(s) for this wrap fee program. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services. Our related person portfolio managers are not subject to the same selection and review as outside portfolio managers that participate in the wrap fee program. This is because we have chosen not utilize outside portfolio managers. Our portfolio managers are subject to individual licensing requirements as imposed by state securities boards. Our firm is required to update each of our portfolio managers Form U4 on an annual basis.

### **Advisory Business:**

Information about our wrap fee services can be found in Item 4 of this brochure. Our firm offers individualized investment advice to our Wrap Comprehensive Portfolio Management clients.

Each Wrap Comprehensive Portfolio Management client has the opportunity to place restrictions, within reason, on the types of investments (companies, industries, sectors, etc.) to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not always be possible, however, given the complexity in monitoring the underlying constituents of mutual funds, ETF's, hedge funds, etc.

## **Participation in Wrap Fee Programs:**

Our wrap fee program allows clients to pay a single fee for investment advisory services and associated custodial transaction costs. In selected situations, however, clients may choose to have certain accounts/securities managed outside of the wrap program. Wrap Fee accounts are managed on a discretionary basis. All non-wrap accounts are non-discretionary.

## **Performance-Based Fees & Side-By-Side Management:**

Our firm does not charge performance-based fees.

## **Methods of Analysis, Investment Strategies & Risk of Loss**

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The following methods of analysis are utilized by our firm when formulating investment advice and/or managing client assets:

- *Fundamental analysis* considers the economic, financial, and other qualitative/quantitative factors that may impact the price of a security. Fundamental analysis attempts to measure its intrinsic value as compared to its current price. Risks may include using incorrect assumptions, financial misreporting and/or failure by management to disclose key, material events, and unforeseen micro/macroeconomic factors that may cause the price of a security to diverge from its intrinsic value.
- *Technical analysis* attempts to predict future price movements of a security based on historical data, such as price and volume. Technical analysis may involve using charts to identify recurring patterns and trends, but there is no guarantee that those patterns and trends will reoccur.
- *Quantitative analysis* uses statistical models to estimate the impact of user-defined “factors” on a security’s price movement, and attempts to extrapolate future movements based on that analysis. Models are an imperfect representation of reality, and therefore, there is no guarantee they will lead to accurate results.

## **Investment Strategies**

The following investment strategies may be used to manage client accounts, provided such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

*Long-Term Purchases:* We may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security’s value will appreciate over a long horizon. The risk of this strategy is that we could miss out on potential short-term gains that could have been profitable to your account. Moreover, if our predictions are incorrect, it’s possible that the security’s value may decline sharply before we make a decision to sell.

*Short-Term Purchases:* We may buy securities for your account and decide to sell them within a relatively short time horizon (less than a year) in order to capitalize on short-term price fluctuations. There’s no guarantee, however, that this strategy will be able to produce gains.

*Trading:* We may buy securities for your account and sell them quickly (typically within 30 days) in order to take advantage of short-term price volatility. As with short-term purchases, there is no guarantee that this strategy will be able to produce gains.

*Short Sales:* We may employ a “short” strategy in your account. “Shorting” involves borrowing and selling a security in anticipation of buying it in the future at a lower price to close out the position. The primary risk of shorting a security is that if it increases in value, it could result in a loss, and since the potential price appreciation of a security is theoretically unlimited, shorting can substantially increase the risk of a portfolio.

*Hedging:* We may employ “hedging” strategies in your account. Hedging is used to reduce the risk of an adverse price movement in a security/portfolio by taking an offsetting position in a related security. The primary risks of hedging are that the “hedge” does not work as intended. Moreover, hedging could potentially dampen portfolio returns.

*Margin Transactions:* If your account is set up for margin transactions, we may buy on margin for your account. Buying on margin is essentially borrowing money from a broker/custodian to purchase the security. Because using borrowed money amplifies gains and losses, buying on margin can substantially increase the risk of your portfolio.

*Option writing:* If your account is set up and approved for options capabilities, we may employ options strategies to enhance your portfolio returns and/or hedge risk. An option is a contract that gives the buyer the right, but not the obligation to buy or sell a security at a specific price on or before a certain date. We may use “covered call” writing strategies to generate income from selling an option against a security you own. We may also use call or put options to speculate on price movements on the underlying security. So called “naked calls or puts” may substantially increase the risk in your portfolio.

**Please Note:** Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask any questions you may have.

We generally invest client’s cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client’s cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services.

### **Voting Client Securities:**

Our firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

## **Item 7: Client Information Provided to Portfolio Manager**

All accounts are managed by our in-house licensed IARs. The IAR selected to manage the client's account(s) or portfolio(s) will be privy to the client's investment goals and objectives, risk tolerance, restrictions placed on the management of the account(s) or portfolio(s) and relevant client notes taken by our firm. Please see our firm's Privacy Policy for more information on how our firm utilizes client information.

## **Item 8: Client Contact with Portfolio Manager**

All clients are encouraged to directly contact their portfolio manager, with questions or to comprehensively review their account performance, update their investor profile, and determine whether changes should be made to their investment strategy.

## **Item 9: Additional Information**

### **Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

### **Financial Industry Activities & Affiliations**

Jay Liao is licensed to offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation he may earn. Jay Liao and the firm take steps to address this potential conflict of interest, acting at all times in the best interests of our clients and are bound by our firm's Code of Ethics. Please refer to our Code of Ethics below for additional information.

We have no other active or pending financial industry activities or affiliations to disclose. Our firm is not registered, nor does it have an application pending to register, as a broker-dealer, registered representative of a broker dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. Furthermore, we neither recommend nor select other investment advisers for our clients for compensation.

### **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal



securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day, unless included in a trade bundle.

## **Review of Accounts**

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Our Chief Compliance Officer, Jay Liao, will review accounts on at least a quarterly basis for our Wrap Comprehensive Portfolio Management clients. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives and appropriately positioned based on market conditions, and investment policies, if applicable.

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients of our Comprehensive Portfolio Management wrap fee program take place on at least an annual basis.

### **Custodial Information**

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Our firm does not maintain custody of client assets (although we may be deemed to have custody of client assets if we are given the authority to withdraw assets from client accounts (see Item 15 Custody, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. We do not open the account for the client. Even though the client account is maintained at Schwab, we can still use other brokers to execute trades for the account, as described in the next paragraph.

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for the account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (see "Products and Services Available to us from Schwab")

### **Custody & Brokerage Costs**

Schwab generally does not charge separately for custody services. Schwab is compensated by charging commissions or other fees on trades that it executes or that settle into the Schwab account. For some accounts, in addition to what is covered by our advisory fee, Schwab may charge a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab's commission rates and/or asset-based fees applicable to our client accounts were negotiated based

on our commitment to maintain a minimum threshold of our clients' assets statement equity in accounts at Schwab. This commitment benefits the client because the overall commission rates and/or asset-based fees paid are lower than they would be if we had not made the commitment. In addition to commissions or asset-based fees Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for the client account.

### **Products & Services Available to Us From Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis and at no charge to us as long as we maintain a total of at least \$10 million of our clients' assets in accounts at Schwab.

### **Services that Benefit Client**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit clients or their account(s).

### **Services that May Not Directly Benefit Clients**

Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or their account(s). These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;

- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

Irrespective of direct or indirect benefits to our client through Schwab, we strive to enhance the client's experience, help reach their goals and put their interests before that of our firm or its associated persons.

### **Client Referrals**

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Our firm does not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules.

### **Financial Information**

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Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$500 in fees and six or more months in advance.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.