

**Schedule F of
Form ADV**

Continuation Sheet for Form **ADV Part II**

Applicant:

Spence Asset Management

SEC File Number:

801- **43661**

Date:

01/31/2011

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

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Item of Form
(identify)

Answer

Part II Page 2 Item 1D

Investment Advisory Services

Investment advisory services encompass developing active investment strategies for clients taking into consideration their financial capacity, investment experience, investment objectives, and risk tolerance. Spence Asset Management, Inc. (herein sometimes referred to as "SAM") typically employs active management disciplines that should be clearly understood before investing in any of our programs. Below, under heading "Focus Account," is a brief description of each Management discipline. SAM will not have custody of assets regarding any of the following programs.

FOCUS Account

Minimum Investment: \$50,000 (minimum may be negotiated at SAM's discretion)

SAM provides a discretionary (or non-discretionary) account in which the client is provided with on-going investment advice and monitoring with respect to their security holdings. SAM may employ several different trading disciplines within the FOCUS Account.

INVESTMENT MANAGEMENT PROGRAMS:

1. The Stock Management Discipline – (For aggressive growth strategies)

The Spence Asset Management FOCUS Equity Product seeks to maximize long-term capital appreciation and minimize turnover. The product is concentrated in predominately common stocks traded on U.S. based exchanges. The product seeks investments across all sectors and market capitalizations however, we will not compromise our investment philosophy to diversify holdings. In pursuit of the investment objective, the product utilizes the expertise of our investment team to apply twelve quantitative and qualitative principles ("Principles") that help identify value, which we categorize as great businesses that can be purchased at reasonable prices. SAM then applies technical momentum tools to create buy and sell trigger points.

The Principles can be separated into four major categories; business aspects, management tendencies, financial characteristics and relative valuation. A more detailed description of these tenets is available upon request:

Business Aspects

1. Capital Intensity
2. Business Model
3. Consistent Operating History
4. Durable Competitive Advantage

Management Tendencies

5. Rationality of Management
6. Does Management Resist the Institutional Imperative?

Financial Characteristics

7. Return on Equity
8. Owner Earnings
9. High Profit Margins

Relative Valuation

10. Market value
11. Intrinsic Value of a Company
12. Can the shares be bought at a significant discount to their intrinsic value?

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The Stock Management discipline tends to be quite volatile and due to heavy concentrations in few stocks may be inappropriate for certain investors with a more conservative risk tolerance and is appropriate for investors seeking aggressive growth. Also, when stocks are purchased or sold, an average price is calculated for the transaction and shares are allocated to the client accounts. Further, the client has the right to place reasonable restrictions on their investments.

2. The Income Management Discipline – (For equity income, fixed income or investment grade income strategies)

SAM invests in various income producing securities including short, intermediate and long-term bonds, municipal bonds, closed-end funds and open-end funds. This discipline attempts to mitigate both the interest rate and credit risks present when maintaining income oriented accounts. Depending on income needs SAM and client will determine whether to purchase individual bonds or bond funds to meet client investment objectives. Such investment objectives should best be described as equity income, fixed income or investment grade income as defined in the fOCUS management agreement.

Within closed-end and open-end funds SAM attempts to identify experienced and superior management companies that have demonstrated capabilities as managers of diverse portfolios of income producing assets and may enter into sub-advisory agreements in connection with such investments. Also included in this discipline is an investment in an inverse mutual fund. Such a fund is designed to move inversely to the price performance of the 30-year U.S. Treasury bond and is used in the program in an attempt to reduce duration of the account. SAM will then monitor the accounts for their own subjective determinations of imbalances in the income positions relative to the inverse fund positions.

The client can designate a tax exempt strategy or a taxable strategy based on the type of account and current personal income tax situation. The majority of the investments made in the tax exempt program will feature investments in municipal bonds that pay income that is exempt from federal income tax. Depending on the income needs of the client the investments made in the taxable program will be in individual bonds or in open and closed end funds. Open and closed end funds invest primarily in securities that pay interest or dividends that are subject to federal income tax.

The Income Management Discipline tends to be quite volatile. SOME OF THE SECURITIES USED IN THIS PROGRAM ARE CONSIDERED ILLIQUID AND THUS PRESENT PRICE RISK TO THE INVESTOR. No assumptions can be made that any of the objectives can be achieved by using the investment strategies mentioned in this program description. A number of complex factors are involved in successfully investing for income; managing credit and interest rate risks involve constantly changing conditions. While SAM believes this approach to the tasks is reasonable, only risk oriented investors should consider investing in the Focus Income Programs.

3. The Balanced Focus Discipline- (For moderate growth or conservative growth strategies)

Based on allocations designated by the client based on their own assessment of risk tolerance, the Balanced Focus account combines the Equity strategy with the Income strategy. Clients whose investment objective can best be described as moderate growth or conservative growth (as defined in the fOCUS management agreement) may choose to participate in the Balanced program.

4. No-load Fund Discipline

No-load funds are also an investment strategy implemented by SAM. SAM may offer active management strategies using these funds or the client may asset allocate among the funds. No Transaction Fee Funds ("NTF") are standard mutual funds that may be purchased for investment advisory accounts at no cost to neither SAM, the Representative nor the Client. Clients should be aware that mutual funds in this NTF program may have higher internal expenses than mutual funds that

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	<p>are not in the NTF Program. Clients may also buy fixed income securities or other securities allowed under the FOCUS Account management agreement.</p> <p>The client is provided with quarterly portfolio summaries and performance analysis. There is a nominal transaction charge for executing certain trades paid to the broker that executes a transaction for brokerage execution services.</p> <p>Fees, as described for each program, may be negotiated at SAM's discretion. Fees are subject to applicable New Mexico gross receipts tax.</p> <p><u>Fee Schedule for Investment Management Programs</u></p> <table><thead><tr><th><u>Institutional</u></th><th><u>Quarterly</u></th><th><u>Annual</u></th></tr></thead><tbody><tr><td>First \$10 Million</td><td>.2125%</td><td>.85%</td></tr><tr><td>Next \$15 Million</td><td>.1875%</td><td>.75%</td></tr><tr><td>Next \$25 Million</td><td>.1625%</td><td>.65%</td></tr><tr><td>Balance</td><td>.1375%</td><td>.55%</td></tr></tbody></table> <table><thead><tr><th><u>Individual</u></th><th><u>Quarterly</u></th><th><u>Annual</u></th></tr></thead><tbody><tr><td>First \$200,000</td><td>.500%</td><td>2.00%</td></tr><tr><td>Next \$300,000</td><td>.375%</td><td>1.50%</td></tr><tr><td>Over \$500,000</td><td>.250%</td><td>1.00%</td></tr></tbody></table> <p>Discounts to this schedule may be negotiated based on size, circumstances or limited investment mix such as fixed income only accounts. Fees are subject to automatic reduction based upon the size of the account. Fees are paid quarterly in arrears based upon the ending market value of the account on the last day of the quarter. A full description of fees and services is provided in the FOCUS Account Management Agreement which is required to open an account.</p> <p>Compensation is payable when services are performed or upon a planned frequency when the fee is based on assets under management. Any client that enters into an agreement for services with SAM has five days after the date of the agreement to terminate the agreement without payment of fees. The client is still liable for any investment losses that exist at the time the client should terminate the agreement. After this five day period has expired, the client or SAM may terminate any agreements by notifying the other party in writing. Hourly fees would be due for the services performed. Fees based on percentage of assets will be pro-rated to the date of termination. Since fees are billed in arrears, clients are charged only for the period that the agreement is in effect. Accordingly, there are no advance fees subject to refund.</p> <p>NOTE: All programs may be subject to transaction fees charged by fund administrators, custodians or brokerage firms. These charges are separate from management fees paid to SAM. SAM frequently uses investment companies (mutual funds) to implement investment advisory programs. Most of these products assess charges to recover their management and administrative fees, and sales charges. These charges are generally deducted from the performance of the fund; therefore, our firm may receive a portion of these assessments. Clients need to be aware that they will pay their proportionate share of these assessments as well as the firm's advisory fee. Please review the prospectus carefully to determine the expenses for each specific mutual fund and any compensation that SAM may receive.</p>	<u>Institutional</u>	<u>Quarterly</u>	<u>Annual</u>	First \$10 Million	.2125%	.85%	Next \$15 Million	.1875%	.75%	Next \$25 Million	.1625%	.65%	Balance	.1375%	.55%	<u>Individual</u>	<u>Quarterly</u>	<u>Annual</u>	First \$200,000	.500%	2.00%	Next \$300,000	.375%	1.50%	Over \$500,000	.250%	1.00%
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Part II Page 3 Item 4 B. (8)	SAM uses various sources of information covering a broad sector of financially related matters. The original data is publicly available but is subject to interpretation, revision and compilation by third parties. In addition, SAM considers the general overall economic climate and its potential positive or																											

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Part II Page 4 Item 5	negative effects on the client's financial condition. Information sources include but are not limited to financial filings, prospectuses, press releases, financial newsletters, newspapers, magazines, commercially available databases, etc. In addition, SAM utilizes Morningstar and Value Line Investment Services.
Part II Page 4 Item 6	<p><u>Education and Business Standards</u> Any employee that provides investment advice to clients is required to have a college degree and/or appropriate experience in the industry servicing clients and holding appropriate professional licenses.</p> <p><u>Principal Investment Advisor</u> James W. Spence, born in 1956 Bachelor of Arts in Individual Studies from New Mexico State University, Las Cruces, NM, - 1980 Owner/Investment Advisor Representative, Spence Asset Management - 1993</p> <p><u>Other Investment Advisors:</u> Eric M. Walton, born in 1976 Bachelor of Business in Finance from New Mexico State University, Las Cruces, NM – 2002 Owner/Investment Advisor Representative, Spence Asset Management - 2002</p> <p><u>Investment Committee:</u> Sheila C. Walton, Owner, born in 1974 Bachelor of Arts in Economy from New Mexico State University, Las Cruces, NM – 1996</p> <p>Scott F. Kozney, born in 1976 Bachelor of Science in Finance from University of Colorado, Boulder, CO - 1998</p> <p>James Spence (see information above) Eric Walton (see information above)</p> <p>All employees of SAM are expected to conduct business according to high standards of honesty and fairness and to render that service to their customers which, in the same circumstances, they would apply to or demand for themselves. SAM has adopted the CFA Institute Code of Ethics and Standards of Professional Conduct. The Code of Ethics states employees of SAM shall: 1) Act with integrity, competence, dignity and in an ethical manner when dealing with the public, clients, prospects, employers, and fellow employees. 2) Practice and encourage others to practice in a professional and ethical manner that will reflect credit on SAM and its employees. 3) Strive to maintain and improve their competence and competence of others at SAM. 4) And use reasonable care and exercise independent professional judgment. Also under the Code, all employees are required to report all personal securities transactions to the firm's compliance officer no less than quarterly. Some transactions including initial public offerings and limited offerings require preapproval. Violations could result in dismissal.</p> <p>If client engages SAM, client will be provided SAM's Form ADV Part II disclosure document 48 hours prior to or at execution of an agreement. Clients should read carefully this disclosure document and address any concerns with SAM's Representative.</p>

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Part II Page 5 Item 9

All client orders are given priority and employee trading is carefully monitored to detect any potential conflict of interest or improper trading practices. All SAM employees report all personal transactions no less than quarterly.

Spence Asset Management will occasionally facilitate the sale of a fixed income security for a client and purchase it for another client through a broker/dealer who is not affiliated with SAM. If the following requirements are met:

1. The selling client initiates the transaction based on a liquidity need.
2. Both the selling client and the purchasing client have signed a cross trading disclosure
3. A minimum of 2 bids from 2 separate fixed income brokers are obtained for documentation
4. Purchase and sale transactions are cash transactions
5. Transaction are effected at the highest bid price provided by an independent broker/dealer
6. SAM is not acting as a broker dealer and no brokerage commissions are paid to Spence Asset Management in connection with the transaction

Part II Page 5 Item 10

Frequently client assets managed by SAM are managed under a discretionary account agreement whereby the client grants the firm discretion to implement investment strategies and authorizes SAM to execute transactions without specific approval from the Client. This includes, without limitation, the authority to determine the securities and amounts of securities to be bought or sold. Although SAM initiates trades through licensed broker/dealers in order to receive an average price for all accounts, this practice does not lower the cost of the trade per share. Regardless of the number of shares, clients will pay the previously disclosed transaction fee per trade and may pay a higher transaction cost per share than could be received elsewhere. This arrangement is disclosed to each client in writing by providing the ADV Part II to all investment advisory clients. SAM does not direct brokerage execution for soft dollars or access to research. SAM does not provide financial planning services.

Generally, the firm has a minimum account policy of \$50,000.

Part II Page 6 Item 12B

Spence Asset Management, Inc. issues instructions to broker/dealers with respect to securities to be bought and sold and the number of shares. SAM has the ability to select the broker/dealer to be used as well as the commission rates paid. While the applicant will recommend Charles Schwab for custodial services, at least annually, the applicant will review alternative broker/dealers and custodians in the marketplace to ensure Charles Schwab is meeting the applicant's duty to provide best execution for client accounts. The factors considered in selecting broker/dealers and custodians which are used during annual reviews include a comparison of Charles Schwab and currently used custodians to their competitors based on criteria such as overall expertise, cost competitiveness and financial condition. The quality of execution by Charles Schwab will be reviewed through trade journal evaluations. However, best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate or invalidate the services of a broker/dealer or a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian. The recommendation of Charles Schwab is not influenced by any soft dollar services or benefits provided to the advisor.

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Part II Page 6 Item 13B

Spence Asset Management, Inc. has entered into a third party marketing arrangement with Artemis Global Partners, LLC. Artemis Global Partners, LLC will receive an annual retainer and incentive compensation for all marketing efforts that lead to investment in Spence Asset Management's FOCUS Product. The agreement with Artemis requires, among other things, that a copy of SAM's disclosure under ADV Part II, along with other disclosure requirements, is provided to each entity or individual solicited. Artemis Global Partners, LLC incentive compensation for referral of investment management services is equal to 30% of management fees billed to referred accounts. Compensation paid by Spence Asset Management to Artemis Global Partners, LLC is derived from management fee revenue Spence Asset Management receives from referred accounts. Spence Asset Management's management fee schedule is the same for non-referred clients as it is for clients referred to Spence Asset Management by Artemis Global Partners, LLC.

Spence Asset Management, Inc. has entered into a sub-advisory arrangement on a discretionary basis with Cambridge Investment Research, Inc. (CIR). The agreement with CIR requires, among other things, that a copy of SAM's disclosure under ADV Part II, along with other disclosure requirements, is provided to each entity or individual who elects to participate in a SAM investment management program. CIR will impose and advise SAM of applicable investment objectives and restrictions as necessary from time to time. SAM's management fee for advisory services will be based on SAM's fee schedule and related terms and conditions as set forth in response above to Part II, Page 2, Item 1D. Spence Asset Management's management fee schedule is the same for sub-advisory referred clients as it is for non-referred clients.

Spence Asset Management, Inc. has entered into a solicitor agreement which includes the related solicitor disclosure statement with Cambridge Investment Research, Inc. acting through Wagner Financial Services LLC and Spence Advisors LLC, (as investment advisor representatives "IARs"), under which the IARs would recommend SAM's investment advisory services to potential clients. CIR will receive 42.5% of management fees billed to referred accounts. Compensation paid by SAM to CIR is derived from management fee revenue received from referred accounts.

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