



INVESTMENT MANAGEMENT COMPANY

FORM ADV PART 2A

INVESTMENT ADVISOR BROCHURE

ITEM 1: COVER PAGE

| | |
|---------------------------------------|--|
| Name of Registered Investment Advisor | Waycross Investment Management Company |
| Physical Address | 1326 Commercial Street, Bellingham, WA 98225 |
| Mailing Address | PO Box 1618, Bellingham, WA 98227 |
| Phone Number | 360.671.0148 -or- 800.292.8794 |
| Website Address | www.waycross.com |
| E-mail Address | waycross@waycross.com |
| Date of Last Revision | February 22, 2012 |

This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact our office using one of the methods listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration is mandatory for all persons meeting the definition of Investment Advisor and does not imply a certain level of skill or training.

Additional information about our firm can be found on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

Luther Hartwell (Hart) Hodges joined Waycross as Vice President in November 2011. Hart is an officer of the company and a principal owner.

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ITEM 4: ADVISORY BUSINESS

▪ ADVISORY FIRM

Waycross Investment Management Company has been providing investment advisory services since 1980. Michael Ryan, President, joined Waycross in 1983. Previously he held various financial and operations management positions in private industry. He has an MBA in Finance from the Wharton School, University of Pennsylvania, and a BA in Economics from Colgate University. Michael is a principal owner of Waycross.

Luther H.(Hart) Hodges joined Waycross as Vice President in November 2011. He is a principal owner. He is currently working at Waycross part time and is responsible for investment and economic research, and statistical analysis. He is an Associate Professor of Economics at Western Washington University where he also serves as director of the University's Center for Economic and Business Research. Hart received his PhD in economics from the University of Washington. His Masters in Environmental Management is from Duke University and his BA is from Williams College.

Barbara Ryan is Secretary of the corporation and a principal owner. Barbara is not employed at Waycross and is not an "investment advisory representative".

▪ ADVISORY SERVICES

Waycross provides investment supervisory services to all clients on a fee basis. Waycross provides discretionary account management based each clients' financial circumstances, investment objectives, need for cash flow, tolerance of volatility, and size of account(s). Portfolios may hold individual equities, bonds, mutual funds, cash, and put options to limit volatility. Clients provide prior approval for both the targeted asset allocations and the specific asset classes to be purchased through their Investment Policy Statement.

On occasion, Waycross will provide portfolio reviews for non-advisory clients on an hourly fee basis.

As of December 31, 2010, Waycross has \$67,607,000 of assets under management on a discretionary basis.

Clients have the opportunity to impose reasonable restrictions on the management of the account. Clients have the ability to leave standing instructions with the IA Representative to refrain from investing in particular securities or types of securities, or invest in limited amounts of securities. Clients are notified quarterly to contact Waycross if there have been any changes in their financial situation or

investment objectives, or to impose or modify account restrictions. It is the client's responsibility to notify Waycross at any time there are changes. Waycross will contact, or attempt to contact, the client annually to review all aspects of the clients' portfolio, their objectives, and their financial situation. Clients are encouraged to call or email at any time to discuss these matters.

Clients will receive timely confirmations of trades and at least quarterly statements containing a description of all transactions and all account activity directly from the custodian/brokerage firm holding their securities. The client will retain all rights of ownership of all securities and funds in the account. Waycross sends portfolio reports to the client on a quarterly basis.

ITEMS 5 & 6: FEES AND COMPENSATION

Waycross provides service for a fee based on a percentage of the total assets under management for a client. Waycross does not receive any income from third parties related to purchasing securities in client accounts. The only source of revenue other than direct client fees (as described below) are fees charged a related research organization for administrative service. This accounts for less than 3% of Waycross' revenue.

The fee structure for clients holding only stocks, and accounts holding stocks as well as other securities, is as follows:

| Total Value of Client Accounts | Annual Rate |
|---|--|
| \$1 million or less | 1% of assets* |
| \$1 million to \$3 million | 1% of first million + 0.75% of value over \$1 million |
| \$3 million to \$5 million | 1% of first million + 0.75% of value from \$1 million to \$3 million + 0.70% of value between \$3 million and \$5million |
| Above \$5 million | 1% of first million + 0.75% of value from \$1 million to \$3 million + 0.70% of value between \$3 million and \$5million + 0.60% of value above \$5 million |
| The annual fee for accounts holding only bonds is 0.50% of the value of accounts. | |

*Generally, the minimum account size Waycross will accept is \$250,000. However, we may elect to accept clients with portfolio assets below the minimum. In such cases, the annual management fee for clients with portfolio values less than \$200,000 will be 1.25%

Management fees are billed and payable each calendar quarter, in advance, at one quarter the annual rate. The first payment is due and payable upon execution of the Investment Management Agreement, or when Waycross has an effective limited power of attorney and the assets are available to be managed, whichever is later. Fees will be prorated in the event this date is other than the last day of a calendar quarter. Subsequent payments will be assessed on the first day of each calendar quarter based on the value of the portfolio as of the last day of the previous calendar quarter. Fees are never accessed or collected for services to be performed more than three months in advance. These fees are for advisory services only and do not include any transaction fees or commissions, which may be charged separately by the broker/dealer custodial firm. See the section heading Brokerage Practices for more information.

Fees may be paid directly by the client, or the client may authorize the custodian holding client funds and securities to deduct Waycross' advisory fees directly from the client account in accordance with statements prepared and submitted to the custodian by Waycross. Waycross will submit a copy of the invoice to the client not later than the date it is submitted to the custodian. The custodian will provide periodic account statements to the client. Such statements will reflect all fee withdrawals by Waycross. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

Fees are negotiable for employees, relatives of employees, and other special circumstances.

In addition to fees paid for advisory services with respect to clients' investments in mutual funds, clients pay additional fees on the mutual fund investment because the mutual funds also pay advisory and/or management fees to an investment advisor.

The client may terminate the Agreement without penalty (full refund) within five business days of signature. After the first five days either party may terminate the Agreement for any reason at any time. The termination shall become effective when the notice of termination is provided to the other party in writing or by email. If termination occurs prior to the end of a calendar quarter, a pro-rata refund of unearned fees will be made to the client.

The Advisory Agreement contains a pre-dispute arbitration clause. Client understands that the agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such a waiver would be void under the federal securities laws. Arbitration is final and binding on the parties.

Waycross does not charge fees based on the performance of the assets managed.

The hourly fee for portfolio reviews performed for non-advisory clients will be billed at the rate of \$250.00 per hour. Fees will be invoiced when the review is presented to the client and payment is due on receipt. Refund of the fee may be granted in the client becomes an advisory client within 30 days of the invoice being provided to the client.

ITEM 7: TYPES OF CLIENTS

Waycross provides advisory services to individuals for taxable accounts and IRA's, pension and profit sharing plans and other ERISA accounts, trusts, estates, and charitable organizations.

Generally, the minimum account size ("account" is defined as the total value of assets managed for a client) is \$250,000. Waycross may accept accounts valued at less than \$250,000 if it appears the client will be making significant net contributions over time.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Waycross recommends target allocations to asset classes (stocks, stock mutual funds, bonds, commodity mutual funds, put options, and cash) based on the individual client's financial circumstances, investment objectives, need for cash flow, tolerance of volatility, and size of account. The allocation targets are then managed within specified ranges. However, there is no guarantee that this strategy of diversification will result in attainment of client objectives

Stocks, stock mutual funds, and commodity mutual funds are recommended because of our belief that these securities offer potential for relatively high returns over the long term. When individual stocks are held in an account our policy is to assure a wide diversification achieved through the number of securities held and limitations to the maximum exposure to economic sectors.

Waycross utilizes fundamental analysis to select and manage individual stocks. A key element to this is a proprietary tool, Quantitative Earnings Digest (QED) that reviews over 3000 issues every week for potential purchase, and assists in our weekly analysis of all stocks held. QED ranks the relative valuation of securities based on an historic analysis of each securities price /earnings ratio as a function of its relative earnings growth rate. In the management of clients' taxable accounts, Waycross is cognizant of potential tax implications of transactions.

Waycross may hold stock mutual funds in accounts that are not large enough to hold a diversified portfolio of individual stocks, as well as in larger accounts holding individual stocks to provide greater diversification. Waycross will only purchase no-load mutual funds in client accounts. Our strategy is to hold a selection of mutual funds that provides exposure to different characteristics of capitalization, management approach and global region. We focus our analysis on risk adjusted return relative to similar funds, consistency of return and management, and the fees charged by the mutual fund company.

We may also hold a commodity mutual fund in client accounts in order to attain more direct exposure to commodities. Commodities may provide a hedge against inflation and in an environment of rapid growth in developing economies may provide the opportunity for relatively high returns. The fund held must always hold a diversified basket of commodities and be no-load.

While the allocation to stocks and/or stock mutual funds is based on individual client circumstances, the target allocation to commodity mutual funds seldom exceeds 5% of the total assets managed.

Waycross may recommend a limited exposure to put options on the S&P 500 index to limit the potential for capital loss in an environment of rapidly falling stock prices.

Waycross will hold bonds and/or bond mutual funds when managing a balanced account for a client. The purpose of these securities is to moderate the inherent volatility of stocks, stock mutual funds, and commodity mutual funds. In addition, the bonds/bond mutual funds generally provide a higher current yield. Waycross will only hold high quality bonds or bond mutual funds and limits the maximum maturity.

During periods with historically low interest rates Waycross may purchase put options against the S&P 500 Index in relation to the target exposure to stocks, stock mutual funds, and commodity mutual funds in order to provide additional protection from declining stock prices. This strategy is only employed when the client has specifically authorized it. This strategy will reduce the return of the portfolio from what it would otherwise have been when stock prices are relatively stable or are rising.

While there is risk in all investments, some carry a greater degree of risk or higher costs. There is no guarantee that the investment strategy selected for the client will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. For those investments sold by prospectus, clients should read the prospectus in full.

Stocks and stock mutual funds tend to be relatively volatile, and may experience significant loss of value. Waycross attempts to moderate this risk by enforcing diversification policies and by including other asset

classes in a client's portfolio. However, this strategy may not be moderate risk when the asset classes used all lose value simultaneously.

Commodities tend to have a higher level of short term volatility than stocks; hence our policy to hold only diversified commodity mutual funds and the limited exposure to this asset class.

The category of bonds and bond mutual funds that Waycross will purchase for clients, tend to be less volatile than the other securities. However, rising interest rates may result in falling bond prices.

ITEM 9: DISCIPLINARY INFORMATION

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel.

Waycross does not have any disclosure items for this portion of the brochure.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Michael Ryan, president of Waycross, is a principal of QED, Inc. Waycross contracts with QED to provide stock analysis. Michael Ryan spends approximately 10% of his time working on QED. That time materially benefits client of Waycross.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

▪ CODE OF ETHICS

Waycross maintains a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of advisory personnel; requires compliance with federal securities laws; and, addresses conflicts that arise from personal trading by advisory personnel. Waycross shall provide a copy of the code of ethics to any client or prospective client that requests it.

▪ PERSONAL TRADING

At times Waycross and/or its employees may take positions in the same securities as clients, and we will try to avoid conflicts with clients. The firm and its IA Reps will generally be “last in” and “last out” for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

ITEM 12: BROKERAGE PRACTICES

▪ SOFT DOLLAR PRACTICES AND BROKERAGE RECOMMENDATIONS

Waycross does not receive compensation from any brokerage firm in the form of research or products (“soft dollars”). However, Waycross’ lead custodian, Charles Schwab, does provide direct data connection with client accounts allowing Waycross real time information. Schwab provides software to expedite trading. In addition Schwab provides access to industry information and education. These services are not contingent on commissions generated. Waycross is not affiliated with Charles Schwab.

Waycross understands its duty for best execution and considers multiple factors in making custodial/brokerage recommendations to clients.

- Combination of execution services and asset custody services
- Capacity to execute, clear, and settle purchase and sale trades
- Capability to facilitate wire transfers, security transfers, and check requests
- Breadth of available securities (stocks, bonds, mutual funds, etc.)
- Investment research tools to help improve our investment decisions
- Quality of services provided

- Competitiveness of pricing for services provided (commissions, and fees)
- Reputation, financial strength, and stability
- Availability of other services that benefit Waycross

Waycross recommends clients custody their assets at Charles Schwab and direct trades to be executed at Schwab. Waycross also recommends clients provide the authority for Waycross to “trade away” (use another brokerage firm) in cases where Waycross believes another firm will execute the trade in a manner more favorable to the client. While Waycross may not always obtain the lowest commission rate, we believe the rate is reasonable in relation to the value of the execution, client services and information services provided.

DIRECTED BROKERAGE

Client may direct brokerage to a specified broker/dealer other than the firm recommended by Waycross. However, Waycross may elect not to accept a client based on what it believes to be the potential impact of directing trades. If a client does direct trading to a broker/dealer other than Charles Schwab, it is up to the client to negotiate the commission rate. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through the broker/dealer used by Waycross. In client directed brokerage arrangements, the client may not be able to participate in aggregated (“blocked”) trades, which may help reduce the cost of execution.

▪ **TRADE AGGREGATION**

While individual client advice is provided each account, client trades may be executed as a block trade. The Advisor encourages its existing and new clients to use the Advisor's "lead custodian." Only accounts in the custody of the lead custodian would have the opportunity to participate in aggregated securities transactions. All trades using the lead custodian will be aggregated and done in the name of the Advisor. The executing broker will be informed that the trades are for the account of the Advisor's clients and not for the Advisor itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce slightly the costs of execution, and the Advisor will not aggregate a client's order if in a particular instance the Advisor believes that aggregation would cause the client's cost of execution to be increased. The Custodian will be notified of the amount of each trade for each account. The Advisor and/or its IA Reps may participate in block trades with clients, and may also participate on a pro rata basis for partial fills, but only if clients receive fair and equitable treatment.

ITEM 13: REVIEW OF ACCOUNTS AND SECURITIES HELD

Securities held in client accounts are reviewed on a regular basis. The prices of individual stocks, stock mutual funds, and commodity mutual funds are reviewed daily. The fundamental attributes of individual stocks, as well as their relative price performance, are reviewed weekly.

The diversification by economic sector of individual stock portfolios and the weighting of individual stocks in portfolios is reviewed monthly.

Stock, bond, and commodity mutual funds are reviewed monthly for consistency of management approach, performance relative to approach, diversification, and fees. Credit quality of individual bonds is reviewed monthly.

Asset allocation relative to clients' investment policy statement is reviewed monthly.

Waycross sends reports quarterly to all clients. These reports include a letter summarizing the account performance, an overview of the financial markets during the previous quarter, a detail performance review for the past quarter and trailing twelve months (or year to date), a consolidated statement of securities held listed by asset class, a purchase and sale report for the quarter, and a realized gain and loss report year to date.

Waycross attempts to meet with clients at least once a year to review their objectives, performance relative to objectives, and any recommended changes in strategies. Clients are encouraged to contact Waycross at any time with questions or concerns.

ITEM 14: CLIENT REFERRALS & OTHER COMPENSATION

▪ REFERRAL FEES PAID

Waycross does not compensate any third party for client referrals nor does it solicit or receive payment for referrals to any third party.

ITEM 15: CUSTODY

Waycross is deemed to have custody of client funds solely because of the fee deduction authority granted by the client in the investment advisory agreement.

Clients will receive account statements monthly from the qualified custodian of their accounts, generally Charles Schwab. Clients are urged to compare custodial account statements against statements prepared by Waycross for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of your account for tax purposes.

ITEM 16: INVESTMENT DISCRETION

Waycross maintains full discretion to purchase and sell securities under a limited power of attorney. Waycross will not have authority to withdraw funds or to take custody of client funds or securities, other than under the terms of the Fee Payment Authorization clause in the Agreement with the client or to initiate a transfer of funds (previously authorized by the client) to or from an identically registered bank account of the client.

ITEM 17: VOTING CLIENT SECURITIES

Waycross has the authority to vote proxies, unless the client otherwise specifically directs. Clients may contact us direct at the phone number or address listed on the first page of this document to obtain information on how Waycross voted on behalf of the client. Waycross votes proxies in the best economic interest of the client, and not in the interest of our firm. While it is unlikely that we will have a material conflict when voting client proxies, a conflict could arise from time to time. We can resolve such conflicts to include but not limited to: documenting that votes were cast in the interest of the client; informing the client to obtain objective third party advice; obtaining client's informed consent to vote a proxy in a specific manner. When seeking a client's consent, we will provide the client with sufficient information regarding the matter and the nature of the conflict to enable the client to make an informed decision. There may be times when refraining from voting a proxy is in the client's best interest, such as when the cost of voting exceeds the expected benefit to the client. Clients may request a complete copy of our proxy voting policy.

ITEM 18: FINANCIAL INFORMATION

An investment advisor must provide financial information if a threshold of fee prepayments is met, if there is a financial condition likely to impair the ability to meet contractual commitments; or if there has been a bankruptcy within the past ten years.

Waycross does not have any disclosure items for this portion of the brochure.



FORM ADV PART 2A

BROCHURE SUPPLEMENT FOR MICHAEL F. RYAN

COVER PAGE

| | |
|-----------------------------------|--|
| Name of Supervised Person/IA Rep. | Waycross Investment Management Company |
| Physical Address | 1326 Commercial Street, Bellingham, WA 98225 |
| Mailing Address | PO Box 1618, Bellingham, WA 98227 |
| Phone Number | 360.671.0148 -or- 800.292.8794 |
| Website Address | www.waycross.com |
| E-mail Address | mryan@waycross.com |
| Date of Last Revision | March 28, 2011 |

This brochure supplement provides information about Michael F Ryan that augments the Waycross Investment Management Company brochure. You should have received a copy of that brochure. Please contact Michael Ryan, President, if you did not receive a copy of Waycross' brochure or if you have any questions about the contents of this supplement.

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

EDUCATION BACKGROUND

| | |
|---------------|---|
| Name | Michael F. Ryan |
| Year of Birth | 1944 |
| Education | Colgate University, Hamilton, NY |
| | B.A., Economics, 1967 |
| | Wharton School, University of Pennsylvania, Philadelphia, PA M.B.A., Finance, 1970 |

BUSINESS EXPERIENCE

| | |
|-------------|--|
| Business | Waycross Investment Management Company Bellingham, WA |
| Position(s) | IA Representative/President, 1988-Present IA Representative/Vice President, 1983-1988 |

DISCIPLINARY INFORMATION

An investment advisor and its supervised persons (IA Reps) must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of the IA Rep.

Michael F Ryan does not have any disclosure items for this portion of the brochure. Michael Ryan has not been the subject of a bankruptcy petition.

OTHER BUSINESS ACTIVITIES

In addition to his responsibilities at Waycross, Michael Ryan is president of, and a principal of, Quantitative Earnings Digest (QED). QED produces an analysis of equities listed on the various US stock exchanges. Waycross subscribes to QED and uses the data in the management of client accounts.

ADDITIONAL COMPENSATION

Neither Michael Ryan nor Waycross receives any compensation from any source as a result of Michael Ryan or Waycross directing trades in client accounts.

Michael Ryan is a principal owner of Quantitative Earnings Digest Inc. (QED). Waycross pays QED an annual fee to have access to the QED analysis of stock valuations.

SUPERVISION

All investment advice provided by all IA Representatives (including Michael Ryan) is formulated in conjunction with Waycross' Investment Committee. As Chief Compliance Officer, Michael Ryan is responsible for monitoring portfolios for investment objectives and other supervisory reviews.