

**GHAD BOARD OF DIRECTORS
BLACKHAWK GHAD, CANYON LAKES GHAD, WENDT RANCH
GHAD, WIEDEMANN RANCH GHAD, CALIFORNIA TRADEWINDS
GHAD AND HILLCREST HEIGHTS GHAD**

BOARD CHAMBERS ROOM 107, ADMINISTRATION BUILDING, 651 PINE STREET,
MARTINEZ, CALIFORNIA 94553-1229

SUSAN A. BONILLA, Chair of GHAD Boards
JOHN GIOIA, Boardmember of the GHADs
GAYLE B. UILKEA, Boardmember of the GHADs
MARY N. PIEPHO, Boardmember of the GHADs
FEDERAL D. GLOVER, Boardmember of the GHADs

TO: GHAD BOARD OF DIRECTORS (SUSAN A. BONILLA, JOHN GIOIA, GAYLE B. UILKEA, MARY N. PIEPHO, FEDERAL D. GLOVER), for Blackhawk GHAD, Canyon Lakes GHAD, Wendt Ranch GHAD, Wiedemann Ranch GHAD, California Tradewinds GHAD and Hillcrest Heights GHAD.

FROM: GHAD Attorney (Morgan Miller Blair) and GHAD Managers (Kleinfelder for Blackhawk and Canyon Lakes GHAD; ENGEO, Inc. for Wendt Ranch and Wiedemann Ranch GHAD; and Geolex Inc. for California Tradewinds and Hillcrest Heights GHAD)

DATE: April 28, 2009

RE: Adoption GHAD budgets for 2009/2010 fiscal year, appointment of Treasurer, and approval of consultant contracts for GHAD Managers.

STAFF REPORT

Background

On November 18, 2008, the Board of Supervisors acting in their capacity as the Board of Directors for each of the six Geologic Hazard Abatement Districts (Blackhawk GHAD, Canyon Lakes GHAD, Wendt Ranch GHAD, Wiedemann Ranch GHAD, California Tradewinds and Hillcrest Heights GHAD) held a public hearing and adopted resolutions setting forth a framework for the GHADs, appointed officers to each of the GHADs, including reappointing all of the GHAD Managers and delegating certain authority to the GHAD Managers.

During that public hearing, the GHAD Boards recognized that GHADs are separate legal entities, defined in state law as distinct from the County, with independent governing boards. It was recognized that for liability reasons, GHAD operations should be completely independent of the County. The GHAD Boards determined that the better practice is to specify in the GHAD resolutions that each GHAD is responsible for hiring its own staff (or contracting with non-

County parties), including all workers who will undertake operation, maintenance, replacement, repair, and other activities, and that no County employees would be relied on to perform such GHAD services.

The resolutions previously adopted by the GHAD Boards stated that the GHADs are political subdivisions of the State of California, governed in accordance with Public Resources Code sections 26500 et. seq. and are legal entities separate and distinct from Contra Costa County and that GHAD operations are independent of County functions.

As a result, the GHAD Boards retained and appointed the County Treasurer only as an Interim GHAD Treasurer, but asked that the GHAD Managers report back to the GHAD Boards with a recommendation on a permanent GHAD Treasurer.

The GHAD Boards also reappointed the GHAD Managers. In order to implement the prior resolutions, new consultant contracts for the GHAD Managers are before the GHAD Boards for approval.

Summary of Actions Currently Before the GHAD Boards

The current resolutions before the GHAD Boards are (1) to appoint Watermark Asset Management Inc. as the Treasurer for four of the GHADs; (2) for the adoption of the budget for each GHAD for the 2009/2010 annual fiscal year; and (3) to execute new consultant contracts for the GHAD Managers which are due to expire. For the Wendt Ranch GHAD Board only, a resolution is before the Board for a lot line adjustment described below.

Consultant Contracts For GHAD Managers.

In November of 2008, the GHAD Boards reappointed the GHAD Managers. In order to implement those resolutions, since all of the existing consultant contracts are expiring, new consultant contracts must be approved by the GHAD Boards. Resolutions have been approved for all six GHADs approving consultant contracts for Kleinfelder to continue to act as General Manager for Blackhawk and Canyon Lakes, ENGEIO Inc, to continue to act as General Manager for Wiedemann Ranch and Wendt Ranch, and Geolex Inc. to continue to act as General Manager for Hillcrest Heights and California Tradewinds.

The consultant contracts are substantially similar to the consultant contracts that have been previously approved by the GHAD Boards. The only substantive change made to the consultant contracts is that the contract is no longer year to year, but on-going until terminated by the GHAD Boards. Pursuant to each of the consultant contracts, the contract may be terminated for any reason by the GHAD Boards (in some contracts upon 30 days prior notice and in other contracts immediately). These termination provisions remain unchanged, and based on the resolutions adopted by the GHAD Boards on November 18, 2009, a year to year contract is no longer needed since they will not be administered through the County Public Works department and the GHAD Boards have the discretion to terminate the contracts at any time. Also, minor changes have been made to update the contracts to be consistent with the resolutions adopted by the GHAD Boards on November 18, 2008. For example, on November 18, 2008, the GHAD

Boards terminated the JPAs, and therefore all references to the JPAs have been removed from the consultant contracts. All changes from the prior contracts have been provided to the GHAD Boards in a redline format from the prior years contract.

Appointment of Treasurer.

The GHAD Managers for Wiedemann Ranch, Wendt Ranch, Blackhawk and Canyon Lakes have reviewed the qualifications of potential treasurers for the GHADs and are recommending Watermark Asset Management, Inc. based on their qualifications and investment guidelines and policies attached hereto as Exhibit A. The GHAD Manager for Hillcrest Heights and California Tradewinds is not recommending a change of Treasurer and would request that the County Treasurer be appointed as the permanent Treasurer for the Hillcrest Heights and California Tradewinds GHADs.

For Hillcrest Heights GHAD and California Tradewinds GHAD, Geolex, the GHAD Manager, is recommending that the County Treasurer continue to serve as the Treasurer for these GHADs. If the GHAD Boards follow that recommendation, Geolex shall work with the County Treasurer in negotiating a contract for these services and setting forth procedures for disbursement of the GHAD funds.

Adoption of Budget.

Proposed budgets for the 2009/2010 fiscal year for each GHAD are attached to each resolution. All GHADs are funded 100% through assessments levied on properties within each GHAD. Therefore, there is no impact on the County general fund.

Lot Line Adjustment – Wendt Ranch GHAD.

For the Wendt Ranch GHAD Board, there is also a resolution for consideration approving a lot line adjustment. The request for transfer was made to the GHAD by Danville Tassajara Partners, LLC the developer of the Intervening Properties (Monterosso) development. As background, the Wendt Ranch GHAD is currently the owner of approximately 21 acres of open space within the Monterosso development. The open space area currently owned by the GHAD includes a detention basin, bioretention cells, maintenance roads, concrete lined drainage ditches, storm drain facilities and other improvements. The transfer of maintenance, monitoring and ownership responsibilities from Danville Tassajara Partners, LLC to the GHAD as specified in the GHAD Plan of Control was completed in February 2009. The transfer of this property is before the GHAD Board since it was not identified in the GHAD Plan of Control approved by the GHAD Board in 2005.

The lot line adjustment will add approximately one-third of an acre of property to Parcel E, the southeast bioretention cell, which is currently owned by the GHAD. Improvements on the proposed transfer property include a maintenance road, a concrete lined drainage ditch, and storm drain facilities. As provided in the adopted Plan of Control, the GHAD would be providing monitoring and maintenance responsibilities for the maintenance road, concrete-lined drainage ditch, and storm drain facilities.

As stated above, since this property was not originally included in the Plan of Control as property to be owned by the GHAD, approval of the lot line adjustment from the Board is required. The maintenance road to be included within the transfer property will be used by the Wendt Ranch GHAD for access to existing GHAD owned and maintained facilities. The property to be included in the GHAD by the lot line adjustment will be part of an existing GHAD owned parcel and is contiguous to the other property currently owned by the GHAD. As GHAD Manager, we would not anticipate that the addition of 1/3 acre of open space with the associated improvements would alter GHAD costs significantly enough to cause a change to the existing budget and would allow easier maintenance of and greater access to GHAD maintained facilities.

Specifically, the Resolutions before the GHAD Boards are as follows:

1. **Blackhawk GHAD**

SUBJECT: (1) 2009/01: Adoption of GHAD budget for 2009/2010 fiscal year and appointment of Treasurer; and (2) 2009/02 approving consultant contract for Kleinfelder Inc. to continue to act as General Manager for the GHAD.

2. **Canyon Lakes GHAD**

SUBJECT: (1) 2009/01: Adoption of GHAD budget for 2009/2010 fiscal year and appointment of Treasurer; and (2) 2009/02 approving consultant contract for Kleinfelder Inc. to continue to act as General Manager for the GHAD.

3. **Wendt Ranch GHAD**

SUBJECT: (1) 2009/01: Adoption of GHAD budget for 2009/2010 fiscal year and appointment of Treasurer and (2) 2009/02: approving lot line adjustment and accepting parcel; (3) 2009/03 approving consultant contract for ENGEIO Inc. to continue to act as General Manager for the GHAD.

4. **Wiedemann Ranch GHAD**

SUBJECT: (1) 2009/01: Adoption of GHAD budget for 2009/2010 fiscal year and appointment of Treasurer; (2) 2009/02 approving consultant contract for ENGEIO Inc. to continue to act as General Manager for the GHAD.

5. **Hillcrest Heights GHAD**

SUBJECT: (1) 2009/01: Adoption of GHAD budget for 2009/2010 fiscal year and (2) 2009/02 approving consultant contract for Geolex Inc. to continue to act as General Manager for the GHAD.

6. California Tradewinds GHAD

SUBJECT: (1) 2009/01: Adoption of GHAD budget for 2009/2010 fiscal year and
(2) 2009/02 approving consultant contract for Geolex Inc. to continue to act as General
Manager for the GHAD.

Exhibit A



Investment Policy Statement

April 1, 2009

Statement of Objectives	2
Risk Tolerance	2
Asset Allocation	2
Recommended Allocation	2
Monitoring Progress	2
Agreement	3

Prepared for:

**California Association of
Geologic Hazard Abatement Districts (GHAD)**

Prepared by:

Watermark Asset Management, Inc.
4115 Blackhawk Plaza Circle
Suite 200
Danville, CA 94506
925-648-4730

This Investment Policy Statement is a summary of the recommended general investment strategies for each GHAD account. Going forward, it will serve as a guide to the investment plan, governing how, why, and where the money is invested.

Statement of Objectives

Risk Tolerance

Investing involves an element of risk, whether that risk is loss of dollars invested or erosion of the value of the assets due to inflation. In constructing the investment strategy, we considered the ability to tolerate investment risk by focusing on the investment time horizon, comfort with short-term market variability, and the willingness to tolerate long-term market instability. The GHAD account will be invested for current income and principal protection while earning a competitive interest rate on capital.

Asset Allocation

Recommended Allocation

Watermark Asset Management will invest the funds as follows and will use discretion to seek the best returns in the investment vehicles stated below:

- Short-term Government Obligations: If interest rates dictate, Watermark Asset Management will invest in but is not limited to, US Treasury securities and/or US Government Agency-Backed securities
- FDIC insured Certificates of Deposit: Held at a financial institution that is backed by the Federal Deposit Insurance Corporation (FDIC)
- Money Market Funds: Seeking competitive rates of return and for use as a holding tank for distributions and billing on an as needed basis

Monitoring Progress

The performance of the securities selected for the portfolio will be monitored on an ongoing basis. Our intent in monitoring performance is to ensure that 1) the portfolio continues to feature an acceptable level of risk, 2) over a reasonable period your investments produce acceptable returns in relation to risk, and 3) securities contribute to the portfolio as anticipated. If we have concerns about the performance or safety of the securities, we'll contact the necessary personnel to discuss our concerns and changes. Likewise, if there are similar concerns from GHAD, please let us know.

Agreement

I have reviewed and agree with the tenets of this Investment Policy Statement. I will notify Watermark Asset Management, Inc. of any changes to the GHAD objectives, risk tolerance, or strategies. This policy will be reviewed annually.

GHAD Manager

Date

Mark Miller

President, Watermark Asset Management, Inc.

Date

GHAD Proposal: Treasurer

WATERMARK

Asset Management, Inc.

March 10, 2009

Proposal

- Watermark Asset Management, Inc. proposes to act as Treasurer for various GHAD organizations. Services to include:
 - Investment of GHAD revenues
 - Design and implementation of Investment Policy for each GHAD
 - Use of independent 3rd party custodian
 - Coordination of timely disbursements as required
 - Monthly and quarterly account reports including performance, cash receipts and disbursement histories

Watermark Asset Management, Inc.

- Independent investment advisory firm
 - Founded in 1997
 - Maintains financial services professional liability insurance
 - No mutual fund company, insurance, broker dealer affiliation
 - No conflicts of interest
- Manage over \$100 million
 - Clients include:
 - Individuals
 - Company retirement plans
 - Non-profit organizations
- Registered directly with SEC
- Written managed account agreement
- Fee only
 - .25% per year, billed quarterly in arrears

Principals

- **Mark Miller** is a principal and founder of Watermark Asset Management, Inc. Prior to establishing Watermark in 1997 he was a vice president with Schwab Institutional, a division of Charles Schwab & Co., Inc. He has an undergraduate degree from Stanford University and a Master's Degree in Financial Planning from the College for Financial Planning.
- **Eric Lai** is a CERTIFIED FINANCIAL PLANNER™ practitioner and principal with Watermark. Eric joined the firm in 2003 after several years of experience with Charles Schwab & Co., Inc. and an independent fee only investment firm. He has an undergraduate degree in economics from UCLA and is an MBA candidate at the Anderson Graduate School of Business.

Our Services

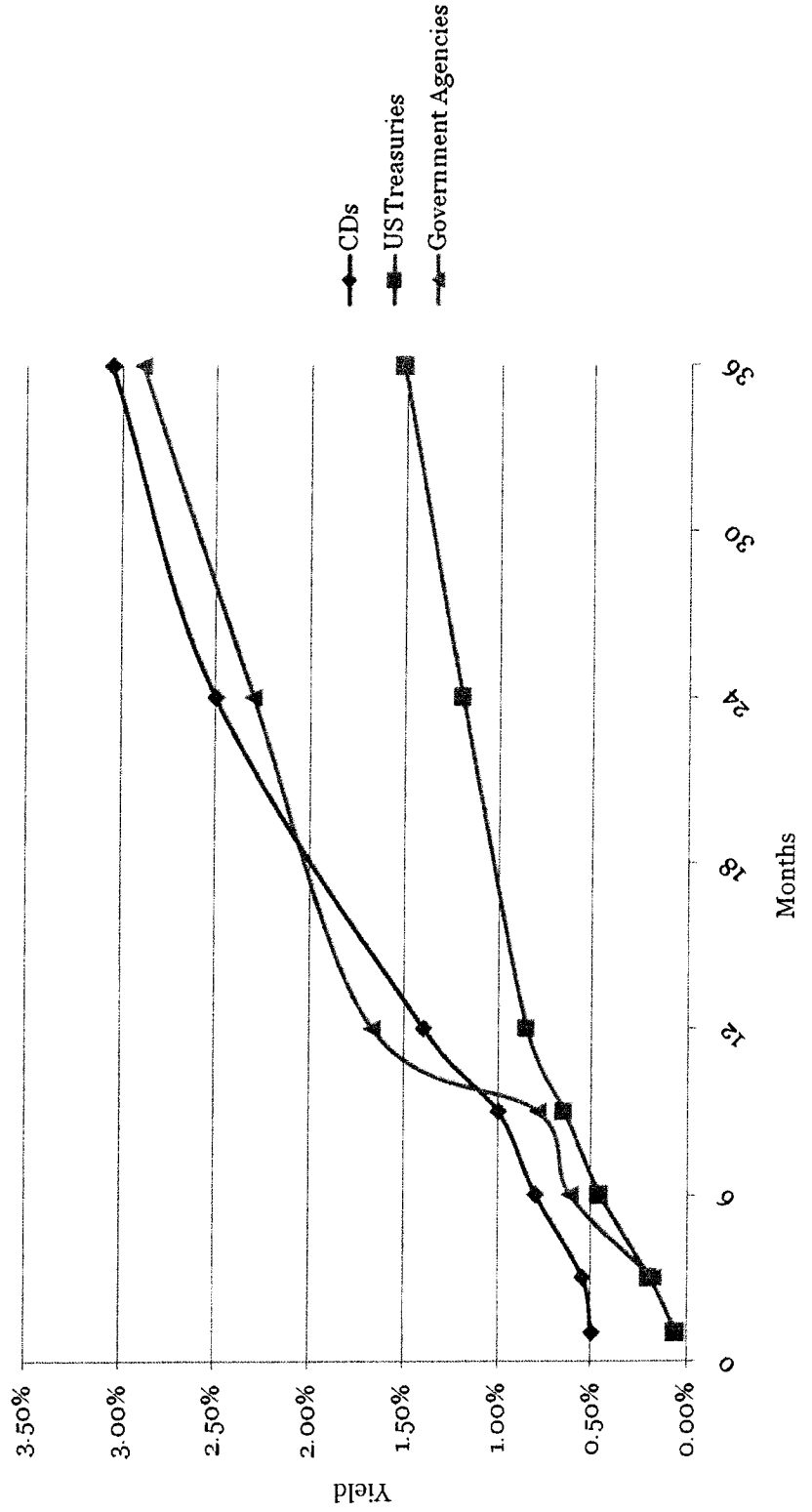
- Cash Management
 - Separate account for each GHAD
 - Match cash outflow with investment horizon
 - “Risk free” assets: money market fund, FDIC insured CD, and government securities
 - Current yields, .64 to 3.05%, depending on time frame*

- Independent 3rd Party Custodian
 - Schwab Institutional, a division of Charles Schwab & Co., Inc.
 - Independent verification of assets
 - Institutional account statements
 - Watermark maintains Limited Power of Attorney for investment purposes
 - Disbursements by Schwab to approved vendors with GHAD authorization
 - Check or electronic receipt of GHAD deposits from County

Fixed Income Offerings

	1MO	3MO	6MO	9MO	1YR	2YR	3YR
CDs View All	0.50	0.55	0.80	1.00	1.40	2.50	3.05
Bonds							
U.S. Treasuries	0.06	0.20	0.46	0.65	0.85	1.20	1.52
U.S. Treasury Zeros	---	0.05	0.27	0.33	0.64	1.15	1.93
Government Agencies	---	0.18	0.62	0.79	1.67	2.30	2.89

Yield Curve*



Service Standards

- Reporting
 - Monthly account statements from Schwab for each GHAD- 5 days after month end
 - Quarterly performance statements from Watermark- 10 days after quarter end
 - Available transaction reporting for account audit
 - Additional reporting capability as needed
- Investment Policy Statement
 - Clear investment objectives between Watermark and GHAD
 - Predetermination of investment risk parameters
 - Investment horizon suitable for each GHAD and cash flow requirements

Service Standards cont.

- Disbursement Process
 - Through independent 3rd party
 - Schwab Institutional via check or electronic payment
 - Watermark able to facilitate payment with written GHAD authorization (i.e. disbursement documentation)
 - Payment ONLY to GHAD approved vendors
 - Watermark disbursement verification
 - Service standard:
 - Payment authorization: 24 hours
 - Payment disbursement: 48 hours

Charles Schwab & Co., Inc.

- Founded in 1973
- Schwab Institutional, division of Charles Schwab & Co., Inc.
- One of the world's largest brokers
 - Over \$1.1 trillion in total client assets (January 31, 2009)
 - More than \$4 billion in equity capital
- Serves over 7 million individual and institutional clients
- SIPC insured and additional insurance through Lloyd's of London
- 24 hour telephone/ internet service

Additional Information

- Watermark Asset Management, Inc.
 - Mark Miller or Eric Lai
 - 4115 Blackhawk Plaza Circle, Suite 200
 - Danville, CA 94506
 - (925) 648-4730 or (888) 860-0300

- Disclosure
 - .64% interest on Schwab Value Advantage (SWVXX), 3.05% interest on 3 year CD, yield as of 3/10/09

WATERMARK

Asset Management, Inc.

INVESTMENT ADVISORY AGREEMENT

(Managed Accounts)

THIS AGREEMENT is made between Watermark Asset Management, Inc., a California corporation, with its principal place of business at 4115 Blackhawk Plaza Circle, Suite 200, Danville, California 94506 (hereinafter referred to as "Advisor") and _____ (hereinafter referred to as "Client").

Client and Advisor agree that the following investment advisory services will be provided by Advisor to Client upon the following terms and conditions:

1. **Client's Account.** Client will open a securities brokerage account (the "Account") with **Charles Schwab & Co., Inc.** (the "Broker") with an initial deposit of See Attachment A. The initial deposit, all subsequent deposits to, and withdrawals from, the Account and all transactions effected in the Account shall be subject to this Agreement. Client understands that accounts directed by the Advisor may be managed according to the investment methods described in Advisor's current disclosure document (the "Disclosure Document") furnished by Advisor encompassing the information provided in Part II of Advisor Form ADV (Uniform Application for Investment Advisor Registration) filed with the California Department of Corporations and further pursuant to any additional trading instructions attached hereto, and acknowledges that he/she has been provided with an opportunity to ask questions of a representative of the Advisor regarding its trading methods. All accounts advised by the Advisor for the Client shall be subject to this Agreement. Client agrees to give Advisor not less than three business days written notice prior to withdrawal of any funds or securities from the Account.

2. **Authorization of Advisor to enter Orders for the Account.** Client appoints Advisor as sole and exclusive attorney-in-fact with respect to the Account to buy, sell or otherwise trade in stocks, registered investment companies and other securities which the Advisor is permitted to invest in and trade under current law and regulations, without prior consultation with Client, without prior notice to Client, and in such amounts and at such prices as Advisor, in its sole discretion, may determine. Client will not make investment decisions for the Account and will not authorize any party other than Advisor to make investment decisions for the Account; only Advisor shall have the authority to enter orders on behalf of the Account. Advisor shall have full authority to transmit orders directly to the Broker and the Broker is authorized to accept and execute all such orders. Advisor is also authorized to invest any assets of the Account in U.S. Government obligations or other interest-bearing instruments as permitted under the Securities Exchange Act of 1934, as amended, and the regulations thereunder. This Power-of-Attorney is a continuing power and shall remain in full force and effect until revoked by Client in writing, but any such revocation shall not affect any transaction initiated prior to receipt of such notice of revocation.

3. **Receipt of and Sole Reliance on Disclosure Document.** Client acknowledges that he/she has received, read and understood the Disclosure Document furnished by Advisor. Client understands that no person has been authorized by Advisor to make statements in addition to or inconsistent with those contained in such Disclosure Document.

4. **Regulations.** All transactions executed for the Client's account(s) shall be subject to the rules, regulations and customs, as they may be amended, of the securities exchanges where executed and the provisions of the Security Exchange Act of 1934, as it may be amended, and the rules and regulations promulgated from time to time thereunder.

5. **Proxy Voting.** Clients may instruct Watermark to vote proxies by assigning such responsibility via a brokerage account application. Watermark will vote proxies for securities, including those of individual stocks and mutual funds, on behalf of its clients. Policies and procedures are in place and are compliant with Rule 206(4)-6 of the Investment Advisor Act of 1940 to ensure that securities are voted in the best interest of clients. A copy of the policies and procedures is available upon request.

6. **Margin; Account Opening.** The Client shall fulfill margin requirements by depositing cash, Treasury Bills, or other securities and collateral with the Broker. The Client's account will be considered opened once a) this agreement has been acknowledged and received by Advisor, b) all documents required by the Broker have been received and approved by the Broker, and c) funds equaling Advisor requirements have been deposited or committed with the Broker.

7. **Acknowledgment of Risk Associated with Securities Investing and Trading.** Client is aware of the speculative nature and the high risk associated with securities investing and trading, including the risk that, if a margin agreement has been executed with the Broker, a Client may incur losses in an amount which is greater than the capital contributed to the Account and that Client will be liable to Broker for such excess. Client acknowledges that no "safe" investing method has ever been devised, and that no one can guarantee profits or freedom from loss in securities investing and trading. Advisor, therefore, cannot and does not imply or guarantee that Client will make a profit and it is agreed that Advisor will not be held responsible for losses in the Account.

8. **Information to be Provided by the Client.** Client will provide Advisor with a completed Client Questionnaire and will furnish such other information as may be required, including supporting documents. Client understands that the investments for the Account by Advisor will be based upon the information provided by Client, and Client promises to inform Advisor of any material changes in the information which Client has supplied. Client represents and warrants to Advisor that the information contained in the Client Questionnaire completed by Client is current as of the date of such document, complete and accurate. Client agrees to indemnify and hold Advisor harmless from any claim by any third party that the information contained in the Client Questionnaire is inaccurate or incomplete. In addition, Client agrees to consult with Advisor prior to making any financial decisions which may impact the results of any of Advisor's recommendations.

9. **Basis of Advice.** Client acknowledges that Advisor obtains information from a wide variety of publicly available sources and that Advisor has no sources, and does not claim to have sources, of inside or private information regarding the investments for the Account. The investment methods employed by Advisor are based upon the professional judgment of Advisor's principals and associated persons and neither Advisor nor its associated persons can guarantee the results of any of their recommendations.

10. **Additions to and Withdrawals from the Account.** Client may add to or withdraw from the cash balance of the Account at any time to the extent consistent with margin requirements of the Broker and applicable contract markets. Client agrees to notify Advisor in

writing at least three business days in advance of such additions and withdrawals. Client recognizes that the potential profitability of the Account depends upon long term, uninterrupted investment of capital and that reduction of the Account's Net Asset Value (as defined in Section 11 of this Agreement) could materially and adversely affect the investment diversification of the Account and the potential profitability of the Account.

11. **Fees Paid the Advisor.** Advisor will charge Client a quarterly advisory fee according to **Fee Schedule on Attachment A** of the Account's Net Asset Value, payable in arrears on the last business day of each calendar quarter. The term "Net Asset Value" is defined below. The quarterly advisory fee shall be prorated for the first quarter that the Account begins trading from the day the first investment is initiated for the account.

The quarterly advisory fee will be paid whether or not the Account has a profit.

Net Asset Value means the Account's total assets less total liabilities. Net Asset Value shall be calculated as follows:

(a) "Net Asset Value" shall include any unrealized profit or loss on securities held in the Accounts.

(b) All securities positions shall be calculated at their then market value which means, with respect to security positions, the last sale or settlement price as determined by the exchange on which the security is traded or the most recent appropriate quotation as supplied by the Broker or banks through which the transaction is executed.

(c) Brokerage commissions and related fees shall be considered accrued as a liability of the Account when the transaction giving rise to such commission or fee occurred.

The advisory fee is due and payable on the first business day of each calendar quarter. For each such period, Advisor shall prepare a certificate setting forth the amount of quarterly advisory fees payable to Advisor and shall furnish such certificate to the Broker. Upon submission of the certificate to the Broker, the Broker and Advisor are authorized by Client to deduct these fees directly from Client's account. Advisor shall furnish Client with a copy of the certificate presented to the Broker. Client agrees to assure payment to Advisor of applicable advisory fees within five business days of the date such fees become due and payable.

12. **Responsibilities of the Broker.** Client recognizes that Advisor will transmit orders on his/her behalf to the Broker but will not directly execute such orders. Advisor shall not be responsible for any acts, omissions, or errors of the Broker relating to the transmission, execution, or allocation of Client's securities transactions. Advisor's responsibilities with respect to any of Client's transactions shall be fulfilled once a complete order has been transmitted to Broker. The Broker will furnish Client with confirmations of all transactions effected in the Account, monthly or quarterly statements showing information concerning investment activities in the Account, and other account statements customarily furnished by the Broker to its customers. The furnishing of such reports shall be the sole responsibility of the Broker and Client recognizes that Advisor is not required to furnish such reports to Client. Client authorizes the Broker to forward to Advisor copies of any confirmations, statements, or reports sent by the Broker to Client. Client understands that the Broker, rather than Advisor, will have full custody of Client's funds and securities and that Client will be solely

responsible for the payment of brokerage commissions to the Broker with respect to all transactions effected in the Account.

13. **Term and Conditions of Termination.** Unless terminated earlier as herein provided, this Agreement shall have an initial term of 12 months from the date hereof and shall be automatically renewed for successive 12 month terms. This Agreement shall automatically terminate upon written notice to Advisor of the death, legal disability or bankruptcy of Client. Notice shall be deemed given on the close of business on the day such notice is actually received by Advisor. In addition, either party may terminate this Agreement by giving the other written notice prior to the expiration of the initial or any renewal term that the party elects to terminate the Agreement. Termination shall be effective on the date such written notice is deemed given pursuant to Section 24 of this Agreement, advisory fees payable to Advisor will be calculated as if the date of termination were the end of the quarter and pro-rated accordingly. **UNLESS CLIENT HAS RECEIVED A COPY OF PART II OF ADVISER'S FORM ADV AT LEAST FORTY-EIGHT (48) HOURS PRIOR TO THE EXECUTION OF THIS AGREEMENT, CLIENT MAY, WITHOUT PENALTY, TERMINATE THIS AGREEMENT WITHIN FIVE (5) BUSINESS DAYS AFTER ENTERING INTO THIS AGREEMENT.**

14. **Proprietary Information.** Client agrees that the Adviser's investment recommendations, methods, positions, and money management techniques are proprietary and are not to be disclosed to any other person under any circumstances without the prior written consent of the Advisor.

15. **Trading by Principals of Advisor for their own Accounts; Management of other Accounts by Advisor.** The Advisor may in the future trade securities for its own account. The principals and employees of the Advisor currently invest for their own accounts and will continue to so invest. Client acknowledges that Advisor currently advises and manages other securities accounts and intends to do so in the future. To a certain extent, Client may be competing with other clients of Advisor in the purchase and sale of securities. In the case of such conflict, the Advisor's policy is to give orders priority based upon the time they are authorized by the Client.

16. **Independent Contractor.** The Advisor shall be deemed to be an independent contractor under this Agreement and, unless otherwise expressly provided or authorized, shall have no authority to act for or represent the Client in any way or otherwise be deemed an agent of the Client.

17. **Non-Exclusive Agreement.** The services of the Advisor to the Client under this Agreement are not to be deemed inclusive, and the Advisor shall be free to render similar services or other services to others so long as its services hereunder are not impaired thereby.

18. **Liability.** The Advisor shall not be liable for any error of judgment or of law, or for any loss suffered by the Client in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Advisor in the performance of its obligations and duties, or by reason of its reckless disregard of its obligations and duties under this Agreement. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing herein shall in any way constitute a waiver or limitation of any rights which the undersigned may have under any federal securities laws.

19. **Assignment.** This Agreement shall not be assignable by Client or Advisor and shall be binding upon the parties hereto, their heirs, respective legal representatives and successors.

20. **Integration.** This Agreement embodies the entire agreement and understanding among the parties relating to the subject matter of this Agreement and supersedes all written or oral agreement between Advisor, Client and any officer, director, employee and/or shareholder of Advisor. There are no other agreements, representations, warranties or statements, either oral or in writing, Agreement with respect to the subject matter of this Agreement except those expressly set forth in this.

21. **Applicable Law.** This Agreement and the rights of the parties shall be governed by and construed and enforced in accordance with the laws of the State of California.

22. **Severability.** In case any one or more of the provisions contained in this Agreement, or any application of the provisions, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement, and any other application hereof, shall not in any way be affected or impaired.

23. **Captions for Convenience.** The captions and headings in this Agreement are for convenience only and shall not be considered in interpreting any provision of this Agreement.

24. **Waiver and Amendment.** No breach of any provision of this Agreement can be waived unless in writing. Waiver of any one breach shall not be deemed to be a waiver of any other breach. This Agreement may be amended only by a written agreement executed by all parties hereto at the time of the modification.

25. **Notices.** Any notices required to be given hereunder shall be in writing and sent by certified or registered mail, return receipt requested, to Advisor at 4115 Blackhawk Plaza Circle, Suite 200, Danville, California 94506, and to Client at the address set forth below his/her signature to this Agreement. Either party may change his/her address by giving notice in the manner set forth in this Section. The new address shall be effective for the purposes of this Section on the tenth day after the giving of the notice of new address, and shall remain the notice address for the purposes of all notices or communications required or permitted to be given pursuant to this Agreement. Notices to Client from Advisor shall be deemed given as of the close of business on the first business day after mailing. Notices to Advisor from Client shall be deemed given as of the close of business on the day such notices are actually received by Advisor.

26. **Arbitration of Disputes.** In the event of a dispute in any manner relating to or arising out of this Agreement, the parties agree to promptly meet and confer in an attempt to resolve the matter privately. All such disputes which the parties are unable to resolve themselves (regardless of whether such dispute arises before or after any termination of this Agreement and including whether any matter is subject to arbitration hereunder) shall be resolved through binding arbitration conducted before a single arbitrator under the Comprehensive Arbitration Rules and Procedures of Judicial Arbitration and Mediation Services, Inc./Endispute, Inc. in Contra Costa County, California. The decision or award of the arbitrator shall be binding upon the parties and shall be enforceable by a judgment entered in a state or federal court in California having jurisdiction over the matter. The arbitrator shall have the authority to order such limited discovery as he or she deems appropriate. The parties hereby expressly waive any rights to have any disputes determined by a jury.

NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THE ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Advisor _____ Client _____ Client _____

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the _____ day of _____, 2009.

INDIVIDUAL, PARTNERSHIP
AND JOINT ACCOUNTS

Signature or Signature
of General Partner of Client

Client's Name - Printed

Joint Signature – Joint Account(s) Only

Joint Client's Name – Joint Account(s) Only - Printed

Client's Street Address

City, State, Zip

Advisor: _____ Client's _____

Watermark Asset Management, Inc.

By: _____

Mark I. Miller, President

ATTACHMENT A

Fee Schedule for
Watermark Asset Management, Inc.
Investment Advisory Agreement for

Dated

YEARLY FEE SCHEDULE (prorated quarterly and based on the account value of the accounts managed by Watermark on the last day of the period quarterly)

Rates are .25% (25 Basis Points) on account balances:

Accounts Covered by this Agreement:

Client Initials: _____

Advisor Initials: _____

1.

OMB APPROVAL OMB Number: 3235-0049 Expires: February 28, 2011 Estimated average burden hours per response . . . 4.07
--

Name of Investment Adviser: Parnham Asset Management, Inc.				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code Telephone Number
4115 Blackhawk Plaza Circle #200	Danville	CA	94506	925 648-4730

This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.

Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Advisory Services and Fees	2
2	Types of Clients.	2
3	Types of Investments.	3
4	Methods of Analysis, Sources of Information and Investment Strategies.	3
5	Education and Business Standards.	4
6	Education and Business Background.	4
7	Other Business Activities.	4
8	Other Financial Industry Activities or Affiliations.	4
9	Participation or Interest in Client Transactions.	5
10	Conditions for Managing Accounts.	5
11	Review of Accounts.	5
12	Investment or Brokerage Discretion.	6
13	Additional Compensation.	6
14	Balance Sheet.	6
	Continuation Sheet.	Schedule F
	Balance Sheet, if required.	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential Persons who are not to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

1. A. Advisory Services and Fees. (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- | | |
|---|-------|
| <input checked="" type="checkbox"/> (1) Provides investment supervisory services | 96 % |
| <input type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services | ___ % |
| <input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above | 4 % |
| <input type="checkbox"/> (4) Issues periodicals about securities by subscription | ___ % |
| <input type="checkbox"/> (5) Issues special reports about securities not included in any service described above | ___ % |
| <input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which client may use to evaluate securities | ___ % |
| <input type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities | ___ % |
| <input type="checkbox"/> (8) Provides a timing service | ___ % |
| <input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above | ___ % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?

Yes No

C. Applicant offers investment advisory services for: (check all that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input checked="" type="checkbox"/> (2) Hourly charges | <input type="checkbox"/> (5) Commissions |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input type="checkbox"/> (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of Clients** -- Applicant generally provides investment advice to: (check those that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations |
| <input type="checkbox"/> B. Banks or thrift institutions | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | <input type="checkbox"/> G. Other (describe on Schedule F) |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans | |

3. **Types of Investments** Applicant offers advice on the following: (check those that apply)

- A. Equity securities
- (1) exchange-listed securities
 - (2) securities traded over-the-counter
 - (3) foreign issuers
- B. Warrants
- C. Corporate debt securities
(other than commercial paper)
- D. Commercial paper
- E. Certificates of deposit
- F. Municipal securities
- G. Investment company securities:
- (1) variable life insurance
 - (2) variable annuities
 - (3) mutual fund shares
- H. United States governmental securities
- I. Options contracts on:
- (1) securities
 - (2) commodities
- J. Futures contracts on:
- (1) tangibles
 - (2) intangibles
- K. Interests in partnerships investing in:
- (1) real estate
 - (2) oil and gas interests
 - (3) other (explain on Schedule F)
- L. Other (explain on Schedule F)

Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- (1) Charting
- (2) Fundamental
- (3) Technical
- (4) Cyclical
- (5) Other (explain on Schedule F)

B. The main sources of information applicant uses include: (check those that apply)

- (1) Financial newspapers and magazines
- (2) Inspections of corporate activities
- (3) Research materials prepared by others
- (4) Corporate rating services
- (5) Timing services
- (6) Annual reports, prospectuses, filings with the Securities and Exchange Commission
- (7) Company press releases
- (8) Other (explain on Schedule F)

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- (1) Long term purchases (securities held at least a year)
- (2) Short term purchases (securities sold within a year)
- (3) Trading (securities sold within 30 days)
- (4) Short sales
- (5) Margin transactions
- (6) Option writing, including covered options, uncovered options, or spreading strategies
- (7) Other (explain on Schedule F)

Applicant:
Watermark Asset Management, Inc.

SEC File Number:
801- 57796

Date:
03/31/2005

5. Education and Business Standards.

Yes No

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?.....

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- | | |
|-----------------|--|
| • name | • formal education after high school |
| • year of birth | • business background for the preceding five years |

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

<input type="checkbox"/> (1) broker-dealer	<input checked="" type="checkbox"/> (7) accounting firm
<input type="checkbox"/> (2) investment company	<input type="checkbox"/> (8) law firm
<input type="checkbox"/> (3) other investment adviser	<input type="checkbox"/> (9) insurance company or agency
<input type="checkbox"/> (4) financial planning firm	<input type="checkbox"/> (10) pension consultant
<input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant	<input type="checkbox"/> (11) real estate broker or dealer
<input type="checkbox"/> (6) banking or thrift institution	<input type="checkbox"/> (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

Yes No

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?...

(If yes, describe on Schedule F the partnerships and what they invest in.)

9. Participation of Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes No

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggers factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Advisor reviews each investment supervisory services client account on a continuous basis. Particular attention is devoted to the client's investment holdings in light of anticipated risk, the economic and geopolitical environment and tax consequences of changing a portfolio position. Portfolios are rebalanced when asset class allocations move beyond investment policy guidelines. Investment changes may be triggered by economic conditions, changes in the client risk profile, a fundamental change in an investment offering, or risk and return characteristics that are no longer acceptable. Reviews cover items the client and the advisor feel are appropriate under the circumstances including tax and estate planning, insurance, and investment performance. Accounts are reviewed by Watermark personnel. Advisor's President has final authority for determining investment recommendations and establishing investment advisory policy.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Advisor utilizes various software programs to determine asset allocation, price, position and research information. Quarterly and year-end investment tax reports are generated and sent to investment advisory clients. Additional information is provided on an "as needed" basis. Clients receive trade confirmations, and monthly, quarterly and annual reports from the custodial broker-dealer.

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- | | | |
|--|-------------------------------------|-------------------------------------|
| (1) securities to be bought or sold? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used? | Yes | No |
| | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (4) commission rates paid? | Yes | No |
| | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? Yes No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commission higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | |
|---|-------------------------------------|--------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
 - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? Yes No

Your Name: Watermark Asset Management, Inc.
Date: February 29, 2008

SEC File No: 57796
CRD No: 108407

Certain items in Part 1A of Form ADV require additional information on Schedule D. Use this Schedule D Page 1 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

This is an INITIAL or AMENDED Schedule D Page 1.

SECTION 1.B. Other Business Names

List your other business names and the jurisdictions in which you use them. You must complete a separate Schedule D for each business name.

Check only one box: Add Delete Amend

Name _____

Jurisdictions _____

SECTION 1.F. Other Offices

Complete the following information for each office, other than your *principal office and place of business*, at which you conduct investment advisory business. You must complete a separate Schedule D Page 1 for each location. If you are applying for registration, or are registered, only with the SEC, list only the largest five (in terms of numbers of *employees*).

Check only one box: Add Delete

(number and street)

(city)

(state/country)

(zip+4/postal code)

If this address is a private residence, check this box:

(area code) (telephone number)

(area code) (facsimile number)

SECTION 1.I. World Wide Web Site Addresses

List your World Wide Web site addresses. You must complete a separate Schedule D for each World Wide Web site address.

Check only one box: Add Delete

World Wide Web Site Address: watermarkasset.com

SECTION 1.K. Location of Books and Records

Complete the following information for each location at which you keep your books and records, other than your *principal office and place of business*. You must complete a separate Schedule D Page 1 for each location.

Check only one box: Add Delete Amend

Name of entity where books and records are kept: Saf Keep Storage

200 Purdue Road

(number and street)

San Ramon

CA

94583

(city)

(state/country)

(zip+4/postal code)

If this address is a private residence, check this box:

(area code) (telephone number)

(area code) (facsimile number)

This is (check one):

one of your branch offices or affiliates.

a third-party unaffiliated recordkeeper.

other.

Briefly describe the books and records kept at this location:

1 copies of electronically stored documents.

Your Name: Watermark Asset Management, Inc.
Date: February 29, 2008

SEC File No: 57796
CRD No: 108407

Use this Schedule D Page 4 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

This is an INITIAL or AMENDED Schedule D Page 4.

SECTION 7.B. Limited Partnership or Other Private Fund Participation

You must complete a separate Schedule D Page 4 for each limited partnership in which you or a *related person* is a general partner, each limited liability company for which you or a *related person* is a manager, and each other private fund that you advise:

Check only one box: Add Delete Amend

Name of Limited Partnership, Limited Liability Company, or other Private Fund: _____

Name of General Partner or Manager: _____

If you are registered or registering with the SEC, is this a "private fund" as defined under SEC rule 203(b)(3)-1? yes no

Are your *clients* solicited to invest in the limited partnership, limited liability company, or other private fund? yes no

Approximately what percentage of your *clients* have invested in this limited partnership, limited liability company, or other private fund? _____

Minimum investment commitment required of a limited partner, member, or other investor: \$ _____

Current value of the total assets of the limited partnership, limited liability company, or other private fund: \$ _____

SECTION 10 Control Persons

You must complete a separate Schedule D Page 4 for each *control person* not named in Item 1.A. or Schedules A, B, or C that directly or indirectly *controls* your management or policies.

Check only one box: Add Delete Amend

Firm or Organization Name _____

CRD Number (if any) _____ Effective Date _____ (mm/dd/yyyy) Termination Date _____ (mm/dd/yyyy)

Business Address:

(number and street)

(city)

(state/country)

(zip+4/postal code)

If this address is a private residence, check this box:

Individual Name (if applicable) (Last, First, Middle) _____

CRD Number (if any) _____ Effective Date _____ (mm/dd/yyyy) Termination Date _____ (mm/dd/yyyy)

Business Address:

(number and street)

(city)

(state/country)

(zip+4/postal code)

If this address is a private residence, check this box:

Briefly describe the nature of the *control*:



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

Applicant: Watermark Asset Management, Inc.	SEC File Number: 801- 57796	Date: 06/09/2008
--	--------------------------------	---------------------

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

I. Full name of applicant exactly as stated in Item 1A of Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
---	-----------------------

Item of Form (identify)	Answer
General	<p>Each investment advisory client will be given a copy of Part II of Form ADV, including Schedule F, or a brochure containing similar information.</p> <p>Clients are under no obligation to act on advisor's recommendations. Furthermore, if clients elect to act on any of advisor's recommendations, they are under no obligation to effect any transactions through advisor or through any related person.</p> <p>Advisor has a written contract, and/or utilizes a "Statement of Understanding" with advisory clients. Advisor's investment advisory services will be limited to those services described in its application. In certain circumstances, Advisor will act as Co-Trustee or Successor Trustee for Watermark Asset Management, Inc. clients. In this situation, Advisor will be deemed to have custody of client assets. Separate trustee fees may apply. Fees will not be charged six months or more in advance. All fees are negotiable.</p> <p>Either client or advisor may terminate an investment advisory contract by written notice to the other delivered either personally or by mail. Upon termination, advisor will summarize all work done. Advisory fees payable to advisor will be calculated as if the date of termination were the end of the quarter and pro-rated accordingly.</p>

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

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

Applicant: Watermark Asset Management, Inc.	SEC File Number: 801- 57796	Date: 06/09/2008
--	--------------------------------	---------------------

(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 Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
---	-----------------------

Item of Form (identify)	Answer									
1.A.(1)	<p>Subject to client approval, advisor may furnish investment supervisory services in the following manner: Advisor will monitor client's situation daily, throughout the year, calling client as necessary. Advisor will review account quarterly and annually with client to discuss situation in more detail. Advisor accepts a limited power of attorney from certain advisory clients to effect transactions. Client will be billed for this type of service quarterly after the work has been performed. Compensation is based on the following negotiable Fee Schedule:</p> <p>YEARLY FEE SCHEDULE (prorated quarterly and based on the account value on the last day of the period/quarter):</p>									
1.C.(1)	<p>For individual Investors and corporate Retirement Plans.</p> <p>Account Balance:</p> <p>Rates are tiered and calculated:</p> <table> <tr> <td>On the First</td> <td>\$ 1,000,000</td> <td>1.00%</td> </tr> <tr> <td>Next</td> <td>\$ 1,000,000</td> <td>0.50%</td> </tr> <tr> <td>Assets Above</td> <td>\$ 2,000,000</td> <td>0.25%</td> </tr> </table> <p>Hourly charges may apply for additional services such as employee education meetings, specialized reporting, travel and so on.</p> <p>Watermark Asset Management, Inc. advisory fees are separate and may be in addition to fees charged by mutual fund companies, brokerage firms, custodians or other service providers.</p>	On the First	\$ 1,000,000	1.00%	Next	\$ 1,000,000	0.50%	Assets Above	\$ 2,000,000	0.25%
On the First	\$ 1,000,000	1.00%								
Next	\$ 1,000,000	0.50%								
Assets Above	\$ 2,000,000	0.25%								
1.A.(3)	<p>Advisor will furnish investment advice through consultations at the hourly rate below plus expenses. Advisor will not charge for introductory informational meetings. Financial plans will be prepared for a fee in an hourly cost range of \$100 - \$250, with the client approving the amount beforehand, and will be negotiated based on the complexity of the account relationship. The fee for preparing the plan will be estimated by the planner and given to the client before the plan is begun. If additional work becomes necessary the client will be contacted for approval of the amount before it is undertaken. In all cases the client will have the option of agreeing or not before work is undertaken on his behalf. 25% of the payment will be due when the work is authorized by the client, 25% due upon presentation of the draft and 50% upon the completed</p>									

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

Applicant: Watermark Asset Management, Inc.	SEC File Number: 801- 57796	Date: 06/09/2008
--	------------------------------------	-------------------------

(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 Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
---	-----------------------

Item of Form (identify)	Answer
3.L.	work. Advisor will use other professionals as necessary in working for client, with the client's prior approval.
5.	Investment advice and recommendations may also be provided on investments such as limited partnerships, private placements and closely held limited liability companies.
6.	<p>Minimum standards generally include a 4-year college degree, five years' business experience in the investment field and/or completion of NASD Series 65 exam, or equivalent experience.</p> <p>Education and Business Background:</p> <p>Mark I. Miller, born 1954</p> <p>Education: Stanford University, AB Degree in English 1980; University of Santa Clara, graduate study in Business Administration 1982; Cal State University Hayward, graduate study in English 1983; College for Financial Planning, Master of Science Degree in Financial Planning 2003.</p> <p>Business: President, Watermark Asset Management, Inc. 1997 to present.</p> <p>Eric T. Lai, born 1978</p> <p>Education: University of California Los Angeles, BA Degree in Economics with Specialization in Computing 2000; California School of Culinary Arts, Le Cordon Bleu Culinary Arts Associate of Occupational Studies Degree 2002; College for Financial Planning, CFP® Certification Professional Education Program 2006; CERTIFIED FINANCIAL PLANNER™ Certificant 2006; UCLA Anderson School of Management, Fully Employed MBA 2007-Present.</p> <p>Business: Watermark Asset Management, Inc., Investment Advisor 2003 - Present.</p> <p>John R. Wenzel, born 1985</p> <p>Education: San Diego State University, BA Degree in Financial Services with a Certificate in Personal Financial Planning 2007; CA Life-Only and Accidental & Health Insurance Licensee #0F60526 2007; Candidate for CFP® Certification</p>

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

Applicant: Watermark Asset Management, Inc.	SEC File Number: 801-57796	Date: 06/09/2008
--	-------------------------------	---------------------

(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 Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
---	-----------------------

Item of Form (identify)	Answer
7.B.	<p>2007-Present.</p> <p>Business: First Command Financial Services, Inc. Intern 2006-2007; Watermark Asset Management, Inc. Analyst 2007-Present.</p> <p>Watermark may, at times, contract with CPA firms for tax return preparation and accounting services for Watermark clients. Fees are hourly and range between \$100 and \$250 per hour depending on the complexity of the work. Fees are negotiable and may be paid by Watermark on behalf of the client.</p>
8.C.(7)	<p>Watermark employs Richard Souther, CPA as a representative for Watermark Asset Management, Inc. Additionally, Mr. Souther maintains his own CPA practice separate from Watermark. Watermark may, at times, contract with Richard Souther for tax return preparation and accounting services for Watermark clients.</p>
9.E.	<p>Advisor may recommend the purchase or sales of securities in which it or persons affiliated with advisor may have a position. Advisor or persons affiliated with advisor may also purchase or sell securities that have been recommended to clients. Any situations which may be reasonably expected to be conflicts of interest will be fully disclosed to clients.</p> <p>Code of Ethics</p> <p>Watermark Asset Management, Inc., conducts its business according to a Code of Ethics adopted by the firm. The code sets forth the following: (a) persons subject to the Code, (b) standards of ethical conduct governing the firm and those subject to the code, (c) means of protecting material nonpublic information, (d) methods for overseeing personal securities trading, (e) initial public offerings and private placement approval process for access persons, (f) internal method for reporting violations, (g) means of educating employees about the code, (h) how the advisor reviews and enforces the code, (i) a requirement that advisors need to keep copies of their codes and related records for five years, and (j) a requirement to amend Form ADV to describe the Code and offer to provide a copy of it to clients and prospects upon request.</p> <p>Watermark will provide a copy of its Code of Ethics to clients and prospects upon request. It is also available on the firm's website at www.watermarkasset.com.</p>

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

Applicant: Watermark Asset Management, Inc.	SEC File Number: 801- 57796	Date: 06/09/2008
--	------------------------------------	-------------------------

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

i. Full name of applicant exactly as stated in Item 1A of Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
---	-----------------------

Item of Form (identify)	Answer
12.A.(1) 12.A.(2)	Advisor will obtain from certain clients limited powers of attorney to effect certain types of trades, subject to limitations specified by the clients. For such trades advisor will direct the execution of the trades unless the limited power of attorney expressly designates some other arrangement.
12.B 13.A	<p>Advisor may require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Advisor is independently owned and operated and not affiliated with Schwab. Schwab provides Advisor 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. 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 would require a significantly higher minimum initial investment.</p> <p>For Advisor's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.</p> <p>Schwab also makes available to Advisor other products and services that benefit Advisor but may not benefit its clients' accounts. Some of these other products and services assist Advisor 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 Advisor'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 Advisor's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to Advisor other services intended to help Advisor 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 Advisor by independent third parties. Schwab Institutional</p>

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

Applicant: Watermark Asset Management, Inc.	SEC File Number: 801- 57796	Date: 06/09/2008
--	--------------------------------	---------------------

(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 Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
---	-----------------------

Item of Form (identify)	Answer
13.B	<p>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 Advisor. While as a fiduciary Advisor endeavors to act in its clients' best interests, and Advisor's requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Advisor 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.</p> <p>A company may provide for and pay for investment advice for its employees; also, under ERISA rules, either a company or a plan may pay for investment advice, as determined by the ERISA plan documents.</p> <p>Watermark may compensate its employees for the generation of new business. Client fees are not affected by compensation arrangements Watermark has with its employees.</p>