This brochure provides information about the qualifications and business practices of Passive Momentum Asset Advisors. If you have any questions about the contents of this brochure, please contact us at: 831-626-6103, or by email at: matt@passivemomentum.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Passive Momentum Asset Advisors is available on the SEC’s website at www.adviserinfo.sec.gov
Material Changes

Annual Update
The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update
The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available
Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 831-626-6103 or by email at: matt@passivemomentum.com.
# Table of Contents

Material Changes .......................................................................................................................... 2
  Material Changes since the Last Update ............................................................................... 2
  Full Brochure Available ................................................................................................. 2

Advisory Business ...................................................................................................................... 1
  Firm Description .................................................................................................................. 1
  Principal Owners ................................................................................................................ 2
  Types of Advisory Services ............................................................................................... 2
  Tailored Relationships ....................................................................................................... 2
  Types of Agreements ........................................................................................................... 2
  Advisory Service Agreement ............................................................................................. 2
  Retainer Agreement .......................................................................................................... 3
  Hourly Planning Engagements ............................................................................................. 3
  Asset Management ............................................................................................................. 3
  Termination of Agreement ................................................................................................. 3

Fees and Compensation ............................................................................................................. 4
  Description .......................................................................................................................... 4
  Fee Billing ............................................................................................................................ 4
  Other Fees ........................................................................................................................... 4
  Expense Ratios .................................................................................................................... 4
  Past Due Accounts and Termination of Agreement .............................................................. 4

Performance-Based Fees .......................................................................................................... 5

Types of Clients ....................................................................................................................... 5
  Description .......................................................................................................................... 5
  Account Minimums ............................................................................................................... 5

Methods of Analysis, Investment Strategies and Risk of Loss ............................................... 5
  Methods of Analysis ............................................................................................................. 5
  Investment Strategies .......................................................................................................... 5
  Risk of Loss .......................................................................................................................... 6

Disciplinary Information .......................................................................................................... 7
  Legal and Disciplinary ......................................................................................................... 7

Other Financial Industry Activities and Affiliations ............................................................... 7
  Affiliations ............................................................................................................................ 7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ................................................................. 7
  Code of Ethics ........................................................................................................... 7
  Participation or Interest in Client Transactions ......................................................... 7
  Personal Trading ....................................................................................................... 7

Brokerage Practices ..................................................................................................... 7
  Selecting Brokerage Firms ..................................................................................... 7
  Best Execution ......................................................................................................... 8
  Order Aggregation ................................................................................................... 8

Review of Accounts ...................................................................................................... 8
  Periodic Reviews ...................................................................................................... 8
  Review Triggers ......................................................................................................... 8
  Regular Reports ....................................................................................................... 8

Client Referrals and Other Compensation ................................................................ 8
  Incoming Referrals ................................................................................................. 8
  Referrals Out ........................................................................................................... 8

Custody .......................................................................................................................... 9
  Account Statements ................................................................................................. 9
  Performance Reports ............................................................................................... 9

Investment Discretion .................................................................................................. 9
  Discretionary Authority for Trading ........................................................................ 9
  Limited Power of Attorney ...................................................................................... 9

Voting Client Securities ............................................................................................... 9
  Proxy Votes ............................................................................................................... 9

Financial Information .................................................................................................. 10
  Financial Condition .................................................................................................. 10

Business Continuity Plan ............................................................................................. 10
  General ...................................................................................................................... 10
  Disasters ................................................................................................................... 10
  Alternate Offices ...................................................................................................... 10
  Loss of Key Personnel ............................................................................................. 10

Information Security Program ...................................................................................... 10
  Information Security ............................................................................................... 10
  Privacy Notice .......................................................................................................... 10
Advisory Business

Firm Description
Passive Momentum Asset Advisors was founded in 1999.

Passive Momentum Asset Advisors provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Passive Momentum Asset Advisors is strictly a fee-only investment management firm. The firm does not receive commissions for purchasing or selling annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is an integral part of financial planning. In addition, Passive Momentum Asset Advisors advises clients regarding cash flow, college planning, and retirement planning.

Investment advice is provided, with the client making the final decision on investment selection and asset allocation. Passive Momentum Asset Advisors does not act as a custodian of client assets. The client always maintains asset control through their securities account.

Passive Momentum Asset Advisors places trades for clients under a limited power of attorney.

A written evaluation of each client’s initial situation is provided to the client, often in the form of a net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.
Principal Owners
Matthew King is President and the largest shareholder.

Types of Advisory Services
Passive Momentum Asset Advisors provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations; and issues, charts, graphs, formulas, or other devices which clients may use to evaluate securities.

On more than an occasional basis, Passive Momentum Asset Advisors furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of May 1 2011, Passive Momentum Asset Advisors approximately $13,000,000 in assets for approximately 61 clients. Approximately $13,000,000 is managed on a discretionary basis.

Tailored Relationships
The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objective.

Agreements may not be assigned without client consent.

Types of Agreements
The following agreements define the typical client relationships.

Advisory Service Agreement
Most clients choose to have Passive Momentum Asset Advisors manage their assets in order to obtain ongoing in-depth advice. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement includes: cash flow management; investment management (including performance reporting); education planning and retirement planning.

The annual Advisory Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

0.75% on the first $1,000,000; 0.50% on the next $4,000,000 (from $1,000,001 to $5,000,000); and

0.25% on the assets above $5,000,001.

Current client relationships may exist where the fees are higher or lower than the fee schedule above.
Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is for one year and is automatically renewed. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

**Retainer Agreement**

In some circumstances, a *Retainer Agreement* is executed in lieu of an *Advisory Service Agreement* when it is more appropriate to work on a fixed-fee basis. The annual fee for a *Retainer Agreement* is $2000.

**Hourly Planning Engagements**

No-Load Asset Management provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is $150.

**Asset Management**

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers like Charles Schwab Inc. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Passive Momentum Asset Advisors does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities,

Initial public offerings (IPOs) are not available through Passive Momentum Asset Advisors.

**Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying Passive Momentum Asset Advisors in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, Passive Momentum Asset Advisors will refund any unearned portion of the advance payment.
Passive Momentum Asset Advisors may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, Passive Momentum Asset Advisors will refund any unearned portion of the advance payment.

Fees and Compensation

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Passive Momentum Asset Advisors bases its fees on a percentage of assets under management, hourly charges, fixed fees. Some Retainer Agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.</td>
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Fee Billing

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Passive Momentum Asset Advisors, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to Passive Momentum Asset Advisors.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Past Due Accounts and Termination of Agreement

Passive Momentum Asset Advisors reserves the right to stop work on any account that is more than 180 days overdue.
Performance-Based Fees

Passive Momentum Asset Advisors does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Types of Clients

Description
Passive Momentum Asset Advisors generally provides investment advice to individuals, , pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

Account Minimums
The minimum account size is $50,000 of assets under management, which equates to an annual fee of $350.

Passive Momentum Asset Advisors has the discretion to waive the account minimum. Other exceptions will apply to employees of Passive Momentum Asset Advisors and their relatives, or relatives of existing clients.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis
Passive Momentum Asset Advisors uses Passive Momentum Asset Allocation (PMAA) a proprietary asset allocation system using asset class indexes in mutual fund or ETF form.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, annual reports, prospectuses and filings with the Securities and Exchange Commission.

Other sources of information that Passive Momentum Asset Advisors may use include, Charles Schwab & Company's "SchwabLink" service and the World Wide Web.

Investment Strategies
The primary investment strategy used on client accounts is strategic asset allocation utilizing Passive Momentum Asset Allocation. This means that we use passively-managed index and exchange-traded
funds using prior year momentum to determine our allocation in equities. Portfolios are globally diversified to control the risk associated with traditional markets.

The asset allocation strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases and short-term purchases.

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**Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk**: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Market Risk**: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk**: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk**: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.

- **Reinvestment Risk**: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

- **Liquidity Risk**: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk**: Excessive borrowing to finance a business’ operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
Disciplinary Information

Legal and Disciplinary
The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Affiliations
Passive Momentum Asset Advisors has arrangements that are material to its advisory business or its clients with a related person who is a other investment advisor. The advisor is No-Load Asset Management where Matthew King is also President.

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

Code of Ethics
The employees of Passive Momentum Asset Advisors have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions
Passive Momentum Asset Advisors and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Passive Momentum Asset Advisors Compliance Manual.

Personal Trading
The Chief Compliance Officer of Passive Momentum Asset Advisors is Matthew King. He reviews all employee trades each quarter. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms
Passive Momentum Asset Advisors does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. Passive Momentum Asset Advisors recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.
Passive Momentum Asset Advisors recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab.

Passive Momentum Asset Advisors does not receive fees or commissions from any of these arrangements.

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**Best Execution**
Passive Momentum Asset Advisors reviews the execution of trades at each custodian on an ongoing basis. Trading fees charged by the custodians is also reviewed on an ongoing basis. Passive Momentum Asset Advisors does not receive any portion of the trading fees.

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**Order Aggregation**
Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

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**Review of Accounts**

**Periodic Reviews**
Account reviews are performed quarterly by Matthew King, President. Account reviews are performed more frequently when market conditions dictate.

**Review Triggers**
Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Regular Reports**
Clients receive periodic communications on at least an annual basis. Advisory Service Agreement clients, Investment Management clients, and Retainer Agreement clients receive written quarterly updates. The written updates include a portfolio statement.

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**Client Referrals and Other Compensation**

**Incoming Referrals**
Passive Momentum Asset Advisors has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

**Referrals Out**
Passive Momentum Asset Advisors does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.
Custody

**Account Statements**
All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

**Performance Reports**
Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Passive Momentum Asset Advisors.

Investment Discretion

**Discretionary Authority for Trading**
Passive Momentum Asset Advisors accepts discretionary authority to manage securities accounts on behalf of clients. Passive Momentum Asset Advisors has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, Passive Momentum Asset Advisors consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. Passive Momentum Asset Advisors does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

**Limited Power of Attorney**
A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

Voting Client Securities

**Proxy Votes**
Passive Momentum Asset Advisors does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, Passive Momentum Asset Advisors will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.
Financial Information

Financial Condition
A balance sheet is not required to be provided because Passive Momentum Asset Advisors does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than $600 per client, and six months or more in advance.

Business Continuity Plan

General
Passive Momentum Asset Advisors has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters
The Business Continuity Plan covers natural disasters such as earthquakes, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency and chemical event

Alternate Offices
Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Loss of Key Personnel
Passive Momentum Asset Advisors has signed a Business Continuation Agreement with another financial advisory firm to support Passive Momentum Asset Advisors in the event of Matthew King’s serious disability or death.

Information Security Program

Information Security
Passive Momentum Asset Advisors maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice
Passive Momentum Asset Advisors is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning
process, information about transactions between you and third parties. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Notice to you annually, in writing.
Brochure Supplement (Part 2B of Form ADV)

Key Personnel

Matthew King is the president and sole advisor of Passive Momentum Asset Advisors. Matthew King was born in 1960 in Hollister California and was first licensed as a registered representative in 1986. Matthew King holds series 7 and series 63 licenses.

Business Experience:
- 1995-1997 Partner, No-Load Asset Management
- 1997- Present President, No-Load Asset Management
- 1999- Present President, Passive Momentum Asset Advisors

Disciplinary Information: None

Other Business Activities: President, Passive Momentum Asset Advisors

Additional Compensation: None

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None