YOUR RIGHTS AND RESPONSIBILITIES AS A FRANKLIN WEALTH MANAGEMENT CLIENT

Your Guide to a Better Understanding of the Wealth Management Process

Your Rights as a Client:

Courteous Service **||** A Trustworthy and Competent Wealth Advisor

Recommendations Made in Your Best Interest **||** Timely Transactions at the Best Available Prices

Comprehensive Statements and Trade Confirmations **||** Independent Conflict Free Advice

Strict Confidentiality **||** Clear & Transparent Communications

Introduction

Investing is serious business. All investments involve risks that can result in losses even though the goal is to preserve and increase wealth. We believe you should have every opportunity to understand the risks, rewards and implications of the investment alternatives and services, as well as financial planning and investment strategies, offered for your consideration. With that in mind, we are providing you this explanation of **Your Rights and Responsibilities** as a Franklin Wealth Management client, either because you are a new client or as a periodic, updated reminder. We are very proud to offer our clients their own "bill of rights." We encourage you to invest a little time now to read this important document before proceeding further with your financial planning and investment program. **Even if you have read a prior version, you should read this revised edition as it has been updated to include new, important information related to new investment alternatives and investment risks.**

Our investment philosophy goes beyond the primary objectives of preservation of principal, generation of income and capital appreciation. While there is no doubt these are important objectives for you, a personalized investment plan which results from exemplary service, education, and appropriate risk management, can lead to more peace of mind.

Therefore, all Franklin Wealth Management wealth advisors, including the one you have selected, are professionals supported by experienced associates who handle the execution and processing of transactions, a state-of-the-art computer system to generate comprehensive account statements, online client services to give you convenient access to your accounts, and knowledgeable in house support staff to handle many ongoing issues many times before you even think of them.

While having all of this support available to you is comforting, we believe it is critically important that you first understand the investment process, and your rights and obligations as an investor so that you may better utilize our support.

We believe this document is one of the most complete descriptions of the practical considerations dealing with investments. Furthermore, the "20 Keys to Better Investing" are useful in dealing with other firms. You should retain it for reference purposes after reading it upon receipt. Our hope is that you will become more knowledgeable as a result of reading this material and, as an informed investor, you will make better financial planning and investment decisions with assistance from your Franklin Wealth Management wealth advisor.

Thank you for selecting Franklin Wealth Management for your financial planning and investment needs. Our goal is to provide you advice, investment alternatives and services designed to help you attain your financial objectives. Since we are committed to enhancing our service, we solicit your suggestions for improvements. Please feel free to offer these to us at any time.

We appreciate and thank you for your business.

A Franklin Wealth Management Client's Bill of Rights

1. **A client is entitled to courteous service** from his or her wealth advisor and all other associates of our firm.

2. **A client has the right to work with a trustworthy, independent professional wealth advisory team which is competent in financial planning matters and investing**. This team should be available at all times to answer questions and encourage you to participate in regular progress reviews, as well as communicate with you on a regular basis. As a client, you have the right to ask your wealth advisor for, and to receive, information about his or her work history and background, and to contact your state or provincial securities agency to verify the employment and disciplinary history of a wealth advisor and our firm.

3. **All financial planning and investment recommendations should be based upon the best interest of the client.** Many Wall Street firms are only required to recommend what is "suitable" whether it is in the client's best interest or not. Some "suitable" investments pay Wall Street firms more than those which would be in the clients best interest.
   Registered Investment Advisors like Franklin Wealth Management are required to adhere to a higher standard known as a *fiduciary standard* which requires us to place the client's interest ahead of our own.

   In the event you initiate an investment decision without the benefit of or against the advice of your wealth advisor, the order ticket and trade confirmation will be marked "unsolicited", reflecting that the decision is your sole responsibility. For more proactive fee based accounts managed through the firm, the order ticket and confirmation will show that these orders are based upon the discretion of Franklin Wealth Management.

4. **Each client has the right to expect that recommendations will be made consistent with the objective of enhancing his or her financial well-being.** While the performance of individual investments can fail to achieve reasonable expectations and markets can underperform their historical averages, you have the right to receive recommendations based upon the goal of attaining superior performance in light of the facts and circumstances known at the time of investment selection. Unfortunately, future performance may not be consistent with goals and/or past performance.

5. **Reasonable investment alternatives suitable for a client's individual objectives should be presented with full disclosure of both risks and costs, as well as benefits. For fee based clients we adhere to an even higher fiduciary standard, as well.**

6. **A client has the right to know how your wealth advisor is paid, as well as all fees associated with being a client.** With some firms an exception to the above is that the commissions and trading profits are included in the purchase price of a security traded in a principal capacity. This is an inherent conflict of interest with many "Wall Street" firms that does not exist with an independent wealth management firm like Franklin Wealth Management.

7. **Your wealth advisor should project reasonable, achievable results to prevent the formation of unreasonable expectations.** But remember that many unforeseen factors can frustrate expectations and result in losses, particularly in the short term.

8. **Transactions should be executed in a timely fashion, at the best available price, with prompt reports to the client.**

9. **Information should be communicated understandably.**

10. **Client account statements should reflect all positions held and cash receipts and disbursements made by a broker/dealer**. With the exception of infrequently traded securities, all positions should be priced as accurately as possible. Fixed income securities prices are often estimated utilizing general formulas.

11. **Errors should be corrected and any complaints addressed promptly**. Please feel free to call and let us know if for any reason someone may have failed to follow through or done something in error.

12. **Information about a client's financial situation will be kept confidential**. **Franklin Wealth Management has the highest regard for your privacy.** We believe in your right to the privacy of your personal information. We do not sell personal information to anyone. When a client provides his or her wealth advisor personal information, such as name, e-mail address or telephone number, Franklin Wealth Management does not provide this information to any external organization unless we are required to by regulation, except as necessary to process a client's orders or provide the services requested, or by operation of law. Unless you request otherwise, we may share client information internally or with outside professionals that you are already working with to provide informed service.

A Franklin Wealth Management Client's Responsibilities

1. **A client should be forthcoming about his or her current financial situation, as well as his or her needs and objectives to assure that a wealth advisor can make appropriate recommendations.** We feel that clients should let us know about any changes in their life, feelings as it relates to financial issues and how we can improve our services. We prefer to hear both spouses views on risk and what they would like to accomplish in the future. Having both husband and wife available for meetings ensures that we are able to take into account all feelings and goals and communicate more effectively.

2. **A client must have cash or available margin buying power in his or her accounts or arrange payment for the purchase of securities by settlement date.** The settlement period for most securities transactions is three business days. A new client may be asked to make a deposit in advance of placing an order. Similarly, purchases of low-priced or volatile securities, or unusually large transactions, may require a deposit.

3. **In a fee based relationship, the client pays an annual fee for the advice and services provided by wealth advisor as a part of the relationship.** This fee is based upon financial planning services quoted ahead of time and based upon the level of assets in the client's account, independent of the level of trading activity. By deciding to pay a fee based on services provided rather than transactions, the client should understand that the fee may be higher or lower than the cost of a commission alternative. An investor should be satisfied with the total of all fees and commissions given the services provided.

4. **Financial planning and investment literature, prospectuses and/or other offering documents, when applicable, should be read carefully prior to making purchases.** Any questions should be directed to your wealth advisor. You should carefully consider all investment risks and/or considerations contained in the document. In the event you do not receive an offering document or prospectus, one should be requested. The time you dedicate to this decision-making process should reflect the financial importance of the decision.

5. **A client should report changes in his or her financial and personal circumstances** to the wealth advisor in a timely fashion to assure recommendations reflect all relevant factors.

6. **A client should make time to meet with his or her wealth advisor on a regular basis**, at least annually, to review and possibly revise financial planning strategies and investments based upon changing circumstances.

7. **When we do a good job for you with regard to our planning or investment services, we expect to be introduced to friends and acquaintances that you feel would benefit from our services.**

8. **A client should describe the investments made and the rationale for purchase** to a spouse or other relevant family member, as well as maintain accessible records of financial plans and investments transactions. We recommend that you prepare an annual balance sheet detailing all of your investments, including their locations.

9. **A client should understand all investments have some degree of risk** and it is possible to lose money on any investments. (Please see the section "Understanding Investment Risk" on page 7 for additional information.) Generally, low-priced or recently issued equity securities (initial public offerings or IPOs), and unrated or below "BBB" rated fixed income securities are considered among speculative investments. Even bonds and longer-term CDs have price risks in the event they are sold before maturity.

10. **A client should seek the advice of a tax professional, CPA, or attorney as appropriate.** Financial and investment planning inherently involves potential tax and legal implications. Within Franklin Wealth Management, several Wealth Advisors are qualified Certified Financial Planners which demonstrates that they are more than competent to advise on tax or estate planning issues. However, no individual at Franklin Wealth Management prepares taxes or drafts legal documents.

11. **When dealing with representatives of Franklin Wealth Management, only accept payments from LPL Financial.** Payment from any other business name or the representative, including cash, should be immediately reported to Franklin Wealth Management. You should never borrow from or lend money to a representative of a financial institution. By the same token, deposits should go directly to our custodian, LPL Financial. Wealth advisors are required to have clients make checks payable only to LPL Financial or another custodian such as a mutual fund company. Checks should only be written to Franklin Wealth Management for financial planning fees.

12. Just as clients are entitled to courteous service from his or her wealth advisor and all other associates of our firm, **we prefer to only work with clients who are courteous to our wealth advisors as well as our staff.** This includes reasonable expectations for service requests, giving 48 hours notice if needing to reschedule an appointment, and keeping the lines of communication open.

20 Keys to Better Investing

One of the fundamental building blocks requisite to the attainment of an individual's financial objectives is the establishment of a long-term relationship with his or her wealth advisor. A wealth advisor must be educated in the techniques of financial planning, possess an understanding of all the investment alternatives available in the marketplace and exhibit unquestionable honesty and concern for his or her client.

The relationship with your wealth advisor is most important in determining your financial future. Just as you would want to find a wealth advisor who is experienced, knowledgeable and trustworthy, wealth advisors also want to make sure all their clients have enough patience to be able to adhere to an investment philosophy, have the right temperament and believe in a long term win-win relationship. You should keep the following in mind when working with a wealth advisor:

1. Communicate frequently and frankly with your wealth advisor, particularly about your concerns with respect to any financial planning strategy, investment and/or compensation. An honest, sincere relationship is fundamental to the success of the client's efforts.
2. Work with a trained wealth advisor to develop an agreed-to financial plan that will guide investment decisions. Review it at least annually and revise as needed.
3. Don't reach for unrealistically high returns. Keep expectations realistic. Any investment which is represented to provide significantly higher-than-market-rate returns generally is not legitimate. Investments such as prime bank notes, special bonds or accounts that promise double-digit interest, are just a few examples of the ploys to part you from your money. If an investment sounds too good to be true, it probably is and may not perform up to expectations. In periods of low interest rates, higher investment returns imply risk to the value of the principal. Be skeptical about "guarantees". Wealth advisors cannot share losses or gains in a client's account.
4. While a prospectus or other investment literature can be intimidating, investing hard-earned dollars is a serious task and requires an investor's attention and involvement. With the assistance of a wealth advisor, read the literature and strive to understand the investment's fundamentals, risks, potential rewards and costs. For example, different features and commission rates may apply to each mutual fund or annuity among the thousands available in the market.
5. Always strive for diversity among investments, styles and portfolio managers, even when investments appear to offer limited risk. Due consideration by a client and an explanation of the incremental costs of diversification by the wealth advisor are integral to this decision-making process.
6. Establish cash distribution rate objectives on investments that are lower than actual earnings or yields. Since mutual funds, master limited partnerships (MLPs) and certain other investments often distribute more than earnings, clients should utilize a withdrawal plan that results in a growing principal account balance over the long run to compensate for inflation and growing cash flow requirements in the future.
7. An asset allocation model should be designed for a client, and a client and his or her wealth advisor should meet regularly to determine if the client's changing economic circumstances require revisions to his or her portfolio. The asset allocation model should err on the conservative side, but almost always include some quality equity exposure. Inflation requires a growing principal balance to maintain the client's standard of living. The wealth advisor should prepare meeting notes for the client's records.
8. All, or a substantial majority, of equity investments should be in managed portfolio models or in a diversified group of high-quality stocks. While emerging growth stocks and small capitalization stocks have a place in every wealthy investor's portfolio, and should make up a modest proportion of almost everyone's equity portfolio (with the exception of a retired person of insubstantial means), the majority of dollars should be in high-quality recognizable names with favorable prospects. It is often useful to establish a separate aggressive portfolio to ensure that a client and wealth advisor have the discipline to understand and limit the risk.

9. Part of an equity investment portfolio should be invested in foreign equities through professionally managed international mutual funds and/or managed portfolio models. Additional risks are associated with international investing.

10. Asset allocation models for high-net-worth clients should include some inflation hedges. Real estate investment trusts currently provide the most convenient vehicle. Other alternatives are also available for those clients who qualify.

11. As the name implies, income investments should always be purchased for the income they provide, but also for capital preservation. They should always be high investment grade unless a client is willing to assume incremental risk in exchange for the growth potential offered by income-producing equity investments such as dividend-paying stocks, bond funds or closed-end funds. Even then, the incremental yield may not be worth the risk.

12. Use margin sparingly for investment purposes. Leverage increases risk. However, if borrowing money for non-investment purposes, consider a Ready Access loan as it is often the lowest-cost alternative. Maintain the same discipline in paying down a Ready Access loan that you would with any other loan.

13. Treat IRAs and other qualified plan investments as very serious money and let the magic of compounding work with professionally managed stocks and bonds. Generally, do not fund qualified plans with partnerships or other complex investments because they can lead to reporting, valuation and tax problems. Before opening an IRA or qualified plan account, clients should carefully review the IRA Agreement and Disclosure document or qualified plan trust document provided by their wealth advisor and consult with him or her regarding any questions or concerns they may have.

14. Stick to your plan and maintain discipline in investing. Be a long-term investor and practice patience and adherence to an asset allocation model. Avoid the latest fads and "hot funds". Dollar-cost-average where possible -- continue to add to equity investments, if able, on a regular basis. Moving to reduce the risk in a portfolio from time to time based upon your goals may be prudent but moving to cash increases the risk that you miss market rallies, which often run in short bursts.

15. Be both receptive to and skeptical about new ideas. Evaluate them carefully and use them in moderation.

16. A successful investor is going to seek wise counsel to help them achieve their long term goals. A good wealth advisor will be able to help prevent you from making errors which are detrimental to your financial health, either due to over reactions or ignorance.

17. Everyone makes errors in investment selections. Learn to recognize an error and take losses early. It is generally far less painful to recognize a small loss than to ride it to zero. Do not make the mistake of waiting to recover the original cost.

18. Do not panic out of the market when investments have declined in value because of a general market decline. That is often the most opportune time to increase investment positions, as long as the fundamentals of the selections remain positive.

19. It is better to err on the side of conservatism than to be too aggressive.

20. Never purchase any securities outside of LPL Financial or another custodian and immediately ask the Franklin Wealth Management wealth advisor about any purchase you have made not reflected on your client statement.

If you follow these common sense rules of investing, your results should have a higher probability of success. Although none of these "rules" work all of the time and there are no "guarantees" in the world of investments, these disciplines have produced excellent results over the long term. A disciplined approach to investing, assisted by a wealth advisor with whom you have established a good relationship, will better enable you to attain your financial objectives.

Understanding Investment Risk

Securities investments, including mutual funds and even bonds, are not insured by the federal government against market loss.

All investments contain some measure of risk, from the high risks attendant to investing in small, unproven companies to the risks of price fluctuations based on interest rate changes in investments issued by the U.S. Treasury or banks. There are fundamental economic risks associated with the operation of any individual business, including maintenance of product quality, success in research and development to assure a flow of new commercial products, competition, and adequate cost control, to name just a few. Some of these risks may transcend the individual company and relate to the health of the industry and/or the U.S. and world economies. Furthermore, reasonable investment objectives can be frustrated by factors outside of anyone's control.

Typically, low-priced stocks and newly issued securities, as well as securities of historically unprofitable companies, are considered speculative in nature, involve more than normal risk and can experience volatile price behavior. For example, most stocks in new industries are relatively unproven companies whose valuations can materially exceed those based on traditional business methods. Call options are similarly speculative as the price declines over the option's life unless the underlying stock price moves up quickly. Although prospective investment returns may be higher than normal, only investors capable of sustaining the complete loss of their investment should purchase these securities.

In addition to the above fundamental factors, equity prices are affected by investors' perceptions of how the company, the industry, and/or the U.S. and world economies will perform. In any short period of time, perceptions can vary materially from reality. As a result, stock prices of companies with excellent results and fundamentals can decrease materially for substantial periods of time (e.g., in a bear market). In short, investments are subject to the impressions of others. Generally, this type of risk is mitigated by the length of time the security is held, as the stocks of companies exhibiting good long-term economic results generally perform well over an extended period of time. On the other hand, stocks driven by "irrational exuberance" (e.g., the "dot-coms") can lose 100% of their value.

The third principal risk involves the concept of duration. While holding fixed interest rate obligations until maturity provides return of principal, these investments vary in price as interest rates change during the life of the bond. Longer-term certificates of deposit are subject to the same risk. As interest rates rise, fixed income securities' prices generally fall to provide the market rate of return. Conversely, falling rates imply higher prices. While there are generally secondary markets for longer-term bonds and CDs, those markets can be illiquid and involve high spreads between the bid and ask prices, reflecting the infrequency of trading and the attendant risks to a market maker of finding a buyer at the appropriate price. Because of infrequent transactions in fixed income securities, many of the valuations on client account statements could be the last ("old") trade prices, costs or formulaic estimates of values – not bid prices – and may not reflect what a client might receive at the time of sale. Always consult with a wealth advisor for a current bid or ask quote before initiating a transaction. Fundamental factors that might influence the issuer's ability to pay also affect prices. If the debt instrument is subject to changes in interest rates by its terms, that can also negatively impact market price.

All but the most sophisticated and affluent investors should avoid purchasing significant amounts of fixed income securities that are unrated or rated below "BBB" including high-yield (below investment grade) mutual funds. Although yields are normally higher to reflect the increased risk, issuers may fail to pay interest or be unable to make required principal payments, resulting in a loss of capital or a delay in the receipt of funds. Generally, investors should limit purchases of such securities, if any, to a modest amount of their portfolio and consider them equity alternatives. Similarly, many closed-end funds utilize lower- quality securities with leverage to enhance yield, which can generate principal losses, particularly in periods of rising interest rates.

Limited partnerships are generally illiquid and should not be purchased unless an investor is prepared to own them until the time the partnership is scheduled to liquidate. Moreover, these investments generally are riskier than other securities because they often involve the direct ownership of units subject to commodity price risks, leverage risks and/or risks related to the direct ownership of operating businesses. However, since this investment is an excellent method of owning real estate, equipment and other tangible assets, as well as investing in venture capital, it may be prudent to

allocate part of a portfolio to this category after weighing the above considerations, particularly when the economic outlook is inflationary.

The fourth investment risk relates to the type of security and its priority in the order of liquidation. Equity investments (i.e., common stocks) are most susceptible to the risk of loss if a company's fortunes deteriorate. On the other hand, a collateralized bond (e.g., debt secured by an airplane owned by an insolvent airline) can still be "money good", even in bankruptcy, provided the collateral value exceeds the debt.

A fifth investment risk relates to the use of margin (i.e., borrowed funds to finance all or part of the purchase of an investment). The following provides some basic facts about purchasing securities on margin and discusses the risks involved with trading securities in a margin account:

> Before trading stocks in a margin account, clients should carefully review the margin agreement provided by their wealth advisor and consult with him or her regarding any questions or concerns they may have with their margin accounts. Please note that margin accounts are not appropriate for all investors.
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> When purchasing securities, investors may pay for the securities in full or may borrow part of the purchase price. If the client chooses to borrow funds, he or she will open a margin account. The securities purchased are our collateral for the loan to the client. If the securities in the client's account decline in value, so does the value of the collateral supporting the loan. As a result, LPL Financial can take action, such as issuing a margin call and/ or selling securities in the client's account, in order to maintain the required equity in the account.
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> The use of margin increases the impact a price decline may have on the value of a client's equity. In fact, a client can lose more funds than he or she deposits. A decline in the value of securities that are purchased on margin may require the client to provide additional funds to avoid the forced sale of those securities or other securities in his or her account.

LPL Financial can force the sale of securities in a client's margin account. If the equity in an account falls below the margin maintenance requirements under the law, or LPL Financial's higher "house" requirements, LPL Financial can sell the securities in the account to cover the margin deficiency. The client also will be responsible for any shortfall in the account after such a sale.

The firm can sell a client's securities without contacting the client. Some investors mistakenly believe that the firm must contact them for a margin call to be valid and that the firm cannot liquidate securities in a client's accounts to meet the call unless it has contacted the investor first.

This is not the case. Most firms will attempt to notify their clients of margin calls, but they are not required to do so. However, even if LPL Financial has contacted a client and provided a specific date by which he or she can meet a margin call, our firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the client.

Clients are not entitled to choose which security in their margin account is liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, LPL Financial has the right to decide which to sell in order to protect its interests.

LPL Financial can increase its "house" margin maintenance requirements at any time and is not required to provide a client advance written notice. These changes in policy often take effect immediately and may result in issuance of a margin maintenance call. A client's failure to satisfy the call may cause LPL Financial to sell securities in his or her account.

Clients are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have a right to the extension.

Finally, market prices are a function of human emotions as well as rationally determined supply and demand. Thus, even when the fundamental investment characteristics are sound, individual securities or general market prices can decline, often for protracted periods of time. Investors must have patience and perseverance, as well as the courage, to invest or hold when things might look the bleakest, as long as the investment's fundamentals are intact.

Reducing Risk Through Diversification

Avoid investing a high percentage of assets in one company, one sector or one securities classification. The combination of concentration and margin is a recipe for potential disaster. One way to reduce risk – in fact, we think it is the best way – is through asset allocation. Because investments can be affected by inflation, cyclical markets, fluctuating interest rates, world events, corporate operations, and new domestic laws and regulations, investors always face risk. By diversifying assets, the risk of any fluctuation adversely affecting a diversified portfolio is less than if "all of your eggs are in one basket." However, diversification does not ensure a profit or protect against loss.

A client can diversify among different types of securities, debt, durations or companies possessing differing economics. The process of developing an asset allocation model specifically designed to complement each client's financial plan is essential to success in investing. Moreover, the model should be updated regularly to accommodate changing financial needs and personal circumstances.

Franklin Wealth Management advisors can assist their clients in the asset allocation process and can help them understand the amount and types of risks inherent in each investment, which enables them to position their portfolios to work efficiently in ever-changing market conditions.

The first phase of our recommended asset allocation program organizes a client's investments into five categories: equities, fixed income, inflation hedges alternative investments, and cash equivalents. The recommended allocation among the classes is based upon the client's objectives, risk tolerance, time horizon and economic outlook.

When a client's asset allocation model has been put into effect, **the program's second phase is an ongoing periodic review of how the portfolio is performing** and what changes, if any, might be needed in view of changing variable conditions.

Asset allocation models are useful in the evaluation of different hypothetical portfolio structures, as well as in the analysis of trade-offs between risks and prospective returns in the process of selecting an appropriate asset mix.

Thus, while it is a client's right to expect our firm to use its best efforts to recommend investments that will be in the best interests of our clients, **it is the client's responsibility to ensure that his or her wealth advisor is aware of his or her overall asset allocation picture and to make sure he or she understands why he or she has a diversified allocation and how much risk to take**. In this way, the client can more intelligently balance the risks and reap the rewards of his or her investment selections.

Notes

FRANKLIN WEALTH
MANAGEMENT, LLC
REGISTERED INVESTMENT ADVISOR