

Performance Fee Addendum

Description:

The following fee schedule is for clients who would rather pay their management fees based upon a percentage of the profits that their Nest Egg Account has generated rather than a fixed management fee based upon the market value of their account at the end of each calendar quarter.

Eligibility:

To be eligible for the performance fee option, The Wall Street Management Group Inc., requires a client to have a minimum account size of \$750,000 or a net worth of at least \$1.5 million. This will apply to each account number when a client wishes to choose this option.

Method of Calculation:

Performance-based fees are calculated on a “time-weighted” basis. A “time-weighted” rate of return eliminates the effects of client-initiated additions and withdrawals that are beyond the control of the manager. The result is an accurate and unbiased measure of investment performance that is the same with or without cash flows. In calculating a time-weighted return, a portfolio is evaluated each time there is a cash flow transaction in the account (i.e., new purchases and sales, dividend and income payments, deposits or withdrawals). The performance of periods between cash flows is linked together to reflect a return for the whole period. Daily transaction data is used in the linking of each cash flow so that we may achieve the most accurate return calculation.

Brokerage/Transaction Fees:

Management fees are separate from all brokerage commissions or transaction costs. Regardless of which Management fee structure you choose, brokerage firms will still charge transaction costs.

Percentage Amount & Examples:

The performance-based fee is calculated as follows. The first 3% of the performance is free. For all incremental performance above 3%, The Wall Street Money Management Group Inc., will charge a management fee that is equal to 25% of the profits. Let us take a look at three different examples of how this would be calculated. (Although transaction will still be charged, they have not been included in the examples below).

Example 1:

If the total return on a \$1,000,000 account for the year were 3%, no management fees would be charged. Therefore, the year-end value of the account would be \$1,030,000.

Example 2:

If the total return on a \$1,000,000 account for the year were 7%, the first 3%, or \$30,000, would be free of management fees. The remaining 4%, or \$40,000, of performance would be charged at the rate of 25% (\$40,000 times 25% = \$10,000). Therefore, the total management fees on a \$1,000,000 account with a 7% total annual return would be \$10,000 or, stated as a percentage of the total account, equal to 1.00%.

Example 3:

If the total return on a \$1,000,000 account for the year were 10%, the first 3%, or \$30,000, would be free of management fees. The remaining 7%, or \$70,000, of performance would be charged at the rate of 25% (\$70,000 times 25% = \$17,500). Therefore the total management fees on a \$1,000,000 account with a 10% total annual return would be \$17,500 or, stated as a percentage of the total account, equal to 1.75%.

Billing Periods:

In accordance with the Security and Exchange Commission rules and regulations, performance-based fees may only be assessed once per year, in arrears, as compared to a fixed-rate management fee that is assessed and charged quarterly, in advance. Clients choosing this performance-based fee option will have their fee calculated on an annual basis. Our normal billing cycles are at the end of each calendar quarter. Therefore, the first billing period will be the end of the first calendar quarter after the first twelve months have passed.

Example: If you begin an account on February 28, 2004, the first annual billing period will be on March 31, 2005. Although February 28, 2005, would be the end of the first year of the account's inception, the first billing period will not begin until the end of the nearest calendar quarter after that first year anniversary. In this case, March 31, 2005, is that nearest ending quarter. Beginning with the second year and into perpetuity, the future billing cycles will then be at the end of this same calendar quarter on an annual basis.

Changing Management Fees:

At the end of each annual billing cycle (every 12 months for performance-based fees), the client will have the option of remaining under the performance-based management fee structure or choosing the one-time option of converting to the fixed percentage management fee structure. Once the client has switched the method of how management fees are calculated, the client will not be allowed to switch back. This switch will go into effect for future billing cycles and may not be used in arrears as a way of lowering a high percentage of the profits management fees generated from an outstanding performance.

Performance-Based Fees vs. Fixed-Percentage Fees:

The benefit of a performance-based fee structure is that fees are commensurate with profits. If the profits are greater than 10%, the client agrees to pay higher management fees for a job well done. However, if the profits are less than 3%, the client pays no management fees, thereby avoiding a management fee when the total account was under-performing. Under the fixed-percentage management fee structure, the client will pay one fixed-percentage management fee, usually 2.00% of the portfolio under \$500,000 and 1% thereafter, regardless of the performance. If the account performs higher than a 7% total return, the client does not owe a higher management fee simply due to a greater performance. Note that 7% is the break-point wherein both our performance-based fee and our fixed-percentage fee are exactly the same, assuming a \$1 million account size. Should an account under the fixed management fee structure perform at less than a 3% total return, the client will still owe the 2.00% management fee, even if there is a loss in total account value for the year.

CLIENT HAS READ AND UNDERSTANDS THE ABOVE PERFORMANCE-BASED MANAGEMENT FEE STRUCTURE.

Client Signature: _____ Date _____