

**FORM ADV**      **Uniform Application for Investment Adviser Registration**  
**Part II - Page 1**

OMB APPROVAL	
OMB Number:	3235-0049
Expires:	February 28 2011
Estimated Average burden hours per response . . . . .	4.07

Name of Investment Adviser: Smith, Salley & Associates, LLC	
Address:                      (Number and Street)                      (City)                      (State)                      (Zip Code) 300 East Wendover Avenue, suite 301, Greensboro, NC 27401	Area Code:                      Telephone Number 336.379.7556

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 government authority.

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.

Applicant:

Smith, Salley &amp; Associates, LLC

SEC File Number:

801-62538

Date:

3/9/2010

**1. A. Advisory Services and Fees.** (check the applicable boxes)For each type of service provided, state the approximate  
% of total advisory billings from that service.

(See instruction below.)

**Applicant:**

- ☒ (1) Provides investment supervisory services..... 100 %
- ☐ (2) Manages investment advisory accounts not involving investment supervisory services..... %
- ☐ (3) Furnishes investment advice through consultations not included in either service described above ..... %
- ☐ (4) Issues periodicals about securities by subscription..... %
- ☐ (5) Issues special reports about securities not included in any service described above..... %
- ☐ (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices  
which clients may use to evaluate securities ..... %
- ☐ (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities..... %
- ☐ (8) Provides a timing service..... %
- ☐ (9) Furnishes advice about securities in any manner not described above ..... %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide  
estimates of advisory billings for that year and state that the percentages are estimates.)**B.** Does the applicant call any of the services it checked above financial planning or some similar term? ☒ Yes ☐ No**C.** Applicant offers investment advisory services for: (check all that apply)

- ☒ (1) A percentage of assets under management ☐ (4) Subscription fees
- ☒ (2) Hourly charges ☐ (5) Commissions
- ☒ (3) Fixed fees (not including subscription fees) ☐ (6) Other

**D.** For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- ☒ A. Individuals ☒ E. Trusts, estates, or charitable organizations
- ☐ B. Banks or thrift institutions ☒ F. Corporations or business entities other than those  
listed above
- ☐ C. Investment companies
- ☒ D. Pension and profit sharing plans ☐ G. Other (describe on Schedule F)

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**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Equity Securities  | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                                | I. Options contracts on:   |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter                        | <input checked="" type="checkbox"/> (1) securities                         |
| <input checked="" type="checkbox"/> (3) foreign issues  | <input type="checkbox"/> (2) commodities                                   |
| <input type="checkbox"/> B. Warrants  | J. Futures contracts on:   |
| <input checked="" type="checkbox"/> C. Corporate debt securities<br>(other than commercial paper) | <input type="checkbox"/> (1) tangibles                                     |
| <input type="checkbox"/> D. Commercial paper  | <input type="checkbox"/> (2) intangibles                                   |
| <input checked="" type="checkbox"/> E. Certificates of deposit                                    | K. Interests in partnerships investing in:                                 |
| <input checked="" type="checkbox"/> F. Municipal securities                                       | <input type="checkbox"/> (1) real estate                                   |
| G. Investment company securities  | <input type="checkbox"/> (2) oil and gas interests                         |
| <input type="checkbox"/> (1) variable life insurance  | <input type="checkbox"/> (3) other (explain on Schedule F)                 |
| <input checked="" type="checkbox"/> (2) variable annuities  | <input checked="" type="checkbox"/> L. Other (explain on Schedule F)       |
| <input checked="" type="checkbox"/> (3) mutual fund shares  |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

A. Applicant's security analysis methods include: (check those that apply)

- |   |   |
|---|---|
| (1) <input type="checkbox"/> Charting               | (4) <input type="checkbox"/> Cyclical                                 |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |   |

B. The main sources of information applicant uses include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input checked="" type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the<br>Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases   |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F)  |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |   |
|--|---|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered<br>options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input checked="" type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |   |

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**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?

Yes ☒ No ☐

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- ☒ A. Applicant is actively engaged in a business other than giving investment advice.
- ☒ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes ☐ No ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

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**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services Yes No  
and impose a minimum dollar value of assets or other conditions for starting or maintaining an account? ☒ ☐

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See Schedule F for details

B. Describe below the nature and frequency of regular reports to clients on their accounts.

See Schedule F for details

Applicant:  
Smith, Salley & Associates, LLC

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3/9/2010

**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  |                                     |                          |
|--|-------------------------------------|--------------------------|
|  | Yes                                 | No                       |
| (1) securities to be bought or sold? .....               | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|  | Yes                                 | No                       |
| (2) amount of the securities to be bought or sold? ..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|  | Yes                                 | No                       |
| (3) broker or dealer to be used? .....                   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|  | Yes                                 | No                       |
| (4) commission rates paid? .....                         | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- |   |                                     |                          |
|---|-------------------------------------|--------------------------|
|   | Yes                                 | No                       |
| B. Does applicant or a related person suggest brokers to clients? ..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   |                                     |                          |
|---|-------------------------------------|--------------------------|
|   | Yes                                 | No                       |
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|   | Yes                                 | No                       |
| B. directly or indirectly compensates any person for client referrals? .....  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

	Yes	No
Has applicant provided a Schedule G balance sheet? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Schedule F of  
FORM ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Smith, Salley & Associates,	801- 62538	2/25/2010

(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: Smith, Salley & Associates, LLC	IRS Empl. Ident. No.: 56-2414755
<b>Item of Form</b> Answer	

**Item 1. A. (1)**

Smith, Salley & Associates, LLC (the "Registrant") is an investment adviser providing investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. The Registrant offers its services on a fee-only basis based upon the client's assets under management. Prior to engaging the Registrant to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with the Registrant setting forth the terms and conditions under which the Registrant shall render its services (collectively the "Agreement").

The Registrant may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). The Registrant will charge a fixed fee and/or hourly fee for these services. The Registrant's financial planning and consulting fees are negotiable, but generally range from \$1,500 to \$10,000 on a fixed fee basis and/or from \$100 to \$300 on an hourly rate basis, depending upon the level and scope of the services. If the client engages the Registrant for additional investment advisory services, the Registrant may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging the Registrant to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with the Registrant setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to the Registrant commencing services. Generally, the Registrant requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates the Registrant's financial planning and/or consulting services, the balance of the Registrant's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

In performing its services, the Registrant shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. The Registrant may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if the Registrant recommends its own services. The client is under no obligation to act upon any of the recommendations made by the Registrant under a financial planning/consulting engagement and/or engage the services of any such recommended professional, including the Registrant itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of the Registrant's recommendations. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is every any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the Registrant's previous recommendations and/or services.

In the event the client determines to engage the Registrant to provide investment management services, the Registrant shall do so on a fee basis. If engaged, the Registrant shall charge an annual fee based upon a percentage of the market value of the assets being managed by the Registrant. As discussed in response to Item 12B (below), the Registrant's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, the Registrant shall not receive any portion of these commissions, fees, and costs. The Registrant's annual fee shall be prorated and charged quarterly, in arrears, based upon the average market value of the assets on the last days of each of the previous three months. The annual fee shall generally vary (between 0.50% and 1.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

**Schedule F of  
FORM ADV****Continuation Sheet for Form ADV Part II**

Applicant:

Smith, Salley &amp; Associates,

SEC File Number:

801- 62538

Date:

2/25/2010

(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:

Smith, Salley &amp; Associates, LLC

IRS Empl. Ident. No.:

56-2414755

**Item of Form**

Answer

**Equities****Portfolio Value****Annual Fee**

Less than \$3,000,000

1%

\$3,000,000 - \$5,000,000

.75%

\$5,000,000 or greater

negotiable

**Fixed Income****Portfolio Value****Annual Fee**

Less than \$2,000,000

.50%

\$2,000,000-4,000,000

.45%

\$4,000,000-5,000,000

.40%

More than \$5,000,000

negotiable

The Registrant may in certain limited circumstances render investment management services to qualified clients for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, the Registrant shall receive fees based on the performance of the account ("performance fee"). The Registrant's performance fee is negotiable and shall be charged quarterly in arrears, based on the net profits on the securities in the client's portfolio at the end of each month. Under this fee arrangement, there is the potential for a conflict of interest in that the performance fee may be an incentive for the Registrant to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement.

As further discussed in response to Item 10 (below), the Registrant generally imposes a minimum portfolio value for its investment management services. The Registrant, in its sole discretion, may waive its stated account minimum or charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

Currently, the Registrant intends to primarily allocate its client's investment management assets, on a discretionary basis among individual debt and equity securities, mutual funds, exchange-traded funds, variable annuities, variable life insurance, and/or options in accordance with the client's investment objectives.

As further discussed in response to response to Item 12B (below), the Registrant shall generally recommend that clients utilize the brokerage and clearing services of Fidelity Investments and its affiliates (collectively referred to as "Fidelity") for investment management accounts.

The Registrant may only implement its investment management recommendations after the client has arranged for and furnished the Registrant with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, Fidelity, any other broker-dealer recommended by the Registrant, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institution(s)").

Clients may incur certain charges imposed by the Financial Institution(s) and other third parties such as fees charged by Independent Managers (as defined below), custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to the Registrant's fee.



**Schedule F of  
FORM ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Smith, Salley & Associates,	801- 62538	2/25/2010

(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: Smith, Salley & Associates, LLC	IRS Empl. Ident. No.: 56-2414755
<b>Item of Form</b> Answer	

The Registrant's Agreement and/or the separate agreement with the Financial Institution(s), may authorize the Financial Institution(s) to debit the client's account for the amount of the Registrant's fee and to directly remit that management fee to the Registrant in accordance with required SEC procedures as follows: (1) the Registrant shall send to the client and the Financial Institution(s) at the same time a fee statement ("Fee Statement") showing the amount of the management fee for the period, and, additionally, shall include in the client's Fee Statement the specific manner in which the management fee was calculated and the value of the client's assets on which the fee was based, and (2) the Financial Institution(s) shall send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the Registrant.

The Registrant generally manages its clients' portfolios by allocating the portfolio assets among various securities on a discretionary basis using a common strategy which may result in similarly managed accounts. In so doing, the Registrant employs an investment management strategy, whereby the Registrant shall buy, sell, or otherwise exchange securities based upon its strategic and tactical investment strategy (the "allocation strategy").

The allocation strategy has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly-managed accounts, such as the allocation strategy, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following features have been specifically included in the Registrant's allocation strategy:

1. Initial Interview - an initial interview is conducted with each client (either in person or via a questionnaire) to determine the client's financial circumstances, goals, acceptable levels of risk and other relevant circumstances;
2. Individual Treatment - the client's account is managed on the basis of the client's financial circumstances and investment objectives;
3. Monitoring - the client's circumstances shall be monitored through quarterly account reviews and annual interviews;
4. Consultation Available - Adviser shall be reasonably available to consult with the client relative to the status of client's account;
5. Notice of Transactions - the client shall receive, at least quarterly, notice of all transactions in the client's account;
6. Quarterly Statement - the client shall be provided with a quarterly statement containing a description of all activity in the client's account;
7. Ability to Impose Restrictions - client shall have the ability to impose reasonable restrictions on the management of his/her/its account, including the ability to instruct the Registrant not to purchase certain mutual funds;
8. No Pooling - the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account;
9. Separate Account - A separate account is maintained for the client with the custodian;
10. Ownership - each client retains ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations); and
11. Adviser's Fee - The Registrant believes that its annual fee is reasonable in relation to: (1) the advisory services

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
FORM ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Smith, Salley & Associates,	801- 62538	2/25/2010

(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: Smith, Salley & Associates, LLC	IRS Empl. Ident. No.: 56-2414755
<b>Item of Form</b> Answer	

provided; and (2) the fees charged by other investment advisers offering similar services/programs. In addition to the Registrant's annual fee, the client will also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

Clients may, in writing, place reasonable limitations upon the Registrant's discretionary authority.

The allocation strategy may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the allocation strategy are usually bought, sold, or otherwise exchanged without regard to a client's individual tax ramifications. Certain investment opportunities that become available to the Registrant's clients may be limited. For example, various mutual funds may, from time to time, limit the number of shares available for purchase or sale for accounts utilizing an allocation strategy, such as those managed by the Registrant. As further discussed in response to Item 12B (below), in order to meet its fiduciary duties to all of its clients, the Registrant will endeavor to allocate investment opportunities among all clients on a fair and equitable basis. However, except as otherwise provided by federal or state securities laws, the Registrant shall not be liable for an adverse decision by a mutual fund or insurance company to unilaterally restrict and/or prohibit trading activities.

The Registrant may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager(s) either directly or through a wrap fee program ("Independent Manager(s)"), based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager(s) shall be set forth in separate written agreements between (1) the client and the Registrant and (2) the client and the designated Independent Manager(s) and/or wrap fee program sponsor. The Registrant shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which the Registrant shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager(s). Factors that the Registrant shall consider in recommending Independent Manager(s) include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager(s), together with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, the Registrant's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by the Registrant, the designated Independent Manager(s), wrap fee program sponsor (if applicable), and corresponding broker-dealer and custodian.

In addition to the Registrant's written disclosure statement, the client shall also receive the written disclosure statement of the designated Independent Manager(s) and wrap fee program sponsor (if applicable). Certain Independent Manager(s) may impose more restrictive account requirements and varying billing practices than the Registrant. In such instances, the Registrant may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

If the Registrant refers a client to certain Independent Manager(s) where the Registrant's compensation is included in the advisory fee charged by such Independent Manager(s) and the client engages those Independent Manager(s), the Registrant shall be compensated for its services by receipt of a fee to be paid directly by the Independent Manager(s) to the Registrant in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the Independent Manager(s) investment management fee or the program fee of the wrap fee program (as appropriate), and shall not result in any additional charge to the client.

The Registrant also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer sponsored retirement plans. In so doing, the Registrant either directs or recommends the allocation of client assets among the various mutual

**Schedule F of  
FORM ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Smith, Salley & Associates,	801- 62538	2/25/2010

(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: Smith, Salley & Associates, LLC	IRS Empl. Ident. No.: 56-2414755
<b>Item of Form</b> Answer	

fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

The client may make additions to and withdrawals from the account at any time, subject to the Registrant's right to terminate an account that falls below its minimum portfolio size (as discussed in response to Item 10). Clients may withdraw account assets on notice to the Registrant, subject to the usual and customary securities settlement procedures. However, the Registrant designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a pro rata basis. The Agreement between the Registrant and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. The Registrant's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Additions may be in cash or securities provided that the Registrant reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. Transferred securities shall be liquidated without regard to any transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

The Registrant's clients are advised to promptly notify the Registrant if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon the Registrant's management services. Neither the Registrant nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.

A copy of the Registrant's privacy policy notice and a written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), shall be provided to each client prior to or contemporaneously with the execution of the Agreement. Any client who has not received a copy of the Registrant's written disclosure statement at least forty-eight (48) hours prior to executing the Agreement shall have five (5) business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

The Registrant may vote proxies on behalf of its clients. When the Registrant accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in the Registrant's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in the Registrant's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, clients may contact the Registrant to request information about how Registrant voted proxies for that client's securities or to get a copy of the Registrant's Proxy Voting Policies and Procedures. A brief summary of the Registrant's Proxy Voting Policies and Procedures is as follows:

- The Registrant has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to the Registrant's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.

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Smith, Salley & Associates,	801- 62538	2/25/2010

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

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• Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the Registrant shall devote an appropriate amount of time and resources to monitor these changes.

• In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that the Registrant maintains with persons having an interest in the outcome of certain votes, the Registrant will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

**Item 3. L.**

The Registrant may also provide advice about any type of investment held in a client's portfolio at the beginning of the advisory relationship.

**Item 4. A. (5)**

As further discussed in the response to Item 1D (above), the Registrant may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Manager(s), based upon the stated investment objectives of the client. When choosing an Independent Manager for a client, the Registrant shall review information about the Independent Manager(s) such as its disclosure statement and/or material supplied by the Independent Manager(s) or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available.

**Item 4. B. (8)**

As further discussed in the response to Item 1D (above), the Registrant may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Manager(s), based upon the stated investment objectives of the client. When choosing an Independent Manager for a client, the Registrant shall review information about the Independent Manager(s) such as its disclosure statement and/or material supplied by the Independent Manager(s) or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available.

**Item 4. C. (7)**

As further discussed in the response to Item 1D (above), the Registrant may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Manager(s), based upon the stated investment objectives of the client. The Registrant shall continue to render services to the client relative to the monitoring and review of account performance and client investment objectives.

**Item 5.**

All individuals that render investment advisory services on behalf of the Registrant must have earned a college degree and/or have substantive investment-related experience. In addition, all such individuals shall have attained all required investment-related licenses and/or designations.

**Item 6.**

G. Gregory Smith, Jr.

Born 1973

Post-Secondary Education:

North Carolina State University - 1997, B.S., Business Management

Kenan-Flagler Business School - University of North Carolina - 2001, MBA

**Schedule F of  
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Applicant:

Smith, Salley &amp; Associates,

SEC File Number:

801- 62538

Date:

2/25/2010

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

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

Smith, Salley &amp; Associates, LLC

IRS Empl. Ident. No.:

56-2414755

**Item of Form**

Answer

## Recent Business Background

Smith, Salley and Associates, LLC, Managing Member, 11/2003 - Present

Franklin Street Partners, Inc., Equity Analyst, 05/2001 - 11/2003

Kenan Flagler Business School, Graduate Student, 09/1999 - 05/2001

Franklin Street Partners, Assistant Analyst, 10/1997 - 09/1999

George M. Salley, CFA

Born 1941

Post-Secondary Education:

The Citadel - 1963, B.S., Business Administration

University of South Carolina, The Moore School of Business - 1964, MBA

## Recent Business Background:

Smith, Salley &amp; Associates, LLC, Managing Member, 12/2003 - Present

Franklin Street Partners, Inc., Partner, VP-Franklin Street Trust, 06/1993 -12/2003

Andrew D. Davis, CFA

Born 1976

Post-Secondary Education:

University of North Carolina at Chapel Hill - 1998, B.A. Economics

## Recent Business Background:

Smith, Salley &amp; Associates, LLC, Portfolio Analyst, 03/2006 – Present

SunTrust Personal Asset Management, Portfolio Manager 05/2004-03/2006

Central Carolina Bank and Trust, Portfolio Manager, Analyst, 01/1997-05/2004

E. Scott Batchelor, Jr.

Born 1983

Post Secondary Education:

University of North Carolina at Chapel Hill – 2006, B.S. Business

## Recent Business Background:

Smith, Salley &amp; Associates, LLC, Portfolio Analyst, 05/2006 – Present

University of North Carolina at Chapel Hill – 8/2001-12/2005

H. Brian May

Born 1965

Post-Secondary Education:

Appalachian State University - 1987 B.S. in Business Administration

Asbury Theological Seminary - 1993 Masters in Divinity

## Recent Business Background

Smith, Salley and Associates, LLC, Managing Member, 3/2009 - Present

Jonathan Smith &amp; Co. - 11/2001 - 3/2009 Senior Portfolio Manager

Jonathan Smith &amp; Co. - 12/1994 - 11/2001 Associate

James S. Agnew

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1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Smith, Salley & Associates, LLC	IRS Empl. Ident. No.: 56-2414755
<b>Item of Form</b> Answer	

Born 1937

Post-Secondary Education:

Georgia Institute of Technology - 1959 BS in Industrial Management

Woodrow Wilson Law College - 1962 LLB

Georgia Institute of Technology - 1967 Masters in Industrial Management

Recent Business Background

Smith, Salley & Associates, LLC, Portfolio Analyst, 03/2006 – Present

SunTrust Personal Asset Management, Senior Portfolio Manager 05/2004-03/2006

Central Carolina Bank and Trust, Senior Portfolio Manager, 1980-05/2004

**Item 7. A.**

The Registrant may provide its clients with various pension consulting services. The Registrant will charge an hourly fee for these services. The Registrant's pension consulting fees are negotiable, but generally range from \$100 to \$300 on an hourly rate basis, depending upon the level and scope of the pension consulting services. If the client engages the Registrant for implementation of any pension consulting services, the Registrant may offset all or a portion of its fees for those services based upon the amount paid for the pension consulting services.

The Registrant is not registered as a securities broker-dealer. Some registered representative(s) of the Registrant are licensed to sell insurance through affiliated or non affiliated companies, in most cases via an insurance wholesaler that has access to various insurance products from various product sponsors. Therefore these individuals will be able to affect insurance recommendations for any client electing to receive this service. It is understood that these individuals will be able to receive a percentage of the typical insurance commissions/compensation which may be in addition to any advisory, financial planning or other fee charged by Registrant to an advisory client. In addition to commissions from sale of insurance products, the individual may receive continuing education materials, classes or seminars from these product sponsors.

**Item 7. B.**

Certain of the Registrant's personnel, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While the Registrant does not sell such insurance products to its investment advisory clients, the Registrant does permit its personnel, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that the Registrant recommends the purchase of insurance products where the Registrant's personnel receive insurance commissions or other additional compensation which they may assign to the Registrant. The Registrant's personnel currently devote approximately two percent (2%) of their time to insurance sales.

**Item 9. Code of Ethics**

The Registrant has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Advisers Act, its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material nonpublic information by any of its associated persons. The Code of Ethics also requires that certain of the Registrant's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Clients may contact the Registrant to request a

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1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Smith, Salley & Associates, LLC	IRS Empl. Ident. No.: 56-2414755
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copy of its Code of Ethics.

**Item 9. E.**

The Registrant does not buy nor sell for itself securities that it also recommends to clients. However, persons associated with the Registrant ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with the following policies and procedures:

Unless specifically defined in the Registrant's procedures (summarized below), none of the Registrant's Associated Persons may effect for himself or herself, for his or her immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person), or for trusts for which the Associated Person serves as a trustee or in which the Associated Person has a beneficial interest (collectively "Covered Persons"), any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Registrant's clients.

When the Registrant is purchasing or considering for purchase any security on behalf of a client, no Covered Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Registrant is selling or considering the sale of any security on behalf of a client, no Covered Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

The foregoing policies and procedures are not applicable to (a) transactions effected in any account over which neither the Registrant nor any advisory representative of the Registrant has any direct or indirect influence or control; and (b) transactions in securities that are: direct obligations of the government of the United States; bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements; or shares issued by registered open-end investment companies.

This policy has been established recognizing that some securities being considered for purchase and sale on behalf of the Registrant's clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of such securities. Under certain limited circumstances, exceptions may be made to the policies stated above. The Registrant will maintain records of these trades, including the reasons for any exceptions.

In accordance with Section 204A of the Advisers Act, the Registrant also maintains and enforces written policies reasonably designed to prevent the unlawful use of material nonpublic information by the Registrant or any of its Associated Persons.

**Item 10.**

As further discussed in response to Item 1D (above), the Registrant provides investment supervisory services. As a condition for starting and maintaining a relationship, the Registrant shall generally impose a minimum portfolio size of \$1,000,000. The Registrant, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and preexisting clients. The Registrant shall only accept clients with less than the minimum portfolio size if, in the sole opinion of the Registrant, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. The Registrant may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain Independent Manager(s) may impose more restrictive account requirements and varying billing practices than the Registrant. In such instances, the Registrant may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

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

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**Item 11. A.**

For those clients to whom the Registrant provides investment supervisory services, the Registrant monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of the Registrant's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Registrant and to keep the Registrant informed of any changes thereto. The Registrant shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

**Item 11. B.**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

Those clients to whom the Registrant provides investment advisory services will also receive a report from the Registrant that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis.

**Item 12. A. (1)**

Please see the previous responses set forth on this Schedule F to Item 1D.

Except as provided for in any applicable wrap fee program, the brokerage commissions and/or transaction fees charged by Fidelity or any other designated broker-dealer are exclusive of and in addition to the Registrant's fee.

Factors which the Registrant considers in recommending Fidelity, or any other broker-dealer, to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity enables the Registrant to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other broker-dealers.

The commissions paid by the Registrant's clients shall comply with the Registrant's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests the Registrant to arrange for the execution of securities brokerage transactions for the client's account, the Registrant shall direct such transactions through broker-dealers that the Registrant reasonably believes will provide best execution. Transactions may be cleared through other broker-dealers with whom the Registrant and the Financial Institutions have entered into agreements for prime brokerage clearing services. The Registrant shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

The client may direct the Registrant in writing to use a particular broker-dealer to execute some or all of the transactions for the client. In that case, the client will negotiate the terms and arrangements for the account with that broker-dealer,



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and the Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by the Registrant (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Registrant may decline a client's request to direct brokerage if, in the Registrant's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "batch" such orders to obtain the best execution, to negotiate more favorable commission rates, or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Registrant's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Registrant determines to aggregate client orders for the purchase or sale of securities, including securities in which the Registrant's Associated Persons may invest, the Registrant shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. The Registrant shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Registrant determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to the security or sector weighting relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Registrant may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

**Item 12. A. (2)****Item 12. A. (3)****Item 12. A. (4)****Item 12. B.****Item 13. A.**

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist the Registrant in its investment decision-making process. Such research generally will be used to service all of the Registrant's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

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The Registrant may receive from Fidelity, without cost, computer software and related systems support, which allow the Registrant to better monitor client accounts maintained at Fidelity. The Registrant may receive the software and related support without cost because the Registrant renders investment management services to clients that, in the aggregate, maintain a certain level of assets at Fidelity.

Specifically, the Registrant may receive the following benefits from Fidelity through the Fidelity Registered Investment Adviser Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

**Item 13. B.**

If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, the Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor shall provide the client with a copy of the Registrant's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of the Registrant shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Registrant's written disclosure statement at the time of the solicitation.