



## **Cascade Wealth Management, LLC**

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Firm Brochure (Form ADV part 2A)

This brochure was created on [March 1, 2011]

This brochure was update on December 20, 2011

This brochure provides information about the qualifications and business practices of Cascade Wealth Management, LLC (“CWM” or “Advisor”). If you have any questions about the contents of this brochure, please contact CWM at (503) 675-4381 or [info@cascadewealth.com](mailto:info@cascadewealth.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.

Cascade Wealth Management, LLC is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information about which you determine to hire or retain an advisor.

Additional information about CWM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for CWM is 150620.

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that CWM provides to clients as required by SEC Rules. This brochure dated March 1, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that CWM's previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. CWM will also reference the date of its last annual update of its brochure.

In the past CWM has offered or delivered information about its qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, CWM will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of CWM's business fiscal year. CWM may further provide other ongoing disclosure information about material changes as necessary.

CWM will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, CWM's Brochure may be requested by contacting Terry A. Donahe, Principal at (503) 675-4381 or [info@cascadewealth.com](mailto:info@cascadewealth.com) .

Additional information about Cascade Wealth Management, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with CWM who are registered, or are required to be registered, as investment advisor representatives of CWM.

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#### **Item 4 – Advisory Business**

Cascade Wealth Management LLC (“CWM” or “Advisor”) is an investment advisor providing fee-only financial planning, hourly consulting, and investment management services. The terms and conditions under which the advisor will render its services are set forth in a written agreement executed with the client before services are provided. CWM has separate agreements for financial planning and investment management.

CWM is a single member limited liability company (“LLC”) formed under the laws of the State of Oregon in 2003. Terry A. Donahe is the company’s sole member. CWM is registered with the State of Oregon as an investment advisor.

Prospective clients receive an initial consultation, during which the client and the advisor discuss the client’s goals and suitability of an ongoing advisory relationship. There is no cost or obligation for this consultation.

Prior to engaging CWM to provide services, clients are required to enter into an agreement with CWM. The agreement sets forth (or does so by referencing a signed engagement letter) the terms and conditions of the engagement (including termination), describes the scope of the services to be provided, the nature of compensation.

#### **Financial Planning**

After the initial consultation, prospective financial planning clients will receive a written engagement letter which summarizes:

- The findings from the initial consultation.
- The scope of the proposed plan.
- The elements of the plan.
- The planning process.
- The proposed compensation and payment terms.
- Plan review and update.
- The possibility of a discount for financial planning services if the client retains CWM for investment management.

The engagement letter is not a legal agreement.

CWM provides financial advice with respect to budgeting, cash flow analysis, debt management, risk management (i.e. insurance), major purchases/expenses, college funding, retirement planning, stock option planning, tax planning, and estate planning.

The steps in the financial planning process:

- Establishment/definition of the relationship with the client.
- Discuss the client's objectives and goals.
- Gather and review the client's quantitative information which includes account statements, benefit statements, insurance contracts, tax returns, etc.
- Evaluate the client's tolerance for investment risk.
- Build a model which reflects the client's current situation.
- Analyze the client's financial situation.
- Test the viability of the client's plans and objectives.
- Create reports that reflect the model and facilitate analysis. These reports include a summary of financial goals, balance sheet, cash flow spreadsheet, and insurance needs analysis.
- Identify threats and opportunities in relation to the client's goals.
- Model various alternate scenarios to help the client meet the stated goals.
- Arrive upon an optimized plan.
- Provide the client with a written summary and recommendations.
- If appropriate and requested by the client, introduce the client to other advisors who can help the client address issues beyond the scope of CWM's services.
- Follow up with the client on the recommendations.

Clients have full discretion regarding the implementation of advice and recommendations discussed in the financial planning process.

CWM's financial planning services do not include recommendations on specific individual investments which are considered investment advice. CWM offers investment management services as a separate service. CWM does not provide specific advice or services for income, gift or estate taxes. CWM does not provide specific legal advice or services which involve the practice of law.

If requested by the client, CWM may recommend the services of other professionals for the purpose of implementing certain elements of the plan. The client is under no obligation to engage the services of any such recommended professional. CWM receives no compensation from any advisor to whom it may refer clients.

Life involves constant change. This is true of personal finance. CWM asks financial planning clients to promptly notify CWM, if there is any material change in their circumstances that may affect the integrity of client's financial model CWM. When this occurs, CWM encourages clients to retain CWM to update their model. Clients are not obligated to update their financial plans.

### **Financial Plan Updates**

CWM will update the financial model/plan created for financial planning clients. These updates are done on an hourly basis at the stated rate. CWM will contact annually clients for whom it has created a model to see if it would be appropriate to update the model. To the extent requested by the client, the financial model/plan update service includes:

- Review of all then current account statements.
- An update to the client's financial model/plan reflecting all relevant changes in the client's situation.
- Updated advice on issues such as budgeting, cash management, risk management, retirement income planning, estate planning and tax planning.
- Updated recommendations in relation the client's goals.
- Follow up on recommendations made in the initial plan summary.

### **Hourly Financial Consulting**

CWM offers hourly consulting service to help clients address isolated financial planning issues. A financial planning agreement is signed by CWM and the client describing the services that will be rendered. The terms of payments are stated in the financial planning agreement.

### **Investment Management**

Prospective investment management clients do not typically receive an engagement letter. However, CWM may provide an informal review of the client's current portfolio, offer some broad observations about the portfolio and provide some general sense about how CWM would manage the client's portfolio.

CWM offers investment management services that include:

- Evaluate the client's circumstances including age, time horizon, income, net worth, tax circumstances, etc.
- Review client's existing investments.
- Determine the client's investing objectives.
- Assess client's tolerance for investment loss.
- Assess client's capacity for investment loss.
- Recommend an asset allocation.
- Develop a written investment policy statement.
- Implement client's intended asset allocation through the restructuring of the client's portfolio.
- Investment selection.
- Asset location for tax efficiency.
- Discretionary execution of trades.
- Monitor the client's portfolio.
- Rebalance the portfolio as necessary.

- Provide the client with written performance reports.
- Meet with the client to review the portfolio and, as necessary, update the investment policy statement.

The advisor will recommend to the clients an asset allocation and investment plan using the strategies described in Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss.

### **Types of Investments**

CWM offers advice on the following:

1. Equity securities
  - a. exchange-listed securities
  - b. securities traded over-the-counter
  - c. foreign issuers
2. Warrants
3. Corporate debt securities (other than commercial paper)
4. Commercial Paper
5. Certificates of Deposit
6. Municipal securities
7. Variable insurance products:
  - a. variable life insurance
  - b. variable annuities
8. Mutual fund shares
9. Exchange traded funds
10. United States government securities
11. Options contracts on:
  - a. securities
  - b. commodities
12. futures contracts
  - a. tangibles
  - b. intangibles
13. Hedge funds
14. Venture capital
15. Derivatives
16. REITS
  - a. Private
  - b. Public
17. Limited partnerships
18. Business opportunities

The vast majority of investments recommended by CWM are no load mutual funds, exchange traded funds or equivalent investment products.

In addition to the securities types listed above, CWM evaluates and advises clients on their pre-existing holdings, which may include all types of investments.

The investment selection offered to clients may be limited by the knowledge and experience of the personnel of CWM and/or the resources available to it as a result of its relationships with its custodians.

### **Client Obligations**

In performing its services, CWM is not required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify CWM if there is ever any change in the client's financial situation or investment objectives during the client engagement.

### **Disclosure Statement**

A copy of CWM's written brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the financial planning or investment management agreement. Any client who has not received a copy of CWM's written brochure at least 48 hours prior to executing the agreement shall have five business days subsequent to executing the agreement to terminate the CWM's services without penalty.

### **Non-Participation in Wrap Fee Programs**

CWM, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment supervisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

### **Amount of Assets Under Management**

Based on the definition of assets under management, as of December 31, 2011, CWM manages \$15,000,000 in assets. CWM manages all assets in a discretionary capacity.

### **CWM Policy on Class Action Lawsuits**

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. CWM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. CWM 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, CWM 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 CWM 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 if the client has authorized contact in this manner.

### **General Services Information**

CWM or the client may terminate a financial planning agreement within five (5) days of the date of acceptance without penalty to the client. Thereafter the client will incur a pro rata charge for financial planning services actually rendered prior to such termination. After the five-day period, either party may terminate the financial planning agreement by providing a written thirty (30) day notice to the other party. Upon termination, any prepaid fees will be prorated to the date of termination and any *unearned* portion thereof will be refunded to client. CWM will refund any unearned financial planning fees within thirty (30) of written notice.

CWM or the client may terminate an investment management agreement within five (5) days of the date of acceptance without penalty to the client. Because CWM charges investment management fees in arrears on a quarterly basis, no fees will have been charged. Thereafter, the agreement may be terminated by either party to this agreement at any time by providing a written thirty (30) day notice to the other party. Upon termination, investment management fees will be adjusted to the date of termination specified in the notice of termination and only the earned portion thereof will be charged to the client.

## **Item 5 – Fees and Compensation**

### **Financial Planning Fees**

The scope of the financial plan will be defined together with the client. Financial planning fees typically range from \$1,800 to \$5,000, depending on the client's specific goals and the complexity of the plan. A deposit of 1/3 of the total estimated fee is due upon signing the financial planning agreement, with another 1/3 due 30 days later and the balance due when the planning/modeling process has been completed.

Financial planning is an ongoing process that should continue for a lifetime. After the initial analysis is done and recommendations are presented to and accepted by the client, ongoing planning is an important service provided by CWM.

The fee for subsequent financial plan updates will be based on the standard hourly rate at the time the financial plan update is requested by the client.

**Hourly Consulting Fees**

Hourly financial planning fees are determined on a per engagement basis and are based on the rate of \$250 per hour. Fees may be negotiable. A deposit of 1/3 of the total estimated fee is due upon signing the agreement, with another 1/3 due 30 days later and the balance due when the services are completed.

**Investment Management Fees\***

Assets Under Management	Annual Fee (%)
Up to \$1,000,000	0.75%
\$1,000,001 - \$2,000,000	0.55%
\$2,000,001 - \$3,000,000	0.50%
\$3,000,000 +	negotiable

\*Existing clients may have a different fee structure.

CWM does not impose a minimum dollar value for starting or maintaining an account, but imposes a minimum annual fee of \$3,750 for its investment management services. CWM reserves the right to not accept an account, if the advisor feels the fixed fee would be excessive (i.e., if it would be more than 1.25% annualized based on the portfolio value.)

The advisor, in his sole discretion, may negotiate a lesser fee based upon certain circumstances.

**General Fees Information**

Investment management fees are paid quarterly, in arrears of service, and are deducted from client assets. Fees for the first quarter will be prorated. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Fees are deducted from client accounts typically during the first two weeks of the month following the calendar quarter.

All fees paid to CWM for investment management services are separate and distinct from the fees and expenses charged by funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and possibly a distribution fee. CWM recommends "no load" mutual fund and exchange traded funds (ETFs).

Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges,

odd-lot charges, wire transfer and electronic fund fees, and other fees on brokerage accounts and securities transactions. Such charges, fees and commissions are separate from and in addition to CWM's fee. CWM shall not receive any portion of these commissions, fees, and/or costs.

A client could invest in funds directly or through other brokers or agents not affiliated with CWM. In that case, the client would not receive the services provided by CWM which are designed to assist the client in determining which investments are most appropriate given the client's financial condition and objectives. Certain institutional share class mutual funds may not be available to the client directly. Accordingly, the client should review both the fees charged by the funds and the fees charged by CWM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the benefits and costs associated with CWM's services.

CWM's relationship with each client is non-exclusive. CWM provides investment supervisory services and financial planning services to multiple clients. CWM seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients.

### **Insurance**

Insurance plays a vital role in risk management, an essential element in the financial planning process. CWM will help its clients identify important risk management needs. The client may then work with existing insurance specialists to address these needs.

If the client does not have an advisor who specializes in the needs that have been identified, CWM may refer the client to a specialist who CWM believes will serve the client in a fiduciary capacity. CWM may also refer the client to a provider of no load or low load insurance products.

CWM will evaluate insurance products such as annuities and various types of life insurance products which the client may own or may be considering purchasing. The advisor is licensed and thus permitted to address insurance issues in the context of the financial planning process. However, CWM does not sell insurance products and receives no commissions, rebates or referral fees when its clients purchase such products from others to whom CWM may refer them.

### **Commissions**

CWM does not sell any investment or insurance products and does not receive commissions from persons sponsoring investments, other advisors, originators, syndicators, or distributors. The firm's only compensation is the fees it receives from its clients and the firm's only allegiance is to its clients.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

CWM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

CWM specializes in providing financial planning and investment management services advice to pre-retirees and retirees. The firm's clients include corporate executives, professionals and business owners.

CWM also provides investment management services to non-profit organizations. This is typically done on a pro bono basis.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

***Risk and return are related, and investing in securities involves risk of loss that clients should be prepared to bear.***

### **Financial Planning and Investment Management**

CWM prefers that investment management clients retain the firm to complete a financial plan prior to transferring their investments CWM. The financial modeling and planning process will help CWM and the client determine an asset allocation with return and risk characteristics that are consistent with the client's needs and goals. A portfolio can then be constructed that meets these criteria.

Some clients, because of their circumstances, do not need financial planning services. Others are unwilling, for various reasons, to go through the planning process. CWM will make its best effort to provide these clients with investment management services that meet their needs. CWM does this by understanding the client's circumstances, preferences, attitudes, experience, knowledge and temperament.

### **Active Investment Management**

Active management involves a single manager or managers who employ some method, strategy or technique to construct a portfolio that is intended to generate returns that are greater than the broader market or a designated benchmark. Active management invariably involves elements of security selection and market timing. Academic research indicates active managers do not consistently outperform the market. In fact, most active managers underperform the market. Further, it is not clear whether those managers who outperform the market do so because of skill or luck. CWM does not practice active management.

### **Passive Investment Management**

In contrast, passive investing involves building portfolios that are comprised of various distinct asset classes. The asset classes are weighted in a manner to achieve a desired relationship

between correlation, risk and return. Funds that passively capture the returns of the desired asset classes are placed in the portfolio.

The funds that are used to build passive portfolios are typically index mutual funds or exchange traded funds. These funds are constructed by their sponsors to track the components of a market index (e.g. the Standard & Poor's Index) or a distinct asset class (e.g. international small cap growth stocks).

Passive investment management is characterized by low portfolio expenses (i.e. the funds inside the portfolio have low internal costs), minimal trading costs (due to infrequent trading activity), and relative tax efficiency (because the funds inside the portfolio are tax efficient and turnover inside the portfolio is minimal).

### **Asset Allocation**

Extensive academic research clearly indicates that the most important element of successful investing is asset allocation - the process of placing portions of the portfolio in various asset classes. Various research papers indicate that roughly ninety percent of portfolio performance can be attributed to asset allocation.

CWM evaluates over 30 distinct asset classes for possible inclusion in its model portfolios. The firm updates this analysis annually and as new funds become available that track certain asset classes.

CWM uses approximately 15-25 asset classes inside each of its model portfolios. The firm currently manages seven distinct model portfolios.

### **Diversification**

CWM believes that most investors are able to achieve proper diversification only by investing in mutual funds and exchange traded funds. Only investors with very large portfolios are able to buy individual stocks and bonds and achieve appropriate diversification. CWM does not use individual stocks or bonds in client portfolios.

### **Security Selection**

CWM builds portfolios using only no load mutual funds and exchange traded funds to capture the returns in distinct asset classes. These funds track an index or capture the performance of an asset class.

CWM selects asset classes for inclusion in its model portfolios based on factors that include the return, risk, tax, and correlation characteristics of the asset class.

Individual funds are selected for inclusion in CWM's model portfolios based on fund composition, return, risk, internal expenses, bid-ask spreads.

## **Model Portfolios**

CWM currently manages seven distinct model portfolios. Model 1 is the most conservative and model 7 is the most aggressive. These models were constructed to meet the varied needs of CWM's clients.

The portfolio expected rate of return and level of risk for each model are based on the historical rates of return and levels of risk for the asset classes inside the model.

## **Portfolio Selection**

The advisor places each client in the model portfolio that is most suitable. This process is designed to produce returns that meet the client's needs and objectives, while minimizing the risk associated with attempting to achieve these returns.

## **Asset Class Location**

Because the funds placed inside the portfolios are generally tax efficient, CWM does not have uniquely tax-sensitive versions of its seven portfolios. However, if a client has both taxable and tax-deferred accounts, CWM will place the most tax-efficient asset classes inside the taxable account and the less tax-efficient classes inside the tax-deferred accounts.

## **Portfolio Weighting**

Based on research conducted both at several leading universities and by leading investment research firms (e.g. Dimensional Fund Advisors), CWM weights or "tilts" its portfolios to take advantage of certain market anomalies that have been found to persist over long investing periods. These involve small cap equities vs. large cap equities, value equities vs. growth equities, short term bonds vs. long term bonds and high grade bonds vs. low grade bonds.

## **Portfolio Rebalancing**

CWM rebalances client portfolios periodically to meet the target asset allocation identified in the investment policy statement. Typically rebalancing occurs annually. However, portfolios will be rebalanced more frequently if the allocations have exceeded the desired tolerance settings.

## **Risks Associated with CWM's Portfolios**

Investing is inherently risky. Clients may lose some or their entire principal. Further the returns actually received by the client may deviate significantly from those that were anticipated.

There are several kinds of risk that characterize investing:

- **Business Risk:** The uncertainty associated with an investment's earnings and, therefore, its ability to pay returns (interest, dividends, principal) owed investors. Business risk is a function of the investment's industry, management, location and costs.
- **Financial Risk:** The uncertainty surrounding the investment's ability to generate sufficient cash flow to meet its financial obligations. Investments with high levels of debt are more prone to financial risk.

- **Purchasing Power or inflation Risk:** The chance that unanticipated changes in price levels will adversely affect investment returns. When prices rise (inflation), purchasing power (the ability to buy goods and services) is reduced. Investments that provide fixed returns (e.g. savings account, bonds) have higher purchasing power risk than investments whose values move with the general price level.
- **Interest Rate Risk:** The chance that changes in interest rates will reduce an investment's value. This effect is more direct with fixed income investments (e.g. bonds) than with stocks. When interest rates rise, bond prices fall.
- **Liquidity Risk:** The possibility of not being able to sell (i.e. liquidate) an investment quickly and with small transaction costs. Mutual funds that are offered with large bid-ask spreads present liquidity risk.
- **Marketability risk:** The risk that there may not be a market for the investment. Real estate is often subject to this risk.
- **Tax Risk:** The chance that Congress will make undesirable changes in the tax laws. Such changes reduce the after-tax returns and market values of many investments.
- **Event Risk:** The risk that an unforeseen occurrence will have a sudden and substantial negative impact on the value of an investment.
- **Country Risk:** The collection of risks associated with investing in a specific foreign country. These risks include political risk, economic risk, sovereign risk, and transfer risk (the possibility that the government may not allow foreign investors to transfer their capital out of the country).
- **Currency exchange risk:** The risk that the exchange rate of currencies involved in an investment will move against the investor. For example, if a U.S. investor wants to invest in an investment priced in Euros, she must convert U.S. dollars into Euros. If during the term of the investment, the Euro loses value, the investor will lose some of her investment when she converts her Euros back to dollars. This risk is in addition to the risks inherent in the investment.
- **Credit risk:** The risk that the creditworthiness of an investment's issuer will deteriorate. This will reduce the value of the investment. This risk is usually associated with bonds.
- **Default risk:** This is the risk that the issuer of an investment will not be able to pay according to the terms of the investment. This risk is usually associated with bonds.
- **Reinvestment risk:** The risk that payments received from an investment will be invested at lower potential rates of return. This risk is primarily associated with bonds.
- **Call risk:** The possibility that the issuer of an investment will buy it back before it has matured. This pertains to bonds. The issuer will redeem callable bonds that pay a rate of interest that is higher than the prevailing interest rate. The investor will receive proceeds that can only be invested at a lower rate of interest.
- **Volatility risk:** The value of bonds that include options (such as call options or prepayment options) is subject to interest rate volatility. Changes in interest rates affect the value of the embedded options and, thus, affect the values of the bonds.
- **Sovereign risk:** The possibility that a foreign government may change the terms of the debt it has issued. This affects international government debt.

- **Yield Curve Risk:** The risk to a fixed income (bond) investment from an adverse shift in market interest rates. The risk is represented in a change in the yield curve which is a result of changing yields among comparable bonds with different maturities.

There are risks associated with passive investing that warrant attention:

- **Index sampling risk:** The chance that the securities selected for the fund, in the aggregate, will not provide investment performance matching that of the fund's target index.
- **Bid - Ask Spread:** The amount by which the ask price exceeds the bid price. Investors prefer funds with low bid-ask spreads. These spreads can be large for thinly traded exchange traded funds.
- **Arbitrage:** Exchange traded funds are typically traded at prices that are very close to the net asset value (NAV) of the fund. There may be trading periods, however, when this relationship breaks down. This distortion in the price of an exchange traded fund could adversely affect individuals who own the ETF. Specifically, an investor may pay more than the NAV to buy the fund and/or receive less than NAV when selling the fund.

#### **Alternative Investment Risks**

CWM may recommend alternative investments (e.g. commodities) that have different and/or additional risks than those listed above. Before investing in alternative investments or any investment recommended by CWM, clients should understand and accept the risks associated with the investment.

#### **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective client's evaluation of CWM or the integrity of CWM's management. CWM and Terry A. Donahe have no information to disclose disciplinary information to disclose.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

##### **Financial Industry Activities**

CWM is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

## **Affiliations**

CWM has no material arrangements with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

## **Item 11 – Code of Ethics**

The Investment Advisers Act of 1940 imposes a fiduciary duty on investment advisers. As a fiduciary, CWM has a duty of utmost good faith to act solely in the best interests of its clients.

As a CERTIFIED FINANCIAL PLANNER™ practitioner, the advisor has sworn to uphold the CFP® Board's Code of Ethics and Professional Responsibility. As a Chartered Financial Consultant and Chartered Life Underwriter, the advisor has sworn to follow the American College Code of Ethics which includes The Professional Pledge and The Canons.

The advisor is registered with the National Association of Personal Financial Advisors (NAPFA) the Financial Planning Association and has pledged to abide by their respective code of ethics.

CWM's intent in adopting these codes is to set high standards for its work with clients, protect client interests and demonstrate its commitment to its fiduciary duties of honesty, good faith and fair dealing. A copy of those codes of ethics will be provided to clients or prospective clients upon request.

The advisor may buy and/or sell securities also recommended to clients. These transactions are in broadly traded mutual funds and exchange traded funds where personal ownership is not likely to present a conflict of interest. These transactions will be fully disclosed to clients if at any time it appears that such investing will impact any recommendation provided to clients.

CWM will not affect any principal or agency cross securities transactions for client accounts. CWM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of

the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

### **Item 12 – Brokerage Practices**

CWM does not retain custody of client funds other than the normal business practice of deducting management fees from client accounts.

CWM is not an investment advisory representative of any other securities firm. As a fee-only investment advisor, CWM has a relationship with one or more discount brokerage firms for administrative purposes. CWM selects custodians based upon the availability of investment products, level of service, and brokerage fees and commissions.

These organizations provide CWM with access to institutional trading and operations services, which may not be available to retail investors. These services generally are available to independent investment advisors at no charge. Services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. These organizations may make available to CWM other products and services that benefit CWM but may not directly benefit its clients' accounts, such as products and services that assist CWM in managing and administering clients' accounts. These may include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitation of trade execution (and allocation of aggregated trade orders for multiple client accounts), provision of research, pricing information and other market data, facilitate payment of CWM's fees from its clients' accounts, and assistance with back-office support, recordkeeping and client reporting. These organizations may also provide CWM with other services intended to help CWM manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, these organizations may make available, arrange and/or pay for these types of services provided to CWM by independent third-parties. These organizations 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 CWM. The availability to CWM of the foregoing products and services is not contingent upon CWM committing to these organizations any specific amount of business (assets in custody or trading). Use of these custodians by CWM is determined by client request, CWM operational efficiencies, availability of service for particular needs and by the pricing and quality of the custodial service.

CWM periodically reviews the brokerage industry to determine if there are better places to place and service client investments.

CWM will generally require investment advisory clients to establish brokerage accounts with its preferred to brokerage firms to maintain custody of client's assets and to effect trades for their accounts.

"Soft dollars" are a form of compensation for that is paid in the form of goods or services, rather than cash. CWM does not accept non-cash compensation or "soft dollars."

CWM typically does not execute block trades. Trading of client accounts is typically performed on an as-needed basis based on a specific client situation and not on a firm-wide basis.

### **Item 13 – Review of Investment Accounts**

Client portfolio reviews are conducted in accordance with the client's investment policy statement. Reviews are conducted annually and more frequently if circumstances dictate. Such circumstances include, but are not limited to, significant changes in the financial markets, tax laws and individual financial situation.

Accounts are also reviewed upon other triggering events such as:

- Receipt of new money to be invested.
- The request to liquidate and disburse a significant portion of the portfolio.

Investment accounts are reviewed by CWM internally no less often than quarterly, as part of the monitoring and reporting process. Such a review and report includes addressing the following five questions:

- How did the client's portfolio perform over the last period, on both a nominal and relative basis?
- Did the portfolio meet its benchmark?
- Did the portfolio meet its objective?
- What parts of the portfolio did well? Poorly?
- Is the current portfolio allocation in line with the target allocation set forth in the Investment Policy Statement, as updated? If not, what changes are called for?
- Does the target portfolio continue to make sense? Has a change in the client's circumstances or in the broader environment occurred that suggests a need to change the target allocation?
- Has CWM determined that any of the asset classes in the portfolio no longer belong in its model portfolios?

Cascade Wealth Management, LLC makes no representation with respect to legal matters, and it is the client's responsibility to consult with legal counsel as necessary. All reviews are conducted by Terry A. Donahe, Principal.

Investment management clients receive a quarterly portfolio summary, which includes a portfolio analysis, portfolio balance summary, and portfolio performance summary.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular account summary statements directly from the broker-dealer or custodian for the client accounts on at least a quarterly basis. Financial planning, investment management, and/or consulting clients will receive reports, analysis, and recommendations in writing.

#### **Item 14 – Client Referrals and Other Compensation**

CWM does not receive any compensation for providing client referrals to other professional advisors. CWM does not pay other professional advisors for client referrals.

#### **Item 15 – Custody**

CWM does not take custody of client accounts. A qualified custodian is used for client accounts under management.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. CWM urges clients to carefully review such statements and compare such official custodial records to the account statements that CWM provides. CWM's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

CWM receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Such discretion is exercised in a manner consistent with the stated investment objectives for the particular client account. These objectives are contained in the client's investment policy statement.

When selecting securities and determining amounts, CWM observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to CWM in writing.

**Item 17 – Voting *Client* Securities**

Clients will receive proxies or other solicitations directly from their broker-dealer/custodian.

As a matter of firm policy and practice, CWM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. CWM does not provide advice to clients regarding the clients' voting of proxies.

**Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about CWM's financial condition. CWM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

CWM does not require the prepayment of more than \$500 in fees per client, six months or more in advance.

**Item 19 – Requirements for State-Registered Advisors**

Terry A. Donahe is the sole member of Cascade Wealth Management, LLC. The following pertains specifically to Mr. Donahe.

Principal: Terry A. Donahe  
Cascade Wealth Management, LLC  
4248 Galewood Street  
Lake Oswego, OR 97035  
(503) 675-4381  
www.cascadewealth.com

Year of Birth: 1965

**Educational Background and Business Experience**

Stanford University, BA, 1983 - 1987  
Founder and Principal, Cascade Wealth Management, LLC (and its predecessors), 2002 – present.

**Professional Designations**

CFP (Certified Financial Planner)  
CLU (Chartered Life Underwriter)  
ChFC (Chartered Financial Consultant)

MSM (Masters of Sciences in Management)  
MSFS (Masters of Sciences in Financial Services)

**Examinations**

Series 65 Exam - Uniform Investment Advisor State Law Exam, FINRA

**Disciplinary Information**

Terry A. Donahe is required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective client's evaluation of him. Mr. Donahe has no information to report.

**Other Business Activities**

Terry A. Donahe is a member of the adjunct faculty at the University of Portland. He teaches the investment course offered in the Certified Financial Planning Certificate Program.

**Additional Compensation**

Terry A. Donahe is a member of the adjunct faculty at the University of Portland. He teaches the investment course offered in the Certified Financial Planning Certificate Program.

**Supervision**

Terry A. Donahe has no information to disclose.

**Requirements for State-Registered Advisers**

Terry A. Donahe is required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective client's evaluation of him. Mr. Donahe has no information to report.