

La Jolla | Asset Management

**La Jolla Asset Management, Inc.
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This brochure provides information about the qualifications and business practices of La Jolla Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 858-453-9915. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about La Jolla Asset Management, Inc. also is available on the Securities and Exchange Commission's (SEC's) website at www.adviserinfo.sec.gov.

Material Changes:

The brochure does not contain material changes since the last annual update March, 2014.

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Brochure

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.

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4. Advisory Business and Management

La Jolla Asset Management provides discretionary investment advisory services. The company offers customized investment portfolios based on customer needs and risk preferences. The firm was founded in 1995 under the name of Investment Management Associates and the firm changed its name in 1998.

The firm uses a business-based approach to investing that was developed over the decade prior to the formation of the company. It reflects the principals' experience in business decision-making, personal investing and understanding investors' needs.

La Jolla Asset Management, Inc. is a California "C" Corporation. The privately held shares of the corporation are owned by the Officers, Directors and Management of the corporation. Management holds 66% of the corporate shares and a group of outside investors holds the remaining 34%. Robert Waltz, the President and Chief Executive Officer is the only individual that owns more than 25% of the securities of the corporation, the other holders all hold less than 25% of the shares respectively issued by the Corporation.

Traditionally, clients have not placed restrictions on investments in certain securities or types of securities.

The firm does not participate in any wrap fee programs.

Assets Under Management (as of 12/31/2012)

Discretionary Assets:	\$36,630,119
Non Discretionary Assets:	\$0
Total Assets:	\$36,630,119

Management (Supplement in lieu of Part 2B)

Robert Waltz, President and CEO

Education: BA in Economics and MBA in Finance

Business Background: Banking career with Bank of American –Trouble Debt/Project Management and Wells Fargo – Risk Asset Review.

Robert Waltz, co-founder of La Jolla Asset Management, Inc. was previously a Vice President of Wells Fargo Bank. In that capacity, Mr. Waltz worked in the areas of risk review and evaluation, as well as troubled-debt restructuring in the managed assets group. Mr. Waltz oversees the general operation of the company and is responsible for the management of the clients' equity appreciation portfolios. He received his bachelor's degree in economics from Colorado State University and his Masters in Business Administration -- Finance from Vanderbilt University. He currently serves on the Board of the Corporate Director's Forum and a private real estate company board. In the past he has served on the Board of the San Diego Chamber of Commerce's Emerging

Business Center and Head Master's Advisory Council of The Bishop's School. Mr. Waltz was born in 1962.

William Hensel, Managing Director

Education: BS in Finance

Business Background: Managing Director/Principal with Frole, Revy Investment Company. Vice President/Portfolio Manager with Bank of America

Mr. Hensel was a Principal and Managing Director of Frole-Revy Investment Company from September 1, 1994 until September 30, 1998. Mr. Hensel managed convertible portfolios, made marketing presentations, and participated in the development of convertible products while at Frole-Revy, which manages over 2 billion dollars of convertible assets.

Mr. Hensel, prior to his association with Frole-Revy, was Managing Director and Senior Convertible Securities Portfolio Manager for Pacific Century Advisors (a division of Bank of America) from 1982 to 1994, managing taxable and non-taxable portfolios as well as the Pacific Horizon Capital Income Fund, a convertible mutual fund. Mr. Hensel helped develop and launch the Capital Income Fund, which he managed from 1987 to 1995. Under his management, the Fund was rated 5 stars from Morningstar, a mutual fund rating service.

Before joining Pacific Century Advisors, Mr. Hensel spent twelve years with Capital Group, Inc.

Mr. Hensel holds a BS degree in Finance from U.S.C. Mr. Hensel was born in 1944.

5. Fees and Compensation (Supplement in lieu of Part 2B)

La Jolla Asset Management receives fees directly from clients based on a percentage of the assets under management or on a flat fee based on client's desires. Currently, the firm does not have any client's on a flat fee for service basis.

The firm does not receive any compensation or fee from any mutual fund companies or brokerage firms. The firm, nor management (Mr. Hensel, Mr. House or Mr. Waltz) has any relationship or arrangements with any issuer of securities and does not receive any compensation from sources other than our client's.

Income Portfolios

Compensation received by the firm for management for income portfolios is 1% per year based on the market value of the assets under management.

Growth and Income Portfolios and Appreciation Portfolios

Compensation received by the firm for management for Growth and Income Portfolios and Appreciation Portfolios is 1.25% per year based on the market value of the assets under management. Fees for portfolios greater than \$1,000,000 are negotiated.

All fees are calculated and billed monthly in arrears. Fees are deducted from the client's account unless otherwise agreed to by both parties. The firm sends a billing statement to the client at the end of each month/quarter that reflects the fee payable, how the fee amount is calculated prior to deducting any fee from the client's account. Prior to deducting any fee, the custodian receives a billing summary from the firm that reflects the amount to be deducted from the client's account. It is the client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated.

Lower fees for comparable services may be available from other sources.

6. Types of Clients

La Jolla Asset Management provides its services to individuals, Pension and Profit Sharing Plans, Trusts, Estates, Charitable Organizations, Corporations and other business entities.

Account size is negotiable. Traditionally, the minimum account size has been \$100,000 and a minimum client net worth of \$1,000,000.

7. Methods of Analysis, Investment Strategies and Risk of Loss

The primary method of selecting securities by the firm is via fundamental research and technical analysis, combined with a macro economic view. The firm relies on financial publications such as newspapers, magazines and the worldwide web. In addition, the firm uses research materials prepared by outside providers, corporate rating services as well as information prepared by the companies themselves, such as annual reports, prospectuses, Securities and Exchange Commission files and press releases.

The firm invests client assets in the following types of securities:

Equities (including exchange-listed securities, securities traded over-the-counter and foreign issuers), Corporate Debt Securities, Preferred Securities, Convertible Preferred Securities, Publicly Traded Master Limited Partnership, Certificates of Deposit, Municipal Securities, Mutual Fund Shares, Exchange Traded Funds and United States Government Securities.

Investments in the above referenced securities are normally purchased as long-term investments (securities held at least a year); however, securities can and may be sold

short-term (securities held less than a year). The firm does not normally trade (buy and then sell securities within 30 days), use short sales or write options.

It should not be assumed that investments in the future will be profitable, investing in securities involves risk of principal, interest rate risk, economic risk as well as other market risks.

8. Disciplinary Information (Supplement in lieu of Part 2B)

Neither the firm nor any of the principals of the firm (Mr. Hensel or Mr. Waltz) have been or are currently under any disciplinary action.

Management has not been involved with an award or otherwise being found liable in an arbitration claim alleging damages or a civil, self-regulatory organization, or administrative proceeding involving any of the following: (a) an investment or an investment-related business activity; (b) fraud, false statement(s), or omissions; (c) theft, embezzlement, or other wrongful taking of property; (d) bribery, forgery, counterfeiting, or extortion; or, (e) dishonest, unfair, or unethical practices.

9. Other Financial Industry Activities and Affiliations (Supplement in lieu of Part 2B)

The firm is not engaged in any other business activity other than giving investment advice to its client's. The firm does not sell other products or services or receive any compensation from sources other than its client's.

Neither the firm nor any of the principals of the firm (Mr. Hensel or Mr. Waltz) is affiliated with a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor. In addition, the firm does not have any material arrangements with any investment company, other investment advisor, financial planning firm, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer or entity that creates and packages limited partnerships.

10. Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading

LA JOLLA ASSET MANAGEMENT, INC
CODE OF ETHICS
(Conduct)
SEC Rule 204 A-1
March 2013

La Jolla Asset Management Inc. (“LJAM”), business practice is to adhere to a high standard of business conduct throughout its business dealings. It is La Jolla Asset Management’s policy that the client’s interest is our first priority.

Personal Trading:

La Jolla Asset Management Inc. has a policy that client transactions receive priority over personal transactions. The interest of the client is paramount when executing transactions. Personnel must get approval before executing personal trades to ensure there is no real or potential conflict of interest with client security transactions. No personal trades in the same security are allowed the same day as client trades. Records of all personal trades are reported and kept by **La Jolla Asset Management Inc.**, and a record of all employee security holdings are to be reported to La Jolla Asset Management. Personnel may hold securities similar to those of a client's but any trading of those securities come second to client trades. Securities which are exempt from approval from La Jolla Asset Management before personnel can trade are: US Government securities, money market funds, money market instruments and registered mutual funds.

The firm does not hold a securities brokerage license; as such the firm cannot and will not act as a broker for any securities transactions. In addition, Employees and Officers should avoid “self-dealing” by disclosing any and all board positions that may create a conflict of interest. In addition, they shall disclose any instance where the employee or officer has information that would create a conflict or situation that would create a “self-dealing” situation.

Privacy:

La Jolla Asset Management, Inc. keeps all information concerning client accounts and client financial information private. The firm does not share this information with any individual or institution unless directed to do so by the client or their legal representative. The firm does not have any affiliates and therefore cannot and does not share the information with affiliates or non-affiliated institutions. Information maybe disclosed if mandated by Federal, State or Local laws or requirements.

La Jolla Asset Management, Inc. understands that the privacy of client information concerning holdings, transactions and recommendations is uppermost in our business dealings. Client information is private and is kept between the client and **La Jolla Asset Management, Inc.** Appropriate notices will be provided to prospective and existing clients concerning our firm's policies and procedures regarding the privacy rules. The notices will also include information about a client's right and the means to opt-out of the disclosure of non-public information to non-affiliated third parties. Furthermore, the custodian of said assets will follow all state and federal regulations regarding account privacy and confidentiality.

All those employed by LJAM must adhere to this Code of Ethics (Conduct) and shall be aware of and not violate any securities laws.

The firm adheres to CA CCR Section 260.238(k). Any material conflict of interest relating to the firm and our representatives/employees that could be reasonably expected to impair the rendering of unbiased or objective advice have been disclosed. We do not believe that any material conflicts of interest that would impair the rendering of unbiased or objective advice exist. Conflicts of interest may include, but are not limited to, (a) compensation arrangements connected with advisory services which are in addition to the advisory fees (the firm has disclosed compensation arrangements, all fees are received directly from client's, the firm does not receive any compensation from other sources), (b) other financial industry activities or affiliations (the firm does not have any affiliations and does not participate in "other financial industry activities"), or (c) participation of interest in client transactions (the firm's management may hold securities similar to those of a client's but any trading of those securities come second to client trades. No personal trades in the same security are allowed the same day as client trades.).

Supervision (Supplement in lieu of Part 2B)

Supervision of the principals of the firm (Mr. Hensel and Mr. Waltz) is accomplished by Mr. Hensel supervising Mr. Waltz and Mr. Waltz supervising Mr. Hensel. The parties have compliance meetings on a regular basis to review compliance policies, to insure that the parties are following the policies and procedures and perform periodic audits of these policies and procedures.

11. Brokerage Practices

The firm does not have any formal commission arrangements or affiliations with any brokerage firm. The firm considers the following factors in recommending/selecting brokers:

- i) the long-term performance history, reliability and dependability;
- ii) the availability of provide custodial information (this service is often referred to as a custodial platform);

- iii) quality of research information available, including earnings projections, timely reports on significant changes in the operation environment of companies, analyst's opinions and income reporting; and,
- iv) commission rates and capability of the brokerage firm to execute specific trades on behalf of the firm's clients.

La Jolla Asset Management, Inc uses TD Ameritrade and Charles Schwab & Company custodial platforms, which provide trade executions, trade confirmations, pricing information, record keeping and client reporting plus economic/company research, receipt of duplicate client confirmations; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, technology, and practice management products or services provided to La Jolla Asset Management, Inc by third party vendors. La Jolla Asset Management also is provided economic and stock research from the following companies in exchange for commission dollars: Cavato Technical Research.

12. Review of Accounts

The securities in each portfolio are reviewed daily by one or more of the principals of the firm. The portfolios are reviewed no less than weekly. Clients are issued monthly reports, these reports contain a statement of the portfolio value, as description of the assets, date of purchase, quantity owned, cost basis and performance information with respect to each asset. In addition, the client receives a monthly statement from the Custodian of their assets.

13. Client Referrals and Other/Additional Compensation (Supplement in lieu of Part 2B)

Currently, the firm has not engaged any individual or company to conduct business development activities.

From time to time, the firm may engage individuals to develop business on behalf of the firm. When the firm does engage an individual, it is done via a written agreement. This agreement is disclosed to all potential clients prior to engaging the firm as an Adviser.

The firm and its principals (Mr. Hensel and Mr. Waltz) do not receive any compensation or economic benefit for providing advisory services to anyone other than the firm's clients.

14. Custody

La Jolla Asset Management does not take physical custody of any client assets or securities. All client assets and securities are held in custody with client selected broker dealers. Custodian broker dealers send monthly statements to custodial clients listing all securities and assets in the client portfolios, month end security pricing and total account values as well as a list of all security transactions and all credit or debits to the client accounts.

15. Investment Discretion

The firm has the authority, via a power of attorney granted by the client, to determine, without specific client consent, the securities to be bought or sold, subject to the restrictions contained in Section 4 (Method of Analysis, Investment Strategies and Risk of Loss) above in this Form.

16. Voting *Client* Securities

Proxy Voting – Disclosure & Client Request for Information: Copies of proxy voting will be maintained by the firm and will be provided to clients on request.

Proxy Voting Guidelines – In the absence of specific voting guidelines from the client, the firm will vote proxies in the best interests of each particular client. The firm's policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions for a client. Clients are permitted to place reasonable restrictions on the firm's voting authority in the same manner that they may place such restrictions on the actual selection of account securities.

In addition, client's can maintain the proxy voting rights.

The firm will generally vote in favor of routine corporate housekeeping proposals such as the election of the directors and selection of auditors absent conflicts of interest raised by auditor's non-audit services.

The firm will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.

In reviewing proposals, the firm will further consider the opinion of management and the effect on management, the effect on shareholder value and the issuer's business practices.

17. Description of Management of Investments (Supplement in lieu of Part 2B)

La Jolla Asset management Inc's systematic approach and flexibility from individualized portfolios are keys to investment strategies over the long-term. No short-term "trading vehicles", derivatives or "alternative investments" are considered, as we believe a long term diversified portfolio is the best approach in achieving the goals of our client's.

A client relationship begins with the identification of the client's investment goals and objectives, as they relate to time horizons, current (after tax) income desires, capital preservation requirements and risk preferences. This analysis allows us to allocate the client's prospective portfolio(s) into an agreed upon portfolio investment objective/style, appreciation, growth & income or income.

The management of the firm also acts as the portfolio managers for the client's portfolios.

Appreciation Portfolios

The goal of an appreciation portfolio is to protect and enhance the value and liquidity of funds entrusted to our management. The company builds coordinated portfolios of individual securities, through our proprietary "Stock Selection Logic Model" (SSLM). The firm selects only highly liquid stocks found on the NYSE or NASDAQ/AMEX exchanges.

The SSLM is a rigorous and on-going screening process of company fundamentals and key technical aspects of the more than 9,000 domestically traded public stocks. As a result of this analysis, a few select companies become candidates for use in maintaining a client's portfolio of 10-25 securities – depending on portfolio size, risk preferences and performance goals.

Growth & Income Portfolios

The objective of the Growth & Income portfolios is to provide a moderate level of income combined with long-term growth of capital.

To achieve this objective, portfolios are invested in a combination of stocks, convertible preferred stocks, convertible bonds, corporate bonds, and treasury securities. The capitalization of these companies is large to mid-sized with an emphasis on dividends to provide income. The companies are a mix of cyclical and long-term growth.

Income Portfolios

The goal of an income portfolio is to meet the current revenue needs of a client and provide a modest level of capital appreciation. We monitor indicators, which may affect inflationary trends and the income requirements of our clients.

A high priority in selecting securities is liquidity and quality of the investment. We closely monitor the company's competitive market position and revenues to ensure income payments and growth potential of the investment.

18. Financial Information

The firm does not request or require prepayment of management fees and the firm does not have custody of client assets. The firm and its principals have not been subject to a bankruptcy.

19. Requirements for State-Registered Advisers

Information required in the Requirements for State-Registered Advisers is contained in the body of the Brochure above.

20. Brochure Supplement Information/Disclosure

Information required in the Brochure Supplement is contained in the body of the Brochure above.