

MARSHWINDS ADVISORY COMPANY

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This brochure provides information about the qualifications and business practices of Marshwinds Advisory Company. If you have any questions about the contents of this brochure, please contact us at 1-800-343-3751 or eak@marshwindsadvisory.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

MATERIAL CHANGES

The U.S. Securities and Exchange Commission has revised the format to be utilized in preparation of brochures, and this brochure is prepared in accordance with the new format. Therefore, you should review the entire brochure carefully.

As of December 1, 2011, Marshwinds Advisory Company did not have any clients for which Marshwinds had custody as defined by the SEC.

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TABLE OF CONTENTS

ADVISORY BUSINESS	3
FEES AND COMPENSATION	3
PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT	4
TYPES OF CLIENTS	5
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	5
DISCIPLINARY INFORMATION.....	7
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	7
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	8
BROKERAGE PRACTICES	8
REVIEW OF ACCOUNTS.....	10
CLIENT REFERRALS AND OTHER COMPENSATION.....	11
CUSTODY.....	12
INVESTMENT DISCRETION	12
VOTING CLIENT SECURITIES.....	13
FINANCIAL INFORMATION	13

ADVISORY BUSINESS

Marshwinds Advisory Company has been in business of supplying supervisory investment management to clients since 1988. Marshwinds Advisory Company is a wholly owned subsidiary of Marshwinds Holdings Company. Marshwinds Holding Company is owned by Eugene A. Kelly and Judy A. Kelly.

Marshwinds Advisory Company provides personalized investment advice to its clients. Generally, the advice is focused on a portfolio of securities owned by the client. When asked, Marshwinds Advisory Company will give its opinion about other financial affairs concerning a particular client including but not limited to estate planning and other family financial decisions.

Marshwinds Advisory Company provides investment advice only with respect to (a) common stocks of publicly traded companies, (b) bonds and preferred stocks of publicly traded companies, (c) money market mutual funds, (d) FDIC insured CDs, and (e) U.S. Treasury and municipal notes and bonds. If a client engages Marshwinds Advisory Company and owns equity or bond mutual funds, we will decide on a disciplined and systematic method of liquidating the equity or bond mutual fund holdings.

Before a person or an entity can become a client of Marshwinds Advisory Company, we must develop a Review and Analysis of their situation. Based upon questions we ask and the answers we receive, we develop a suggested asset allocation, preliminary investment objectives, preliminary investment constraints, and a preliminary investment approach for attempting to meet the investment objectives within the investment constraints. The perspective client may accept, reject, or modify any of the suggestions made by Marshwinds Advisory Company and may impose restrictions on investing in certain securities or types of securities as part of the process of developing an investment approach suitable for the client. When adjusted or accepted, the Review and Analysis will become Exhibit B of the Management Agreement signed by the client.

Every Marshwinds Advisory Company client has a Review and Analysis prepared and submitted for approval even if they participate in a wrap fee program sponsored by another financial institution. If the client is in a wrap fee program from another financial institution, Marshwinds Advisory Company shares in the wrap fee rather than charging an additional fee. Marshwinds Advisory Company does not have a different method of managing a portfolio in a wrap fee program. All client accounts are managed to the individual review and analysis developed for the specific client.

Marshwinds Advisory Company manages all client portfolios on what is termed a "discretionary" basis. Discretionary means we make buy and sell decisions for the portfolio without calling the client first to get permission. As of December 31, 2011, the firm managed \$247,622,234 in client assets.

FEES AND COMPENSATION

Marshwinds Advisory Company is compensated by our clients in the form of an annual fee, collected quarterly in advance, based upon the value of the portfolio at the end of the prior quarter. Our fee schedule is as follows:

One Time Review and Consultation: .25% of Portfolio Value with minimum of \$1,000

Ongoing Investment Supervisory Management Fees:

Assets up to \$1,000,000.....1.5% annum

\$1,000,0001 to \$1,500,000.....1.1% annum

\$1,500,001 and over......75% annum

For highly complex situations requiring extensive time, Marshwinds Advisory Company will charge \$1,000 for the Review and Analysis each client is required to have. If there is a charge for the Review and Analysis Report and the prospective client engages Marshwinds Advisory Company's investment management services, the initial \$1,000 is credited to the client's first year fees.

Marshwinds Advisory Company's fees are determined based upon two factors: (a) assets under management, and (b) the complexity of the management assignment. Fees are negotiable and may deviate from the schedule.

The client may choose to have the fees deducted quarterly from the portfolio managed or may choose to pay the fee from other resources. No matter which way a client chooses to pay, an invoice copy accompanies the portfolio report each quarter.

Besides the fee paid to Marshwinds Advisory Company, a client should expect to pay a brokerage custodian fee as well as transactional commission charges (preferred and common stocks) or a dealer fee (bonds) or a mutual fund charge (money market fund). On sell transactions there are SEC fees as well. These transactional fees and expenses are not paid to Marshwinds Advisory Company. Please see the *Brokerage Practices* section of this brochure for discussion of our brokerage relationships.

Marshwinds Advisory Company fees are collected in advance, meaning we send an invoice for the next ninety (90) days services when we sent our clients their quarterly report. Usually, the client receives the report and invoice by the 10th of the first month of the quarter. Either the client or Marshwinds Advisory Company may terminate our relationship upon giving thirty (30) days written notice. During the thirty (30) day period after receiving notice of termination, Marshwinds Advisory Company will not initiate any transactions; however, we are available to give the client recommendations or answer questions. The time between the end of the thirty (30) day period of notice and the end of the quarter will be determined and the client will be refunded any fees paid for that period. For example, if the client paid \$300 for the quarter and sends a written notice of termination after one month, the second month would be covered by the notice period, and the client would receive a refund of \$100 for the third month of the quarter.

Marshwinds Advisory Company is compensated on a fee basis paid by clients. Marshwinds Advisory Company is not compensated in any other way, including any transactional charges. No employee of Marshwinds Advisory Company is compensated in any way other than their regular salary or by any other firm for securities placed in Marshwinds Advisory Company clients' accounts.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Marshwinds Advisory Company does not accept Performance Based Fees.

TYPES OF CLIENTS

Marshwinds Advisory Company does not have a minimum account size or other requirement for opening or maintaining an account. Our clients include:

- Individuals
- Families
- Pension and Profit Sharing plans
- Trusts
- Estates
- Corporations
- Foundations

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Marshwinds Advisory Company provides investment advice only with respect to (a) common stocks of publicly traded companies, (b) bonds and preferred stocks of publicly traded companies, (c) money market mutual funds, (d) FDIC insured CDs, and (e) U.S. Treasury and municipal notes and bonds. If a client engages Marshwinds Advisory Company and owns equity or bond mutual funds, we will decide on a disciplined and systematic method of liquidating the equity or bond mutual fund holdings.

One classic division of ideas in the stock market is to categorize a company as either a value investment or a growth investment. At Marshwinds Advisory Company, we do not concur with this perspective. Every company has a valuation every day the market is open. That valuation is either attractive or not depending upon a number of ways to view the business in question. Our viewpoint is that of owners of a company. Generally the stock market focuses almost exclusively on future cash flows. At Marshwinds Advisory Company, we do not concur that future cash flows to a corporation is the only principal valuation technique. Depending upon the company, or the industry, or the sector, there may be a number of important criteria on which to build a valuation. Essentially, there are three components within each stock price: (a) asset value comprised of both intangible and tangible assets, (b) future cash flow potential of the entity, and (c) the market's perception of the value of (a) and (b). *Pendulum Investing*[™] focuses on all three aspects of valuation to seek a price to buy and sell investments. Our proprietary research

spreadsheets assist us in recognizing companies that are attractive even though some analysts would call the companies growth stocks. The same is true for what some analysts call value stocks. Our focus is just to find a company that will be attractive to us as owners of the entire business.

At Marshwinds Advisory Company, we have developed a method of investing we call *Pendulum Investing™*. It's best understood by thinking about a pendulum that moves from one side to another through a center point. If you think of that center point as the **intrinsic value of a security** and the movement to the left of the center as undervalue and to the right of the center as overvalue, a picture emerges about the price action of any security.

Intrinsic value represents (a) the tangible and intangible assets, (b) the management quality, (c) future earnings power, and (d) the business franchise of a company less all of the outstanding obligations. It's easy to see that there can be many opinions about some of these valuations. This difference of opinion is why share prices fluctuate so much. Investors are constantly changing their opinion of these values.

What moves the share price are investors' emotions and thoughts about the various elements that make up the intrinsic value. It's when one emotion or another takes over that opportunities arise for profit. Our research is focused on finding situations where investors' emotions are negative and are dominant in the share price, while a balance between positive and negative emotions is evolving. First, our initial research methods allow us to rank the companies that meet our criteria and allow us to separate these companies by sectors so that we understand how the companies' valuation fits in the overall universe and how it ranks in its particular sector. Second, we estimate the amount of difference between the intrinsic value and the current share price. Third, we estimate what we believe will be the maximum amount negative emotions will drive the share price lower. Fourth, separating the fundamental business value from the market psychology is helpful in recognizing why a company's value is what it is. Our decision to invest is then made based upon the relationships we have found.

Because of the approach used in our research, time horizon risk becomes a significant risk in the short term. For example, when an investor believes an investment will meet its objectives in two years and it is possible the investment will not meet the objective until the third or fourth year, the time horizon the investor set for meeting the objective is at risk. When a share price is dominated by negative emotions, the decline can go on longer and farther than anyone usually expects. Therefore, individual securities we invest in tend to underperform the markets in the first six to nine months. The principles we use are the ones an owner of a business may have, so we accept the initial underperformance of the securities as part of the process.

Pendulum Investing™ is used when selecting fixed income securities as well. Fixed income securities are bonds and preferred stocks. Nationally recognized credit agency credit quality rankings are used to compare the relative credit quality and available returns on individual securities. When building a portfolio of fixed income securities, the individual client's profile and circumstances determine the mix of credit quality, length of maturities, and number of individual securities.

In both the stock portion of a portfolio and the fixed income portion of a portfolio, there are unlimited and, in some cases, unknowable risks to the portfolio value. These risks are always present. Portfolio management attempts to modify or reduce the risks to some degree; however, the attempts may not be successful. There are sixteen risks that are more dominant than the others. These sixteen are as follows:

Interest Rate Risk – a change of interest rates may cause the value of an investment to decline.

Recession Risk ó the risk to a portfolio's value of an economic downturn that causes the investments to be worth less.

Asset Concentration Risk ó the risk to a portfolio's value of having more money than appropriate in any one investment.

Sector Risk ó the risk to a portfolio's value of having too many assets in one economic sector.

Liquidity Risk – the risk to a portfolio's value of only having investments that cannot be readily sold.

Credit Risk ó the risk to a portfolio's value of a change in credit quality or credit availability for a company, an industry, or the economy as a whole.

Inflation Risk - the risk to a portfolio's value from unexpected and high inflation.

Time Horizon Risk the risk to a portfolio's value if an investment does not meet its objectives in the time expected.

Catastrophic Risk - an event, either natural or manmade, that causes a significant disruption in the investment markets, thus reducing a portfolio's value.

Impatience Risk - the risk to a portfolio's value when the investor expects and wants the investments to have a higher return in a short period of time.

Company Specific Risk ó the risk to the portfolio's value of having too much money invested in any one company.

Market Systemic Risk - the risk to a portfolio's value of having all or a majority of the assets in one particular market place.

Political Risk ó the risk to a portfolio's value from decisions made by political leaders.

Volatility Risk - the risk to a portfolio's value from sharp swings in a company, industry, or overall market price in a short period of time.

Currency Risk ó the risk to a portfolio's value from changes in the portfolio's dominate currency.

Leverage Risk ó the risk to a portfolio's value if an investor uses leverage seeking a higher rate of return.

Interestingly, the greatest risk for most investors is **impatience risk**. Part of our portfolio management function is the management of the amount of each of these risks a portfolio takes. No two portfolios have the same risk profile.

The fact is: Investing is risky and may result in losing money.

At Marshwinds Advisory Company, we only sell a security when we believe (a) there has been a long term change in fundamental company operations or (b) the share price is higher than we

believe is justified by past and present circumstances. The portfolio turnover may be low or high during any measured period of time.

DISCIPLINARY INFORMATION

Marshwinds Advisory Company or its officers, Eugene A. Kelly and Judy A. Kelly, have not been the subject of any legal or disciplinary events at any time in the past.

Marshwinds Advisory Company or its officers, Eugene A. Kelly and Judy A. Kelly, have not been the subject of any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Marshwinds Advisory Company or its officers, Eugene A. Kelly and Judy A. Kelly, have not been the subject of any self-regulatory organization proceeding.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Marshwinds Advisory Company and its officers, Eugene A. Kelly and Judy A. Kelly, are not registered nor have applied for registration as a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisory, or as an associated person of the foregoing entities.

Neither Marshwinds Advisory Company nor its officers, Eugene A. Kelly and July A. Kelly, have a relationship or arrangement material to its advisory business or clients with any related person that is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships. Marshwinds Advisory Company does, however, have a relationship with unrelated persons providing professional services.

Marshwinds Advisory Company engages Steve Graham, partner in Schell & Hogan, LLP, CPA firm to audit the books for Marshwinds Advisory Company and its parent company, Marshwinds Holdings Company. Schell & Hogan also conducts annual surprise audits of any client accounts where Marshwinds Advisory Company has custody.

Marshwinds Advisory Company has an ongoing relationship with Mr. Michael Wolensky of Schiff Hardin, LLP, Law Firm in Atlanta, Georgia, who serves as counsel to Marshwinds Advisory Company.

Neither the CPA relationship nor the attorney relationship described above are with related persons and, consequently, do not pose a conflict of interest for Marshwinds Advisory Company clients.

Marshwinds Advisory Company does not recommend or select other investment advisors for its clients.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, PERSONAL TRADING

Marshwinds Advisory Company has a Code of Ethics and will provide a copy to any client or prospective client upon request. Clients and prospective clients can request a copy by calling 1-800-343-3751 or 1-912-638-5426. The Code of Ethics covers such topics as:

1. Professional responsibilities to provide effective and proper professional investment management services. Marshwinds Advisory Company has a fiduciary responsibility to their clients.
2. Each employee must adhere to strict compliance of the Code of Ethics to maintain their employment with Marshwinds.
3. Personal trading of securities traded for clients will not take place until the day after completion of all reasonably anticipated trading in that security for clients.
4. Our employees must submit to our Chief Compliance Officer annual and quarterly personal securities trading reports to ensure compliance with Marshwinds Advisory Company's Code of Ethics.
5. Marshwinds Advisory Company's Code of Ethics prohibits the use of insider information (defined as material non-public information) in accordance with Federal Securities Law.
6. Marshwinds Advisory Company or its employees may not sell to or buy any security from a client. Employees of Marshwinds Advisory Company are prohibited from holding client funds or securities. Employees of Marshwinds Advisory Company are prohibited from borrowing money or securities from Marshwinds Advisory Company's clients.
7. Marshwinds Advisory Company employees may not have employment at an outside enterprise.
8. Personal gifts in excess of \$100 may not be given to employees of Marshwinds Advisory Company.
9. The listed points of conduct and other sections of the Code of Ethics are all designed to place the clients' interest first and attempt to limit or remove any chance for a conflict of interest between Marshwinds Advisory Company and their clients.

Neither Marshwinds Advisory Company nor any related person recommends to clients or buys or sells for client accounts securities in which Marshwinds Advisory Company or any related person has a material financial interest.

Marshwinds Advisory Company and its related persons may invest in the same securities that Marshwinds Advisory Company and related persons recommend to a client.

Marshwinds Advisory Company and its related persons may recommend securities to clients and buy or sell securities for client accounts at or about the same time that Marshwinds Advisory Company and related persons buy or sell the same securities for our or their own accounts.

In order to avoid any potential conflicts of interest in the recommendation or purchase or sale of any security in client portfolios, it is the policy and procedure of Marshwinds Advisory Company that any order for Marshwinds Advisory Company or its related persons and employees will not be processed until the following business day after the clients' orders are entered.

BROKERAGE PRACTICES

Marshwinds Advisory Company does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (other than soft dollar benefits).

Not all advisers require clients to direct brokerage, but Marshwinds Advisory Company prefers that clients select their own brokers. However, if the client directs Marshwinds Advisory Company to use a particular registered representative or brokerage firm, the client may pay a higher brokerage commission than might otherwise be paid if Marshwinds Advisory Company were granted brokerage discretion. Additionally, Marshwinds Advisory Company may be unable to seek the most favorable execution of client transactions if the client directs brokerage, and this may also cost clients additional money. If the client does not have an established account with a broker or if the client asks us to select a broker, Marshwinds Advisory Company will recommend one of several brokers with whom our other clients have received competitive commission rates and brokerage services. While the resultant commission rates may be higher than that available through deep-discount brokers or through Internet brokerage, Marshwinds Advisory Company will not recommend any broker solely on the basis of commission rates. Other factors such as execution, local representation, and the soundness of the broker's back office operations are too important to ignore. For these reasons, Marshwinds Advisory Company has negotiated an arrangement with brokerage firms whereby our clients receive efficient brokerage execution services, at a commission rate lower than that otherwise obtainable from other brokers offering comparable services.

Marshwinds Advisory Company receives client referrals from Charles Schwab & Co., Inc. (Schwab) through Marshwinds Advisory Company's participation in Schwab Advisor Network (the Service). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Marshwinds Advisory Company.

Schwab does not supervise Marshwinds Advisory Company and has no responsibility for Marshwinds Advisory Company's management of clients' portfolios or Marshwinds Advisory Company's other advice or services. Marshwinds Advisory Company pays Schwab fees to receive client referrals through the Service. Marshwinds Advisory Company's participation in the Service may raise potential conflicts of interest described below.

Marshwinds Advisory Company pays Schwab a participation fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Marshwinds Advisory Company is a percentage of the value of the assets in the client's account. Marshwinds Advisory Company pays Schwab the Participation Fee for as long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Marshwinds Advisory Company quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Marshwinds Advisory Company and not by the client. Marshwinds Advisory Company has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Marshwinds Advisory Company charges clients with similar portfolios who were not referred through the Service.

Marshwinds Advisory Company generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Marshwinds Advisory Company generally would pay in a single year. Thus, Marshwinds Advisory Company will have an incentive to recommend that client's accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of Marshwinds Advisory Company's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Marshwinds Advisory Company will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Marshwinds Advisory Company's fees directly from the accounts.

For accounts of Marshwinds Advisory Company clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation for Marshwinds Advisory Company's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab will also receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer fees. Thus, Marshwinds Advisory Company may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Marshwinds Advisory Company's other clients. Thus, trades for accounts custodied at Schwab may be executed at

different times and different prices than trades for other accounts that are executed at other broker-dealers.

When Marshwinds Advisory Company has multiple clients whose accounts are custodied at a brokerage firm, there may be times when it is advantageous to batch orders together to obtain a more favorable price. The only time Marshwinds Advisory Company will aggregate client orders at the same brokerage firm is when a single, large order is more likely to receive an attractive price than multiple smaller orders going into the market place. While this practice is seldom used, when it is used, the clients involved will all receive the same average price which may be better than the price that could have been received by some clients if the order was not consolidated.

REVIEW OF ACCOUNTS

Client account reviews are an ongoing process. A review of a specific account or all of the accounts for a particular client can be triggered in one of several ways:

1. Phone conversation initiated by client.
2. Phone conversation initiated by Marshwinds Advisory Company
3. Notice from custodian of redemption, maturity, or reorganization issue about a security in client account.
4. Regular systematic reviews.
5. News item or unusual market activity about one or more stocks or sectors represented in client's account.
6. Tax planning activity for client's taxable accounts.
7. Deposits or withdrawals from accounts by clients.
8. Market volatility.
9. Stocks in portfolios reaching sell objective.
10. Fundamental company operations.

All client account reviews are conducted by Eugene A. Kelly, CFA, who manages all portfolios.

Each client is given a package of written reports at the end of each calendar quarter. This package contains the following reports:

- Cover letter specific to that client
- Change In Market Value report for period
- Portfolio Summary
- Portfolio Appraisal with Income
- Realized Gains/Losses (3rd & 4th Quarter)
- Income and Expenses Report
- Purchase and Sales Report
- Performance Report by Asset Class
- Invoice

CLIENT REFERRALS AND OTHER COMPENSATION

Marshwinds Advisory Company does not receive an economic benefit from any person or entity who is not a client due to providing investment advice or other advisory services to our clients.

Marshwinds Advisory Company receives client referrals from Charles Schwab & Co., Inc. (Schwab) through Marshwinds Advisory Company's participation in Schwab Advisor Network (the Service). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Marshwinds Advisory Company. Schwab does not supervise Marshwinds Advisory Company and has no responsibility for Marshwinds Advisory Company's management of clients' portfolios or Marshwinds Advisory Company's other advice or services. Marshwinds Advisory Company pays Schwab fees to receive client referrals through the Service. Marshwinds Advisory Company's participation in the Service may raise potential conflicts of interest described below.

Marshwinds Advisory Company pays Schwab a participation fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Marshwinds Advisory Company is a percentage of the value of the assets in the client's account. Marshwinds Advisory Company pays Schwab the Participation Fee for as long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Marshwinds Advisory Company quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Marshwinds Advisory Company and not by the client. Marshwinds Advisory Company has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Marshwinds Advisory Company charges clients with similar portfolios who were not referred through the Service.

Marshwinds Advisory Company generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Marshwinds Advisory Company generally would pay in a single year. Thus, Marshwinds Advisory Company will have an incentive to recommend that clients' accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of Marshwinds Advisory Company's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Marshwinds Advisory Company will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Marshwinds Advisory Company's fees directly from the accounts.

For accounts of Marshwinds Advisory Company clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation for

Marshwinds Advisory Company's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab will also receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer fees. Thus, Marshwinds Advisory Company may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Marshwinds Advisory Company's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

CUSTODY

All Marshwinds Advisory Company clients select a brokerage firm or bank trust department to be the custodian of their assets. The third party custodian (broker or bank) sends a statement to the client, usually monthly, but no less than quarterly, and clients should carefully review those statements. Marshwinds Advisory Company sends clients a comprehensive quarterly statement. Marshwinds Advisory Company urges clients to compare the statement received from the custodian with the statement received from Marshwinds Advisory Company.

INVESTMENT DISCRETION

When a client engages Marshwinds Advisory Company it gives Marshwinds Advisory Company discretionary authority over the client's portfolio. Discretionary authority means Marshwinds Advisory Company can make buy and sell decisions without calling the client and having the client's permission. This authority is conveyed to Marshwinds Advisory Company by a Power of Attorney document. There are two types of Power of Attorney forms. A full Power of Attorney gives an investment manager not only the right to buy and sell but also to distribute money into and out of a client's account. The second form is called a Limited Power of Attorney. This form only grants permission to enter buy and sell transactions. Marshwinds Advisory Company uses the Limited Power of Attorney unless Marshwinds Advisory Company or its officers have previously been appointed as a Trustee or Executor. It is highly unusual Marshwinds Advisory Company or its officers will accept appointment as Trustee or Executor.

VOTING CLIENT SECURITIES

Marshwinds Advisory Company does not vote proxies or corporate reorganization items for clients, unless, in the unusual situation Marshwinds Advisory Company or its officers were acting as Trustee or Executor as well as investment adviser. In the rare case where Marshwinds Advisory Company or its officers were acting as Trustee or Executor as well as investment advisory for a client, our policy on voting proxy material is to have the perspective of an owner of the business. If the particular item to be voted on is in the best interest of the shareholders, we

will vote for the item. If the item is not in the best interest of the shareholders, we vote against the item. We do not take into consideration management's recommendation nor whether or not the item is attractive to management. Any affected client may obtain information from Marshwinds Advisory Company about how we voted their securities by contacting Eugene A. Kelly directly. Clients may also obtain a copy of proxy voting policies and procedures upon request.

Marshwinds Advisory Company clients receive proxy and other solicitation information directly from their third party custodian. Any client may call to discuss any proxy or other solicitation issue or question with Eugene A. Kelly prior to voting.

FINANCIAL INFORMATION

Marshwinds Advisory Company does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Marshwinds Advisory Company has discretionary limited power of attorney to buy and sell for their clients. There is not a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Marshwinds Advisory Company has not been the subject of a bankruptcy petition at any time during the past ten years.

THANK YOU

Thank you for reviewing this brochure. Specific information follows about Eugene A. Kelly, CFA, Chairman of Marshwinds Advisory Company. Mr. Kelly is the only officer or employee of Marshwinds Advisory Company who manages client portfolios.

BROCHURE SUPPLEMENT

This brochure supplement provides information about Eugene A. Kelly, CFA, that supplements the Marshwinds Advisory Company brochure, which immediately precedes this supplement. If the Marshwinds Advisory Company brochure is not enclosed or if you have any questions about the contents of this supplement, please contact Ms. Sheree Adams (1-800-343-3751).

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Eugene A. Kelly, CFA, Chairman & Investment Officer

Born: 11/8/44

University of Georgia BBA 1966

Chartered Financial Analyst 1987

The Chartered Financial Analyst designation (CFA) is obtained after successfully passing three (3) six hour exams within five years covering the subjects of:

É Ethics and Professional Standards

É Quantitative Methods

É Economics

É Financial Reporting and Analysis

É Corporate Finance

É Equity Investments

É Fixed Income

É Derivatives

É Alternative Investments

É Portfolio Management and Wealth
Planning

DISCIPLINARY INFORMATION

Eugene A. Kelly has not had any legal or disciplinary events in his career.

OTHER BUSINESS ACTIVITIES

Eugene A. Kelly is not actively engaged in any other investment-related business or occupation. Eugene A. Kelly is the Chairman of Marshwinds Holding Company, the parent of Marshwinds Advisory Company, as well as the two other subsidiaries of Marshwinds Holding Company, Marshwinds Real Estate and Marshwinds Press. None of these other positions provide a substantial source of Mr. Kelly's income or involve a substantial amount of Mr. Kelly's time.

ADDITIONAL COMPENSATION

Eugene A. Kelly receives royalties from Marshwinds Press Company. The royalties are not material to Mr. Kelly's income. No outside person or entity who is not a client compensates Mr. Kelly in any way for his advisory work with Marshwinds Advisory Company.

SUPERVISION

Eugene A. Kelly is the only investment officer of Marshwinds Advisory Company. He does not have a supervisor.