One of the Perpetual Wealth Advisors ("PWA") service offerings is Assets Management. The PWA approach to asset management is to determine the return necessary to achieve client goals in the time required without taking excessive risk to obtain those returns. PWA believes that return requirements should be based on real (inflation-adjusted), after-tax returns since simply growing portfolios will not achieve goals if the cost of living (i.e. price of those goals) grows faster than the portfolio itself.

For shorter-term goals, there is little flexibility to allow for market fluctuations. As such, PWA will generally guide the client to conservative goals over the short-term which lead to relatively stable returns from investments in low-risk securities. Seeking extraordinary returns over the short term to achieve a goal is gambling and is not condoned by PWA's investment philosophy. For longer-term goals, there is much more flexibility to allow for short-term market fluctuations. PWA believes that long-term historical market averages provide a reasonable basis for future expectations (though cannot be guaranteed). With this belief, PWA guides its clients towards more aggressive, yet still reasonable, long-term goals. This means that funds for longer-term goals can be invested in a manner that accepts greater risk, as long as that risk is commensurate with the expected return of the investment. When investing toward a long-term goal, clients should be prepared to endure the sharp and sometimes prolonged declines in account values that may occur from time to time in any investment program. This price volatility is the trade-off for the potentially high returns that can be achieved over the long-term.

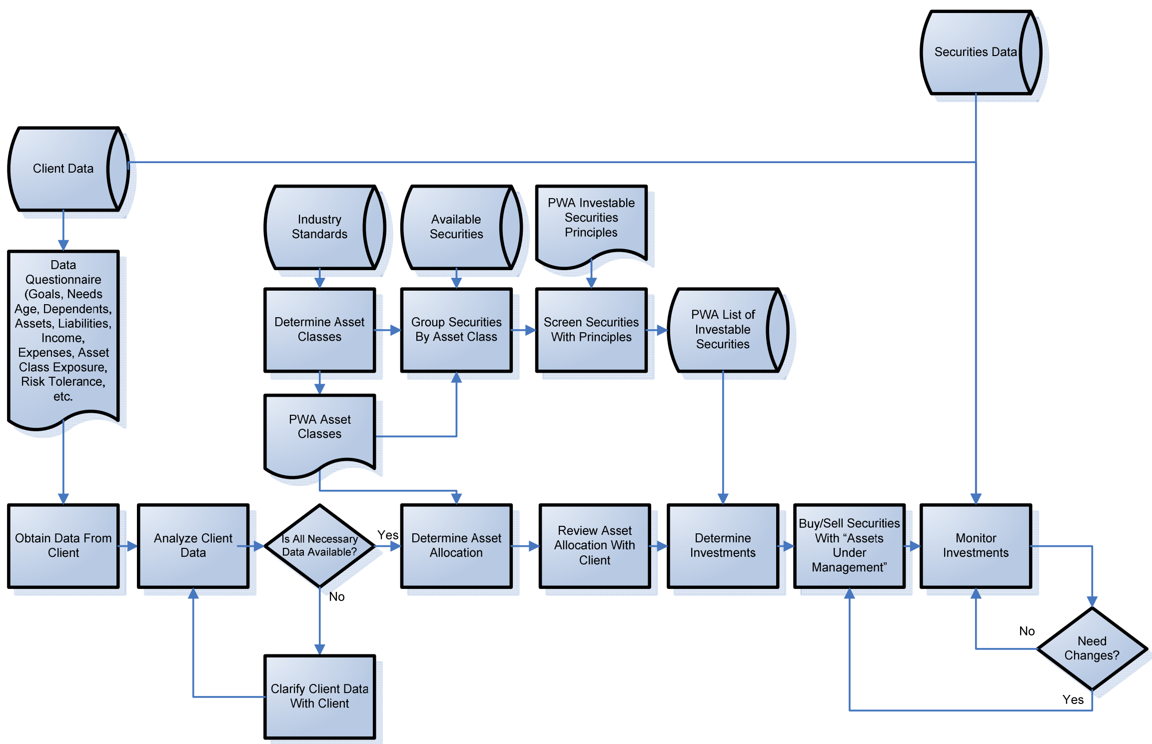
It is important that clients understand that under the PWA approach, the desired result is not to generate investment returns that exceed an arbitrary benchmark or index. Rather it is to achieve the personal financial goals of the client by avoiding excessive risk and generating the necessary returns.

Once the appropriate level of risk, the necessary level of return, and current financial situation for a given client is identified, PWA determines a particular asset allocation for that client. Within the specific asset allocations, investments are selected based on fundamental and cyclical (macroeconomic) analysis, with timing of investment sometimes influenced by technical analysis. PWA generally seeks broad market exposure and as such, invests the majority of client funds in ETFs or, for market segments not properly reflected by an investment-worthy ETF, in low-fee mutual funds. In some cases, PWA may invest in individual stocks with the goal of speculation, when it is appropriate given the client's risk tolerance. When individual stocks are included in a client portfolio, they are used in a way that maintains overall market exposure as determined by the desired asset allocation. PWA will also incorporate equity, index, or ETF options for covered call writing, hedging, or other advanced option strategies in some cases. PWA may participate in short sales in eligible accounts in some cases to hedge a falling market or market sector.

The majority of investment purchases in non-tax advantaged accounts are long-term purchases as they provide clients with the advantage of long-term capital gains treatment of sales. Tax-deferred or tax-exempt (Roth-like) accounts may have a larger portion of short-term holdings and/or income related investments such as written covered calls since taxes on any investment turnover can be deferred in these accounts.

PWA will use the asset allocation, required returns, and risk tolerance as determined from the client's financial plan, as well as any other specific instructions provided by the client, to determine specific investments for the client's "Assets Under Management". PWA will recommend that clients maintain and/or establish, in their name, accounts into which they shall deposit funds and/or securities, which shall be referred to as "assets under management." "Assets Under Management" is defined to include: all investments and securities (including both taxable and tax-deferred), trusts, stock options, retirement plans, IRA's, custodial accounts, investment real estate, limited partnerships, LLCs, and variable insurance products for which the client wishes that PWA provide advice. "Assets under management" do not include: client's personal use assets (such as residences and vehicles), collectibles (such as artwork and coins), defined benefit retirement plans, social security benefits, certain real estate, and closely held business interests. The client's "assets under management" are defined in the Asset Management Agreement.

As part of this service, PWA will direct, in PWA's discretion, the investment and reinvestment of the assets under management. These investments could include US or Foreign, large or small cap equities, options, corporate or government debt, real estate, money market funds, or other cash equivalents. The Asset Management program provides ongoing monitoring, adjustments, and reporting such that progress toward goals can be tracked and maintained. A process flow of the PWA Asset Management program is shown below.



One of the keys of the asset management process is PWA's Investable Securities Principles. These principles allow PWA to determine a source of securities per asset class that can be used to meet the investment requirements of the client. These principles are:

- Avoid funds that require paying annual fees over 1%. PWA believes that it is exceptionally difficult for a large fund to continually outperform the market and even more difficult to outperform the market by more than 1%. While some fees are reasonable to create diversified exposure to a market sector without charging transaction fees for each security, fees over 1% are deemed too high and generally will disqualify the fund from use by PWA.
- If there is an ETF that will give diversified exposure to an asset class and it has a proven performance that tracks the performance of that asset class, choose it over a mutual fund that attempts to do the same. While a transaction fee will apply to the ETF, it will generally have lower annual fees than the mutual fund which will more than make up for the transaction cost.
- Given the choice between the two, PWA prefers "value" funds over "growth" funds as they have historically given a better reward per unit of risk.
- 80-100% of client portfolios will be maintained in diversified funds. PWA prefers diversification to individual investments as it has proven to reduce risk more than it reduces expected return. However, if PWA feels strongly about a particular security or sector, and it is suitable for client's portfolio, PWA may choose it with speculative intent.
- For taxable accounts, PWA prefers investments that can be considered long-term (e.g. funds with low turnover), that do not pay high dividends and that do not pay high interest due to the tax consequences.
- All else being equal, PWA prefers liquid investments with low spreads between bid and ask prices as this spread equates to an additional transaction fee.
- PWA believes that clients need total returns, not any particular type of return (income, dividends, gains). The traditional concept of an 'income' portfolio is archaic and places unnecessary and inappropriate restrictions on portfolio design. So long as the portfolio can provide the liquidity necessary for the client's needs, the source of the returns that provide that liquidity are irrelevant.
- PWA believes that tax policy must be considered when constructing and maintaining a portfolio. However, the goal of tax planning should be to maximize after-tax returns, not to minimize taxes.

Note that the above principles are just that. They are not set in stone and do not provide PWA with a complete set of decision rules to determine the investability of a fund or individual security. There is a significant amount of thought that goes into security selection, portfolio construction, and portfolio maintenance on an individual basis for each client.

PWA believes that there should be regular review of the client's situation to determine progress toward achieving specified goals. This includes revisions to strategic allocations as a result of modified assumptions or changing client circumstances or goals. Throughout the process, PWA continues to educate clients, always remaining sensitive to the volatility of each one's expectations. PWA's responsibility is to assure that our client 'stays the course' and does so with a minimum of emotional pain. The focus should always be the client and the achievement of specified goals, not the performance of the portfolio.