

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

ITEM 1 – COVER PAGE

FERGUSON, ANDREWS INVESTMENT ADVISERS, INC.

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BROCHURE DATE: JANUARY 15, 2012

THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF FERGUSON, ANDREWS INVESTMENT ADVISERS, INC. (FAIA.) SHOULD YOU HAVE ANY QUESTIONS WITH RESPECT TO THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 1-434-293-7944. 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.

ADDITIONAL INFORMATION ABOUT FAIA IS AVAILABLE ON THE SEC'S WEBSITE AT www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

THERE HAVE BEEN NO MATERIAL CHANGES TO FAIA’S BROCHURE SINCE THE PREVIOUS UPDATE DATED JANUARY 15, 2012.

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ITEM 4 – ADVISORY BUSINESS

- A. FAIA PROVIDES INVESTMENT SUPERVISORY SERVICES, DEFINED AS GIVING CONTINUOUS ADVICE TO A CLIENT OR MAKING INVESTMENT DECISIONS FOR A CLIENT BASED ON THE INDIVIDUAL NEEDS OF THE CLIENT. FAIA OFFERS THIS SERVICE TO INDIVIDUALS (TO INCLUDE OWNERS OF CORPORATIONS OR OTHER BUSINESSES), HIGH NET WORTH INDIVIDUALS, TRUSTS, AND ESTATES. FAIA MAY OFFER INVESTMENT SUPERVISORY SERVICES TO BANKS OR THRIFT INSTITUTIONS, INVESTMENT COMPANIES, PENSION AND PROFIT SHARING PLANS, AND CHARITABLE ORGANIZATIONS.

FAIA WAS INCORPORATED IN THE STATE OF VIRGINIA ON JANUARY 14, 1992. JAY G. FERGUSON OWNS 100% OF FAIA'S STOCK.

FAIA OWNS NO PUBLICLY HELD INTERMEDIATE SUBSIDIARIES.

- B. FAIA PROVIDES INVESTMENT SUPERVISORY SERVICES AND CURRENTLY OFFERS, BUT IS NOT LIMITED TO, ADVICE ON THE FOLLOWING TYPES OF INVESTMENTS: EXCHANGE-LISTED SECURITIES, SECURITIES TRADED OVER-THE-COUNTER, FOREIGN ISSUERS, WARRANTS, CORPORATE DEBT SECURITIES, COMMERCIAL PAPER, CERTIFICATES OF DEPOSIT, MUNICIPAL SECURITIES, MUTUAL FUND SHARES, U. S. GOVERNMENT SECURITIES, OPTION CONTRACTS ON SECURITIES, AND PARTNERSHIPS INVESTING IN REAL ESTATE AND OIL AND GAS.
- C. FAIA GIVES CONTINUOUS ADVICE TO, AND MAKES INVESTMENT DECISIONS FOR, CLIENTS BASED ON THE INDIVIDUAL NEEDS OF THE CLIENT. FAIA WILL MANAGE ADVISORY ACCOUNTS ON BOTH A DISCRETIONARY AND NON-DISCRETIONARY BASIS. ACCOUNT SUPERVISION IS GUIDED BY THE STATED OBJECTIVES OF THE CLIENT, FOR EXAMPLE, BUT NOT LIMITED TO, MAXIMUM CAPITAL APPRECIATION, LONG, INTERMEDIATE, OR SHORT TERM GROWTH, INCOME, OR COMBINED GROWTH AND INCOME.

FAIA CLIENTS MAY IMPOSE LIMITATIONS OR RESTRICTIONS ON INVESTING IN OR HOLDING CERTAIN SECURITIES OR TYPES OF SECURITIES. THESE LIMITATIONS/RESTRICTIONS WILL BE SO NOTED BY FAIA AND DOCUMENTED IN THE CLIENT'S ACCOUNT FOLDER.

- D. FAIA DOES NOT PARTICIPATE IN WRAP FEE PROGRAMS.
- E. AS OF 12/31/2011, FAIA MANAGED DISCRETIONARY ACCOUNTS FOR 84 CLIENTS WITH A MARKET VALUE OF \$47,922,301 AND MANAGED 0 ACCOUNTS ON A NON-DISCRETIONARY BASIS.

ITEM 5 – FEES AND COMPENSATION

- A. FEES CHARGED BY FAIA TO MANAGE ACCOUNTS FOR ADVISORY CLIENTS ARE BASED ON A PERCENTAGE OF ASSETS UNDER MANAGEMENT.

GENERALLY THE FEE NEGOTIATED WITH EACH CLIENT WILL RANGE BETWEEN .25% (ONE-QUARTER OF ONE PERCENT) AND 1.50% (ONE AND ONE-HALF PERCENT) OF ASSETS UNDER MANAGEMENT.

- B. FAIA FEES ARE GENERALLY DEDUCTED FROM THE CLIENT'S ACCOUNT. THIS ARRANGEMENT IS SET FORTH IN THE INVESTMENT MANAGEMENT AGREEMENT WHICH IS SIGNED BY BOTH THE CLIENT AND THE FAIA PRESIDENT. HOWEVER, THE CLIENT MAY ELECT TO BE BILLED DIRECTLY FOR THE FEE IN WHICH CASE THIS SELECTION WILL BE NOTED IN THE CLIENT'S ACCOUNT FOLDER AND FEES WILL BE REMITTED BY CLIENT ACCORDINGLY. FAIA FEES ARE CALCULATED AND DEDUCTED/BILLED ON A QUARTERLY BASIS IN ARREARS.
- C. CLIENTS MUST BE AWARE THAT ADVISORY FEES PAID TO FAIA ARE SEPARATE AND DISTINCT FROM FEES AND EXPENSES PAID TO A MUTUAL FUND BY SHAREHOLDERS OF A FUND. A COMPLETE DESCRIPTION OF MUTUAL FUND FEES AND EXPENSES MAY BE FOUND IN EACH FUND'S PROSPECTUS. CLIENTS SHOULD ALSO BE AWARE THAT CERTAIN MISCELLANEOUS TRANSACTIONAL OR CUSTODIAL CHARGES ARE SEPARATE FROM FEES PAID TO FAIA.
- D. FAIA DOES NOT CHARGE FEES IN ADVANCE. UPON TERMINATION OF AN ACCOUNT, ANY PREPAID, UNEARNED FEES WILL BE PROMPTLY REFUNDED OR ANY UNPAID, EARNED FEES WILL BE CHARGED ON A PRO-RATA BASIS, BASED ON THE FEE PERCENTAGE, ACCOUNT MARKET VALUE ON DATE OF TERMINATION, AND NUMBER OF DAYS FROM LAST QUARTERLY FEE.
- E. KENNETH L. NEATHERY, JR., JAY G. FERGUSON, AND SARAH W. NEATHERY ARE ALSO REGISTERED REPRESENTATIVES OF A FINRA REGISTERED BROKER DEALER, CADARET, GRANT & CO., INC. AND, AS SUCH, COULD ACCEPT SEPARATE YET CUSTOMARY COMPENSATION FOR THE IMPLEMENTATION OF TRANSACTIONS FOR AN ADVISORY CLIENT. INDIVIDUALS ASSOCIATED WITH FAIA MAY BE REGISTERED INSURANCE AGENTS/BROKERS FOR VARIOUS INSURANCE COMPANIES. THEREFORE, THESE INDIVIDUALS COULD RECEIVE SEPARATE AND TYPICAL COMPENSATION FOR INSURANCE AND/OR ANNUITY IMPLEMENTATION.
1. WHILE THIS PRACTICE COULD PRESENT A CONFLICT OF INTEREST AND GIVE FAIA REPRESENTATIVES AN INCENTIVE TO RECOMMEND INVESTMENT PRODUCTS BASED ON ANY COMPENSATION RECEIVED, RATHER THAN ON A CLIENT'S NEEDS, ANY SUCH POSSIBLE CONFLICTS OF INTEREST, TO INCLUDE BUT NOT LIMITED TO FEES AND EXPENSES PAID TO MUTUAL FUNDS AND OTHER MISCELLANEOUS TRANSACTIONAL OR CUSTODIAL CHARGES, WILL BE DISCLOSED TO THE CLIENT. FAIA DOES NOT PRIMARILY RECOMMEND MUTUAL FUNDS, BUT IF A PURCHASE ARISES, THE FAIA REPRESENTATIVE WOULD DISCLOSE WHETHER THE FUND WAS LOAD OR NO-LOAD AS WELL AS THE REPRESENTATIVE'S REASON FOR RECOMMENDING THE PARTICULAR FUND.

IN THEIR CAPACITY AS FAIA EMPLOYEES, REPRESENTATIVES WILL NOT BE RENDERING INVESTMENT ADVICE ON INSURANCE PRODUCTS.

FAIA ACKNOWLEDGES THAT THEIR REPRESENTATIVES HAVE A FIDUCIARY DUTY TO ITS CLIENTS TO PLACE THE INTERESTS OF THE CLIENTS ABOVE ALL AND TO ENABLE AND ASSIST OUR CLIENTS TO MAKE INFORMED DECISIONS BASED ON THEIR INDIVIDUAL OBJECTIVES. WE ENDEAVOR AT ALL TIMES TO OPERATE IN CONFORMITY WITH FEDERAL AND STATE LAWS AND TO CONDUCT OUR BUSINESS IN THE HIGHEST ETHICAL AND PROFESSIONAL MANNER.

ANY PURCHASE OR SALE MUST BE SUITABLE FOR A CLIENT IN VIEW OF THE CLIENT'S INVESTMENT GOALS, OBJECTIVES, FINANCIAL SITUATION, AND NEEDS. THE REGISTERED PRINCIPAL MUST APPROVE ALL TRADES EXECUTED BY FAIA REPRESENTATIVES FOR SUITABILITY.

2. FAIA CLIENTS HAVE THE OPTION TO PURCHASE INVESTMENT PRODUCTS WHICH ARE RECOMMENDED BY OUR REPRESENTATIVES THROUGH OTHER BROKERS OR AGENTS THAT ARE NOT AFFILIATED WITH FAIA. THESE DIRECTIONS WILL BE MADE BY THE CLIENT TO FAIA IN WRITING.
3. LESS THAN 50% OF FAIA'S REVENUE FROM ADVISORY CLIENTS RESULTS FROM COMMISSIONS AND OTHER COMPENSATION FOR THE SALE OF INVESTMENT PRODUCTS RECOMMENDED TO OUR CLIENTS.
4. FAIA MAY CHARGE ADVISORY FEES IN ADDITION TO COMMISSIONS, HOWEVER FAIA NEGOTIATES BOTH ADVISORY FEES AND TRADE COMMISSIONS WITH AND FOR THE CLIENT.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

FAIA DOES NOT CHARGE PERFORMANCE-BASED FEES

ITEM 7 – TYPES OF CLIENTS

FAIA PROVIDES INVESTMENT ADVISORY ADVICE TO INDIVIDUALS, TO INCLUDE OWNERS OF CORPORATIONS OR OTHER BUSINESSES, HIGH NET WORTH INDIVIDUALS, TRUSTS, AND ESTATES. FAIA MAY ALSO OFFER INVESTMENT SUPERVISORY SERVICES TO BANKS OR THRIFT INSTITUTIONS, INVESTMENT COMPANIES, PENSION AND PROFIT SHARING PLANS, AND CHARITABLE ORGANIZATIONS.

FAIA GENERALLY REQUIRES A MINIMUM OF \$100,000 ASSETS UNDER MANAGEMENT, HOWEVER EXCEPTIONS MAY BE MADE IN CONSIDERING FAMILY OR “RELATED” GROUP ACCOUNTS.

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

- A. FAIA USES BOTH FUNDAMENTAL AND TECHNICAL METHODS OF ANALYSIS. INVESTMENT STRATEGIES USED TO IMPLEMENT ADVICE GIVEN TO CLIENTS INCLUDE LONG TERM PURCHASES (SECURITIES HELD AT LEAST ONE YEAR), SHORT TERM PURCHASES (SECURITIES SOLD WITHIN ONE YEAR), TRADING (SECURITIES SOLD WITHIN 30 DAYS), MARGIN TRANSACTIONS, AND WRITING COVERED OPTIONS. FAIA CLIENTS ARE MADE AWARE OF THE FACT THAT INVESTING IN SECURITIES MAY INVOLVE RISK OF LOSS TO THEIR PORTFOLIOS. FAIA HAS INITIATED CERTAIN PROCEDURES TO LIMIT POTENTIAL HARM TO CLIENTS AND THEIR ACCOUNTS AS WELL AS TO SAFEGUARD AGAINST POTENTIAL VIOLATION OF SECURITIES LAWS AND/OR OUR FIDUCIARY DUTY, AND TO LIMIT POTENTIAL LITIGATION EXPOSURE.
- B. FAIA USES BOTH FUNDAMENTAL AND TECHNICAL METHODS OF ANALYSIS TO ASSIST IN DETERMINING INVESTMENT DECISIONS AND STRATEGIES. BOTH OF THESE METHODS ARE WIDELY USED BY MOST INVESTMENT FIRMS AND ARE CONSIDERED CUSTOMARY ADVISORY ANALYSIS TOOLS WITH FEW INHERENT RISKS ASSOCIATED WITH EITHER METHOD.

OUR PRIMARY INVESTMENT STRATEGY INVOLVES LONG TERM (HELD FOR A PERIOD GREATER THAN ONE YEAR) PURCHASES WHICH COMPLEMENT THE OBJECTIVES OF THE CLIENT'S ACCOUNT. OTHER THAN UNFORESEEN NEWS OR EVENTS OCCURRING WHICH WOULD REQUIRE IMMEDIATE ACTION BEING TAKEN, LONG TERM HOLDINGS TEND TO CONTAIN NORMAL RISK ASSOCIATED WITH THE OVERALL MOVEMENT OF THE MARKETS IN GENERAL. SHORT TERM (HELD FOR A PERIOD OF LESS THAN ONE YEAR) PURCHASES MAY BE BOUGHT OR ACQUIRED WITH A LONG TERM PERSPECTIVE HOWEVER, AS WITH ALL HOLDINGS, MAY BE SOLD PRIOR TO A YEAR DUE TO UNFORESEEN NEWS OR NEGATIVE EVENTS WHICH IMPACT THE ASSET. AGAIN, SHORT TERM ASSETS CONTAIN NORMAL RISK ASSOCIATED WITH THE OVERALL MOVEMENT OF THE MARKETS IN GENERAL. FAIA MAY INFREQUENTLY HOLD TRADING (HELD FOR 30 DAYS OR LESS) ASSETS WHICH WERE ORIGINALLY PURCHASED FOR LONG TERM PURPOSES HOWEVER MUST BE SOLD DUE TO UNFORESEEN OR NEGATIVE NEWS AND/OR EVENTS. FAIA GENERALLY USES MARGIN TRANSACTIONS WHEN A CLIENT WISHES TO WITHDRAW FUNDS FROM THE ACCOUNT WITHOUT INCURRING CAPITAL GAINS. IN THIS CASE, THE CLIENT IS ADVISED THAT, AS THE PORTFOLIO OR A PORTION OF THE ACCOUNT IS THEN LEVERAGED, THERE IS RISK THAT ANY LOSS WILL BE AMPLIFIED. FAIA RARELY USES COVERED OPTIONS AS AN INVESTMENT STRATEGY. THE CLIENT IS MADE AWARE THAT USE OF COVERED OPTIONS MAY TRIGGER TAX CONSEQUENCES DEPENDING ON THE COST BASIS OF THE ASSET INVOLVED.

- C. FAIA RECOMMENDS PRIMARILY LONG TERM ASSETS WHICH MAY BE EITHER GROWTH, INCOME, GROWTH/INCOME ORIENTED, OR SPECULATIVE DEPENDING ON THE CLIENT'S ACCOUNT OBJECTIVES. AS STATED ABOVE, THESE HOLDINGS, WITH THE EXCEPTION OF SPECULATIVE ASSETS, TEND TO REFLECT NORMAL RISK ASSOCIATED WITH THE OVERALL MOVEMENT OF THE MARKETS IN GENERAL. FAIA ADVISES ANY CLIENTS WHO MAY EXPRESS AN INTEREST IN, AND BE QUALIFIED FOR SUITABILITY TO PURCHASE, SPECULATIVE HOLDINGS THAT ANY SUCH HOLDINGS ARE EXTREMELY VOLATILE AND MAY PROVIDE PRONOUNCED RISK OF LOSS OF PRINCIPAL.

9. – DISCIPLINARY INFORMATION

- A. NEITHER FAIA NOR ANY OF ITS REPRESENTATIVES HAVE BEEN PART OF A CRIMINAL OR CIVIL ACTION IN A DOMESTIC OR FOREIGN OR MILITARY COURT OF COMPETENT JURISDICTION.
- B. NEITHER FAIA NOR ANY OF ITS REPRESENTATIVES HAVE BEEN PART OF AN ADMINISTRATIVE PROCEEDING BEFORE THE SEC, ANY OTHER FEDERAL REGULATORY AGENCY, ANY STATE REGULATORY AGENCY, OR ANY FOREIGN FINANCIAL REGULATORY AUTHORITY.
- C. NEITHER FAIA NOR ANY OF ITS REPRESENTATIVES HAVE BEEN PART OF, OR INVOLVED IN, ANY SELF-REGULATORY ORGANIZATION (SRO) PROCEEDINGS.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. CURRENT REPRESENTATIVES OF FAIA, KENNETH L. NEATHERY, JR., JAY G. FERGUSON, AND SARAH W. NEATHERY, ARE ALSO REGISTERED REPRESENTATIVES OF A FINRA REGISTERED BROKER DEALER, CADARET, GRANT & CO., INC.
- B. NEITHER FAIA NOR ANY CURRENT REPRESENTATIVES ARE REGISTERED, OR HAVE AN APPLICATION TO REGISTER, AS A FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR, A COMMODITY TRADING ADVISOR, OR AN ASSOCIATED PERSON OF ANY OF THE FOREGOING ENTITIES.
- C. KENNETH L. NEATHERY, JR., JAY G. FERGUSON, AND SARAH W. NEATHERY, BEING REGISTERED REPRESENTATIVES OF A FINRA REGISTERED BROKER DEALER, CADARET, GRANT & CO., INC., COULD ACCEPT SEPARATE YET CUSTOMARY COMPENSATION FOR THE IMPLEMENTATION OF TRANSACTIONS FOR AN ADVISORY CLIENT. AS THIS INFORMATION IS DISCLOSED TO PROSPECTIVE AND EXISTING CLIENTS, THIS SHOULD NOT REPRESENT A CONFLICT OF INTEREST.

KENNETH L. NEATHERY, JR. AND SARAH W. NEATHERY ARE REGISTERED INSURANCE AGENTS/BROKERS FOR VARIOUS INSURANCE COMPANIES AND, THEREFORE, COULD EFFECT INSURANCE RECOMMENDATIONS FOR ANY CLIENT ELECTING TO RECEIVE THIS SERVICE. IT IS UNDERSTOOD THAT THESE INDIVIDUALS COULD BE ABLE TO RECEIVE SEPARATE AND TYPICAL COMPENSATION FOR INSURANCE AND/OR ANNUITY IMPLEMENTATION. FAIA EMPLOYEES WILL NOT BE RENDERING, IN THEIR CAPACITY AS EMPLOYEES OF FAIA, INVESTMENT ADVICE ON INSURANCE PRODUCTS. THIS INFORMATION IS DISCLOSED TO PROSPECTIVE AND EXISTING CLIENTS AND SHOULD NOT REPRESENT ANY CONFLICT OF INTEREST.

- D. NEITHER FAIA NOR IT REPRESENTATIVES RECOMMEND OR SELECT OR HAVE OTHER BUSINESS RELATIONSHIPS WITH OTHER INVESTMENT ADVISERS FOR OUR CLIENTS AND THEREFORE DO NOT RECEIVE COMPENSATION DIRECTLY OR INDIRECTLY FROM ANY OTHER ADVISERS, CREATING NO CONFLICT OF INTEREST FOR FAIA ADVISORY CLIENTS.

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

A. FAIA'S CODE OF ETHICS, ADOPTED PURSUANT TO SEC RULE 204A-1, ENCOMPASSES THE STANDARDS OF CONDUCT, INSIDER TRADING POLICY, SAFEGUARDING CLIENT DATA, DISPOSAL OF CLIENT DATA/RECORDS, REGISTERED REPRESENTATIVE PERSONAL SECURITIES TRANSACTIONS, IPO/PRIVATE PLACEMENT TRANSACTIONS, VIOLATIONS, AND MAINTENANCE OF CODE OF ETHICS. THE CHIEF COMPLIANCE OFFICER (CCO) REVIEWS THE CODE OF ETHICS ON AN ANNUAL BASIS OR AS NEEDED. A COPY OF FAIA'S CODE OF ETHICS WILL BE PROVIDED TO ANY CURRENT OR PROSPECTIVE CLIENT REQUESTING ONE.

B., C., D.

FAIA, OR ITS REPRESENTATIVES, MAY HAVE A FINANCIAL INTEREST OR POSITION IN A CERTAIN SECURITY OR SECURITIES OR MAY WISH TO BUY OR SELL SECURITIES AT OR ABOUT THE SAME TIME THE SAME SECURITY/SECURITIES OR POSITION MAY BE RECOMMENDED TO OR BOUGHT/SOLD FOR A CLIENT. AS THESE SITUATIONS REPRESENT A CONFLICT OF INTEREST, FAIA HAS ESTABLISHED THE FOLLOWING RESTRICTIONS IN ORDER TO ENSURE ITS FIDUCIARY RESPONSIBILITIES:

- A DIRECTOR/OFFICER/REPRESENTATIVE OF FAIA SHALL NOT BUY OR SELL SECURITIES FOR THEIR PERSONAL PORTFOLIO WHERE THEIR DECISION IS SUBSTANTIALLY DERIVED, IN WHOLE OR IN PART, BY REASON OF HIS/HER EMPLOYMENT UNLESS THE INFORMATION IS ALSO AVAILABLE TO THE INVESTING PUBLIC ON REASONABLE INQUIRY.
- FAIA MAINTAINS A LIST OF ALL SECURITIES HOLDINGS FOR ITSELF AND ANYONE ASSOCIATED WITH THIS ADVISORY PRACTICE. THESE HOLDINGS ARE REVIEWED ON A REGULAR BASIS BY THE CCO.
- FAIA EMPHASIZES THE UNRESTRICTED RIGHT OF THE CLIENT TO DECLINE TO IMPLEMENT ANY ADVICE RENDERED EXCEPT IN SITUATIONS WHERE FAIA IS GIVEN COMPLETE DISCRETIONARY AUTHORITY OVER THE MANAGEMENT OF THE CLIENT'S ACCOUNT.
- FAIA REPRESENTATIVES SHALL REFRAIN FROM EXECUTING A PERSONAL TRADE IN THE SAME SECURITY AS THAT OF AN ADVISORY CLIENT UNTIL AFTER ALL TRADES IN THE SECURITY HAVE BEEN EXECUTED FOR THE ADVISORY CLIENT. PERSONAL TRADES ARE ALLOWED TO BE DONE AS A BLOCK WITH ADVISORY CLIENT TRADE/S SO THAT AVERAGE PRICING AND COMMISSION RATES CAN BE APPLIED.
- FAIA REQUIRES THAT ALL INDIVIDUALS ASSOCIATED WITH THE FIRM MUST ACT IN ACCORDANCE WITH ALL APPLICABLE FEDERAL AND STATE REGULATIONS GOVERNING INVESTMENT ADVISORY PRACTICES.
- ANY FAIA REPRESENTATIVE NOT IN OBSERVANCE OF THE ABOVE MAY BE SUBJECT TO TERMINATION.

ITEM 12 – BROKERAGE PRACTICES

A. FAIA ENDEAVORS TO SELECT THE/THOSE BROKER DEALER/S WHICH WILL PROVIDE THE BEST SERVICES AT THE LOWEST COMMISSION RATES OBTAINABLE. THE REASONABLENESS OF COMMISSIONS IS BASED ON THE BROKER DEALER'S ABILITY TO PROVIDE PROFESSIONAL SERVICES, COMPETITIVE COMMISSION RATES, RESEARCH AND OTHER SERVICES WHICH WILL HELP FAIA IN PROVIDING ADVISORY SERVICES TO CLIENTS.

1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS - FAIA NEGOTIATES CLIENT TRADE COMMISSIONS THROUGH ITS PRIMARY BROKER DEALER, CADARET, GRANT & CO., INC. FAIA ALSO RECEIVES PROPRIETARY RESEARCH (CREATED OR DEVELOPED BY THE BROKER DEALER) AS WELL AS RESEARCH GATHERED FROM PUBLIC DATA AND REPORTS AND INFORMATION READILY AVAILABLE TO THE INVESTING PUBLIC.
 - a. FAIA ADVISES A CLIENT THAT, THROUGH USE OF THEIR COMMISSION DOLLARS IN DEALING WITH A SPECIFIC BROKER DEALER, IT IS BENEFICIAL TO THE CLIENT AS FAIA IS ABLE TO OBTAIN RESEARCH AS WELL AS FAVORABLY NEGOTIATED COMMISSIONS.
 - b. REPRESENTATIVES ALSO ADVISE A CLIENT THAT IT IS BENEFICIAL TO FAIA TO RECOMMEND A PARTICULAR BROKER DEALER IN ORDER TO RECEIVE PROPRIETARY RESEARCH, NEGOTIATED COMMISSIONS, VOLUME DISCOUNTS, AND BEST EXECUTION.
 - c. FAIA DOES NOT PARTICIPATE, OR CAUSE ITS CLIENTS TO PARTICIPATE, IN "PAYING-UP" OR PAYING COMMISSIONS HIGHER THAN THOSE NORMALLY CHARGED BY OTHER BROKER DEALERS IN RETURN FOR SOFT DOLLAR BENEFITS.
 - d. ALL OF FAIA'S ADVISORY CLIENTS BENEFIT EQUALLY FROM THE FIRM'S RESEARCH AND SERVICES ACQUIRED THROUGH DEALING WITH THE RECOMMENDED BROKER DEALER.
 - e. DURING THE LAST FISCAL YEAR, FAIA AS ACQUIRED THE FOLLOWING PRODUCTS AND SERVICES FROM ITS BROKER DEALER THROUGH USE OF CLIENT COMMISSION DOLLARS. INCLUDED, BUT NOT LIMITED TO, ARE: PROPRIETARY RESEARCH, FAVORABLE COMMISSION NEGOTIATION, VOLUME DISCOUNTS WHEN APPLICABLE, BEST EXECUTION REVIEWS, PROFESSIONAL ACCOUNT SERVICING, ACCOUNT EVALUATION SERVICES, ASSET COST AND PERFORMANCE DATA, AND ANNUAL TAX DATA
 - f. FAIA, IN ITS MANAGEMENT AGREEMENT, REQUESTS THAT THE CLIENT PROVIDE IT WITH WRITTEN AUTHORITY TO DETERMINE THE BROKER DEALER RECOMMENDED BY FAIA ALTHOUGH THE FIRM RECOGNIZES THE CLIENT'S RIGHT TO AUTHORIZE USE OF ANY BROKER DEALER HE/SHE MAY REQUEST.

IF AN ADVISORY CLIENT ALREADY USES A PARTICULAR BROKER DEALER AND AUTHORIZES FAIA TO CONTINUE THIS RELATIONSHIP, FAIA ADVISES THE CLIENT THAT THE FIRM MAY NOT BE ABLE TO NEGOTIATE COMMISSIONS OR ANY OF THE OTHER SERVICES NOTED IN 12.1.e ABOVE.

2. BROKERAGE FOR CLIENT REFERRALS - NEITHER FAIA NOR ITS REPRESENTATIVES RECEIVE CLIENT REFERRALS FROM BROKER DEALERS OR THIRD PARTIES IN SELECTING OR RECOMMENDING A BROKER DEALER.

3. DIRECTED BROKERAGE

- a. FAIA, IN ITS ADVISORY MANAGEMENT AGREEMENT, REQUESTS THAT THE CLIENT PROVIDE IT WITH WRITTEN AUTHORITY TO DETERMINE THE BROKER DEALER RECOMMENDED BY FAIA ALTHOUGH THE FIRM RECOGNIZES THE CLIENT'S RIGHT TO AUTHORIZE USE OF ANY BROKER DEALER HE/SHE MAY REQUEST. FAIA REPRESENTATIVES ADVISE A CLIENT THAT USING THE BROKER DEALER RECOMMENDED BY FAIA IS BENEFICIAL TO BOTH THE CLIENT AND FAIA AS THE FOLLOWING ARE PROVIDED: PROPRIETARY RESEARCH, FAVORABLE COMMISSION NEGOTIATION, VOLUME DISCOUNTS WHEN APPLICABLE, BEST EXECUTION REVIEWS, PROFESSIONAL ACCOUNT SERVICING, ACCOUNT EVALUATION SERVICES, ASSET COST AND PERFORMANCE DATA, AND ANNUAL TAX DATA.
 - b. SHOULD AN ADVISORY CLIENT USE A PARTICULAR BROKER DEALER AND AUTHORIZES FAIA TO CONTINUE THIS RELATIONSHIP, FAIA ADVISES THE CLIENT THAT BOTH THE CLIENT AND THE FIRM MAY NOT BE ABLE TO NEGOTIATE COMMISSIONS, PARTICIPATE IN AGGREGATED ORDERS, OR BENEFIT FROM BROKER DEALER SERVICES LISTED ABOVE IN 12.3.a. THEREFORE, CLIENTS DIRECTING FAIA TO USE A BROKER DEALER OTHER THAN THE ONE RECOMMENDED BY THE FIRM ARE ADVISED THAT THEY MAY EXPERIENCE HIGHER TRANSACTION COSTS AND/OR LESS FAVORABLE PRICES.
- B. FAIA, IN THE PROCESS OF ACTING IN THE BEST INTEREST OF OUR CLIENTS AND THEIR ACCOUNTS, MAY EXECUTE AGGREGATED ORDERS FOR THE SAME SECURITIES HELD IN, OR TO BE ADDED TO, VARIOUS MANAGED ACCOUNTS. THIS ENABLES FAIA TO EXECUTE A TRADE OF LARGER VOLUME THAN IF THE SHARES WERE TRADED IN INDIVIDUAL LOTS BY ACCOUNT. THESE AGGREGATED TRADES BENEFIT BOTH THE CLIENT AND THE FIRM AS THEY ENABLE FAIA TO OBTAIN VOLUME COMMISSION DISCOUNTS AND POSSIBLY A SINGLE DOLLAR EXECUTION PRICE WHICH TRANSLATE INTO DECREASED COMMISSION COST AND STABILITY OF DOLLAR PER SHARE EXECUTION PRICE FOR EACH CLIENT/ACCOUNT INVOLVED IN THE TRADE. TRADE PROCEEDS/COST, COMMISSIONS, AND FEES ARE ALLOCATED TO EACH CLIENT/ACCOUNT ACCORDING TO THE NUMBER OF SHARES TRADED FOR EACH ENTITY. REPRESENTATIVES OF FAIA MAY OCCASIONALLY PARTICIPATE IN AGGREGATED TRADES WITH ADVISORY CLIENTS WHEN MAKING TRADES FOR THEIR PERSONAL ACCOUNTS.

ITEM 13 – REVIEW OF ACCOUNTS

- A. FAIA ADVISORY CLIENT ACCOUNTS ARE REVIEWED NOT LESS THAN QUARTERLY BY MEMBERS OF THE INVESTMENT COMMITTEE: KENNETH L. NEATHERY, JR., JAY G. FERGUSON, AND SARAH W. NEATHERY. THIS WRITTEN REPORT IS IN LETTER FORM AND IS IN ADDITION TO THE STANDARD STATEMENT FROM THE BROKER DEALER. IT COVERS PERTINENT INFORMATION PERTAINING TO THE ACCOUNT AND INCLUDES, BUT IS NOT LIMITED TO, PURCHASES AND SALES FOR THE PERIOD, DISBURSEMENTS, DEPOSITS, CASH BALANCES, MARKET VALUE OF HOLDINGS, DIVIDEND AMOUNTS, YIELD, AND PERCENTAGES OF ASSETS IN RELATION TO SECURITY TYPE AND TOTAL PORTFOLIO.
- B. OTHER THAN REGULAR QUARTERLY REVIEWS, ALL FAIA ADVISORY ACCOUNTS ARE REVIEWED ON AN ON-GOING BASIS AND WILL BE CONSIDERED AS FREQUENTLY AS NEEDED DEPENDING ON MARKET CONDITIONS, SOCIAL AND ECONOMIC EVENTS, AND UNFORESEEN STREET FACTORS. OTHER THAN SCHEDULED EVALUATIONS, ACCOUNT REVIEWS COULD BE TRIGGERED BY CHANGES IN CLIENT PERSONAL OR FINANCIAL STATUS AND/OR AT THE REQUEST OF THE CLIENT.
- C. AS STATED IN 13.A., FAIA ADVISORY ACCOUNTS ARE REVIEWED ON A QUARTERLY BASIS. THE REVIEWS ARE MAILED TO THE CLIENT ALONG WITH A WRITTEN REPORT AS TO ASSETS, TRANSACTIONS, AND PERFORMANCE.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

- A. NEITHER FAIA NOR ITS REPRESENTATIVES RECEIVE ANY ECONOMIC BENEFITS FOR PROVIDING INVESTMENT ADVICE OR OTHER ADVISORY SERVICES FROM SOMEONE WHO IS NOT A CLIENT.**
- B. NEITHER FAIA NOR ITS REPRESENTATIVES DIRECTLY OR INDIRECTLY COMPENSATE ANY PERSON FOR CLIENT REFERRALS.**

ITEM 15 – CUSTODY

NEITHER FAIA NOR ITS REPRESENTATIVES HAVE CUSTODY OF CLIENT FUNDS OR SECURITIES.

CLIENTS ARE ADVISED THAT, IN ADDITION TO REGULARLY SCHEDULED REVIEWS RECEIVED FROM FAIA, THE BROKER DEALER WILL ALSO PROVIDE ACCOUNT STATEMENTS TO CLIENTS ON A QUARTERLY OR MORE FREQUENT BASIS.

FAIA ADVISORY CLIENTS ARE ADVISED THAT THEY SHOULD REVIEW AND COMPARE BOTH STATEMENTS AND CONTACT FAIA OR ITS REPRESENTATIVES WITH ANY QUESTIONS OR DISCREPANCIES.

ITEM 16 – INVESTMENT DISCRETION

FAIA OFFERS TO MANAGE ADVISORY ACCOUNTS ON BOTH A DISCRETIONARY AND NON-DISCRETIONARY BASIS.

DISCRETIONARY AUTHORITY IS OUTLINED IN THE ADVISORY MANAGEMENT AGREEMENT WHICH IS EXECUTED BY THE CLIENT AND FAIA. BY AUTHORIZING FAIA TO ACT ON A DISCRETIONARY BASIS, THE CLIENT EMPOWERS FAIA TO DETERMINE WHICH SECURITIES ARE TO BE BOUGHT/SOLD AND THE AMOUNT/NUMBER OF SHARES TO BE BOUGHT/SOLD.

SHOULD AN ADVISORY CLIENT WISH TO LIMIT FAIA'S DISCRETIONARY AUTHORITY, THIS OR THESE RESTRICTION/S MUST BE DOCUMENTED IN WRITING, PRESENTED TO FAIA, AND ATTACHED TO THE MANAGEMENT AGREEMENT.

ITEM 17 – VOTING CLIENT SECURITIES

FAIA DOES NOT RECEIVE OR VOTE PROXIES. CLIENTS RECEIVE APPLICABLE PROXIES FROM THEIR CUSTODIAN OR A TRANSFER AGENT. FAIA CLIENTS WILL NOT RECEIVE PROXIES FROM FAIA. CLIENTS ARE ADVISED TO CONTACT FAIA WITH QUESTIONS ABOUT PROXY SOLICIATIONS.

ITEM 18 – FINANCIAL INFORMATION

- A. FAIA DOES NOT REQUIRE OR SOLICIT PREPAYMENT OF FEES.
- B. FAIA DOES NOT REQUIRE OR SOLICIT PREPAYMENT OF FEES.
- C. FAIA HAS NOT BEEN THE SUBJECT OF A BANKRUPTCY PETITION.

ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

- A. FAIA REQUIRES THAT ITS REPRESENTATIVES POSSESS, MINIMALLY, TWO (2) YEARS FINANCIAL SERVICES EXPERIENCE, A COLLEGE DEGREE, OR A COMBINATION OF THESE QUALIFICATIONS.

FAIA REPRESENTATIVES, FORMAL EDUCATION, BUSINESS BACKGROUND:

KENNETH L. NEATHERY, JR., PRESIDENT

GEORGE WASHINGTON HIGH SCHOOL, DANVILLE, VA
VPI&SU, BLACKSBURG, VA (BA)
NORTHWESTERN UNIVERSITY NATIONAL TRUST SCHOOL, EVANSTON, IL
NORTHWESTERN UNIVERSITY NATIONAL GRADUATE TRUST SCHOOL, EVANSTON, IL
NY INSTITUTE OF FINANCE, NEW YORK, NY (CORRESPONDENT)

PRESIDENT, REGISTERED REPRESENTATIVE, FAIA (10/93 – PRESENT)
REGISTERED REPRESENTATIVE, CADARET, GRANT & CO., INC. (6/95 – PRESENT)
REGISTERED REPRESENTATIVE, FERGUSON, ANDREWS & ASSOCIATES, INC. (10/93 – 6/95)
PRESIDENT, REGISTERED REPRESENTATIVE, NEATHERY AND ASSOCIATES, INC. (2/88 – 9/93)
AGENT, MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY (2/88 – PRESENT)
REGISTERED REPRESENTATIVE, MML INVESTORS SERVICES (2/88 – 8/93)

JAY G. FERGUSON, SENIOR VP, TREASURER

R. E. LEE HIGH SCHOOL, CHARLESTON, WV
HAMPDEN-SYDNEY COLLEGE, HAMPDEN-SYDNEY, VA
UNIVERSITY OF ARIZONA, PHOENIX, AZ (BA)

SENIOR VP/TREASURER, REGISTERED REPRESENTATIVE, FAIA (11/94 – PRESENT)
REGISTERED REPRESENTATIVE, CADARET, GRANT & CO., INC. (6/95 – PRESENT)
DIRECTOR/TREASURER, REGISTERED REPRESENTATIVE, FERGUSON, ANDREWS & ASSOCIATES, INC. (1/92 – 6/95)
DEVELOPMENT MANAGER, JGF, LTD. (12/89 – 12/09)

SARAH W. NEATHERY, CCO, SENIOR PORTFOLIO MANAGER

SEVEN HILLS SCHOOL, LYNCHBURG, VA
SALEM COLLEGE, WINSTON-SALEM, NC (BA)
PVCC, CHARLOTTESVILLE, VA (POST GRADUATE/AIB)

CCO, SENIOR PORTFOLIO MANAGER, REGISTERED REPRESENTATIVE, FAIA (10/93 – PRESENT)
REGISTERED REPRESENTATIVE, CADARET, GRANT & CO., INC. (6/95 – PRESENT)
REGISTERED REPRESENTATIVE, FERGUSON, ANDREWS & ASSOCIATES, INC. (10/93 – 6/95)
REGISTERED REPRESENTATIVE, NEATHERY AND ASSOCIATES, INC. (2/88 – 9/93)
AGENT, MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY (2/88 – PRESENT)
REGISTERED REPRESENTATIVE, MML INVESTORS SERVICES, INC. (8/88 – 8/93)

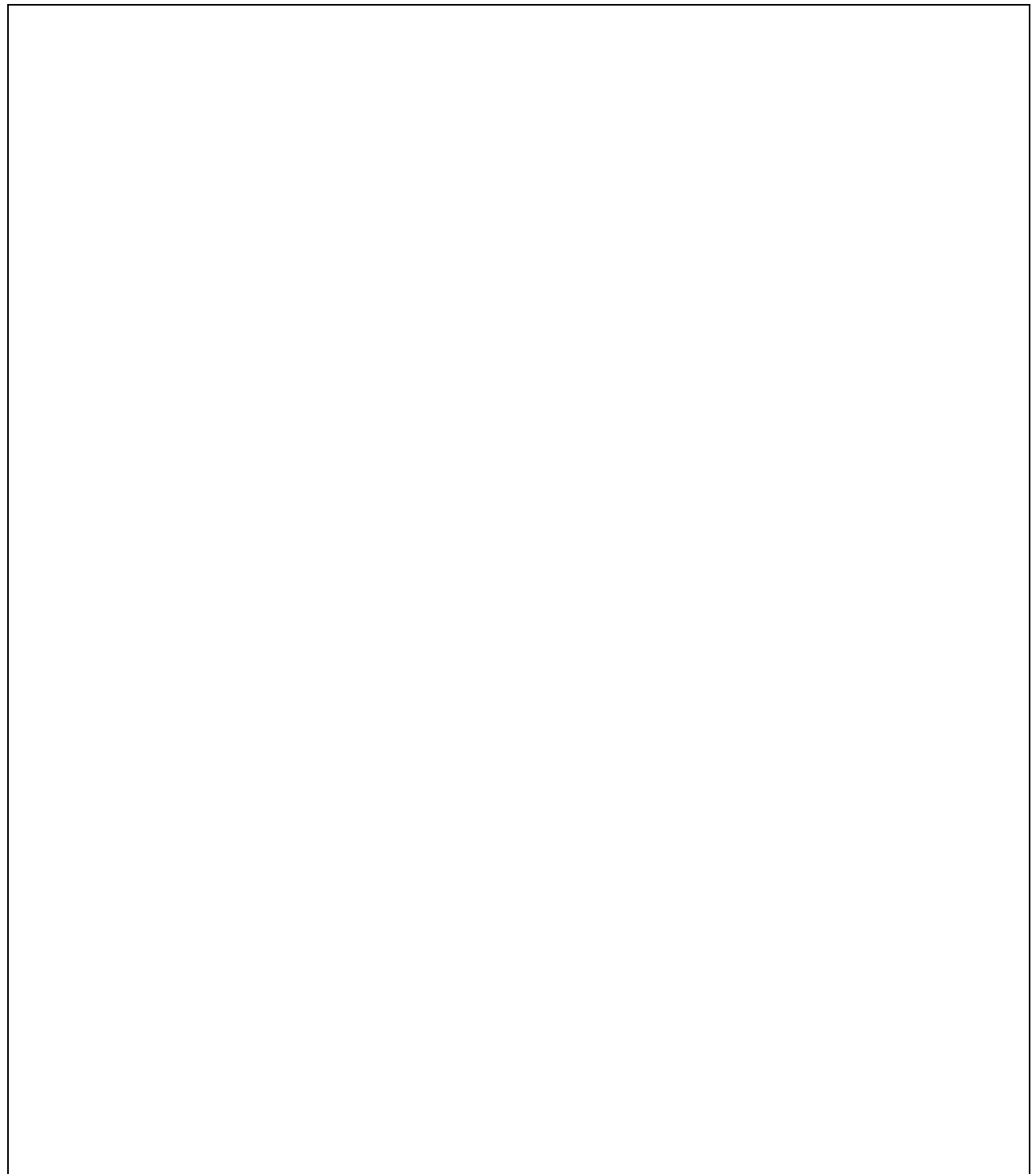
B. PLEASE SEE 10.C.

C. FAIA DOES NOT CHARGE PERFORMANCE-BASED FEES FOR ADVISORY SERVICES.

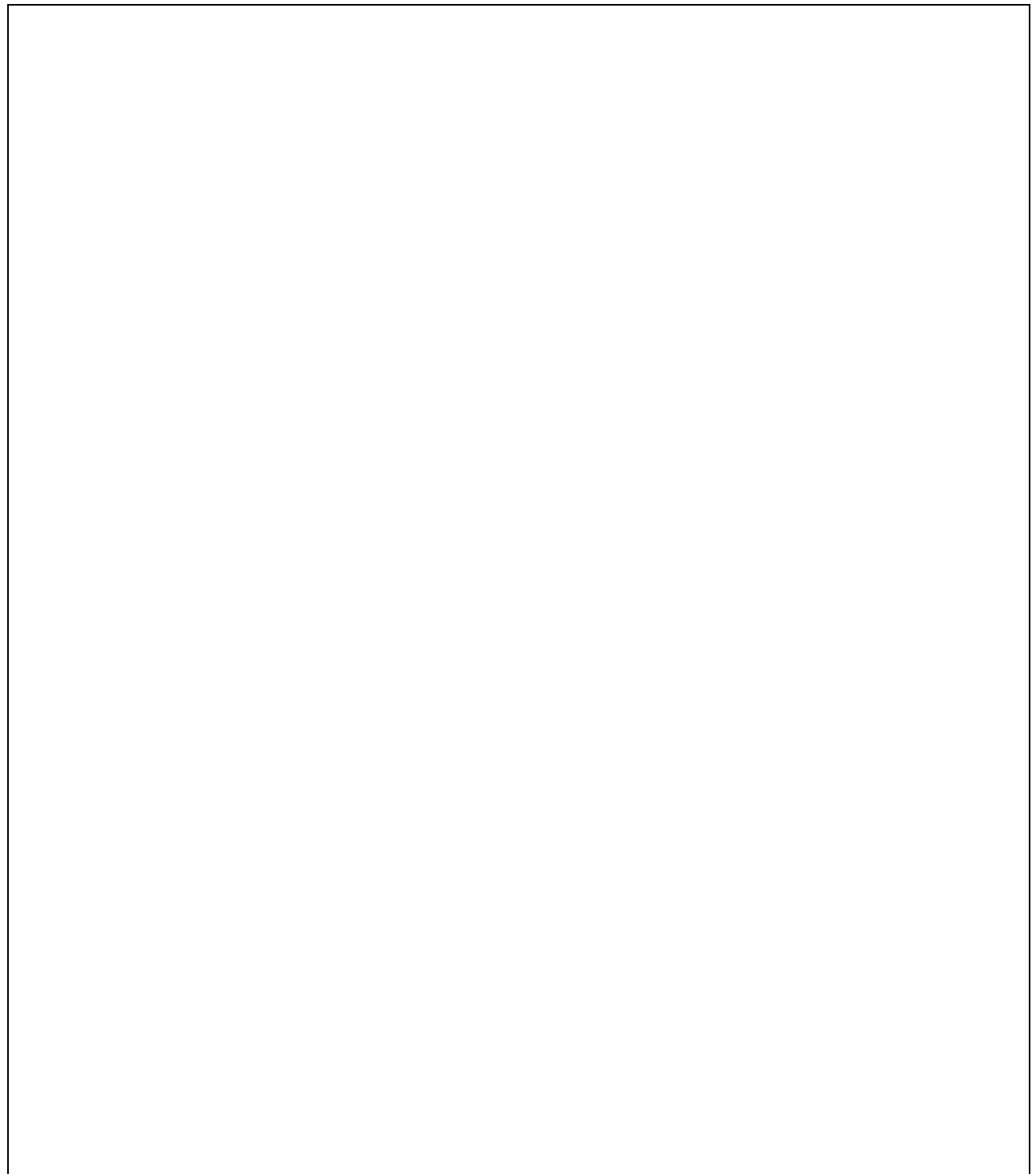
D. NEITHER FAIA NOR ITS REPRESENTATIVES HAVE BEEN INVOLVED IN:

1. AN AWARD OR OTHERWISE BEING FOUND LIABLE IN AN ARBITRATION CLAIM ALLEGING DAMAGES IN EXCESS OF \$2,500
2. AN AWARD OR OTHERWISE BEING FOUND LIABLE IN A CIVIL, SELF-REGULATORY ORGANIZATION, OR ADMINISTRATIVE PROCEEDING

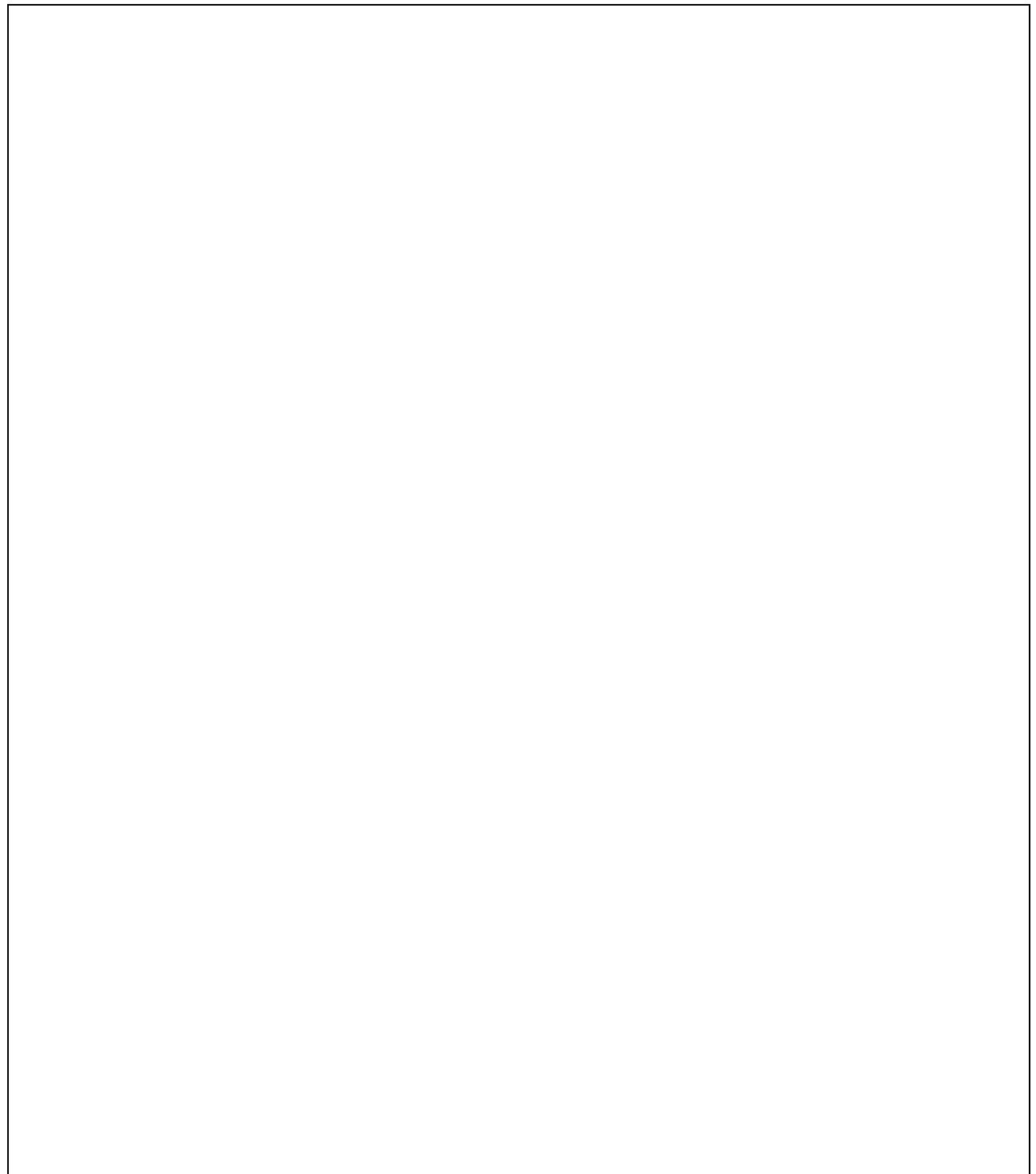
E. NEITHER FAIA NOR ITS REPRESENTATIVES HAVE A RELATIONSHIP OR ARRANGEMENT WITH ANY ISSUER OF SECURITIES NOT LISTED IN 10.C.

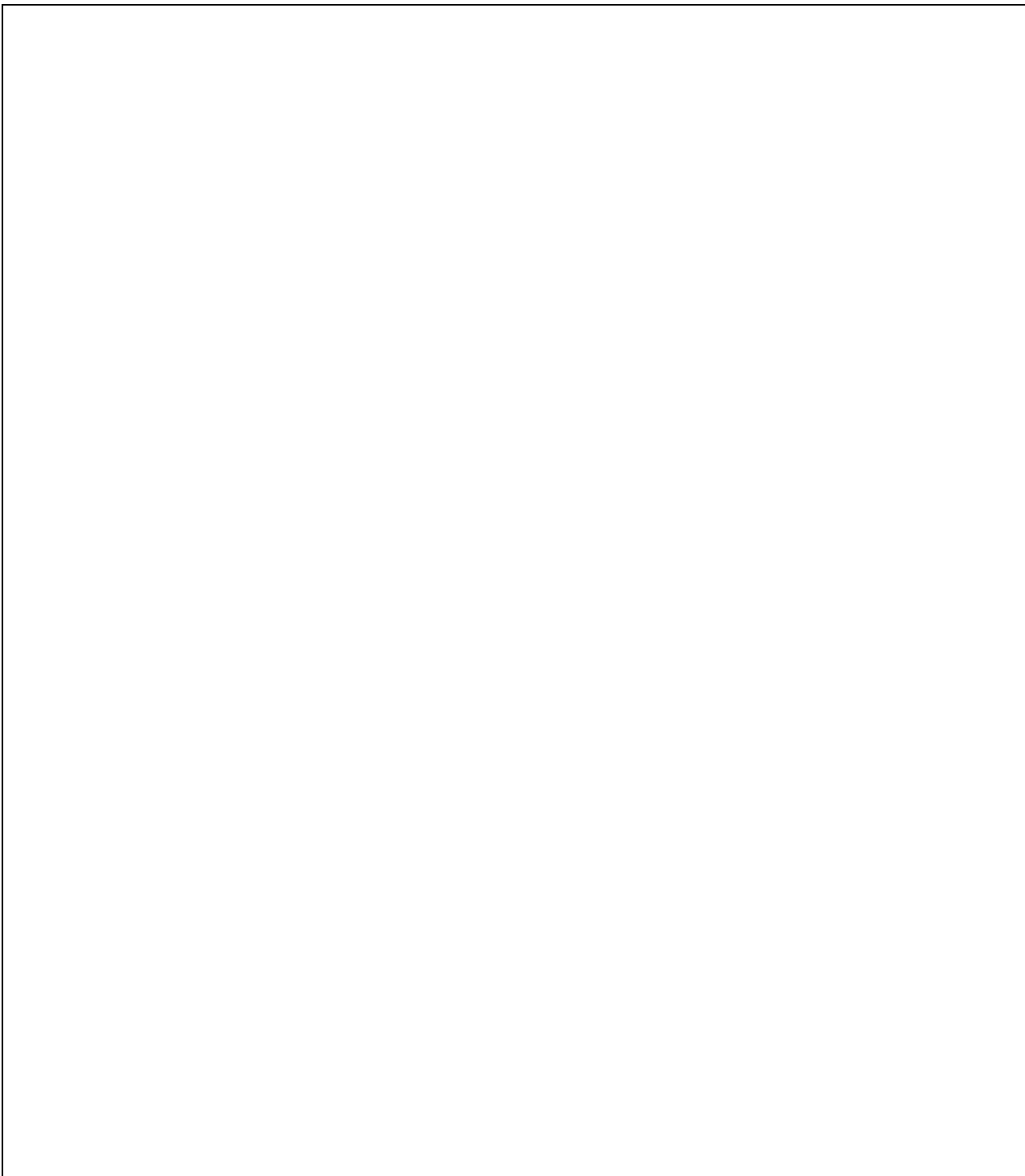


Item 4 Advisory Business

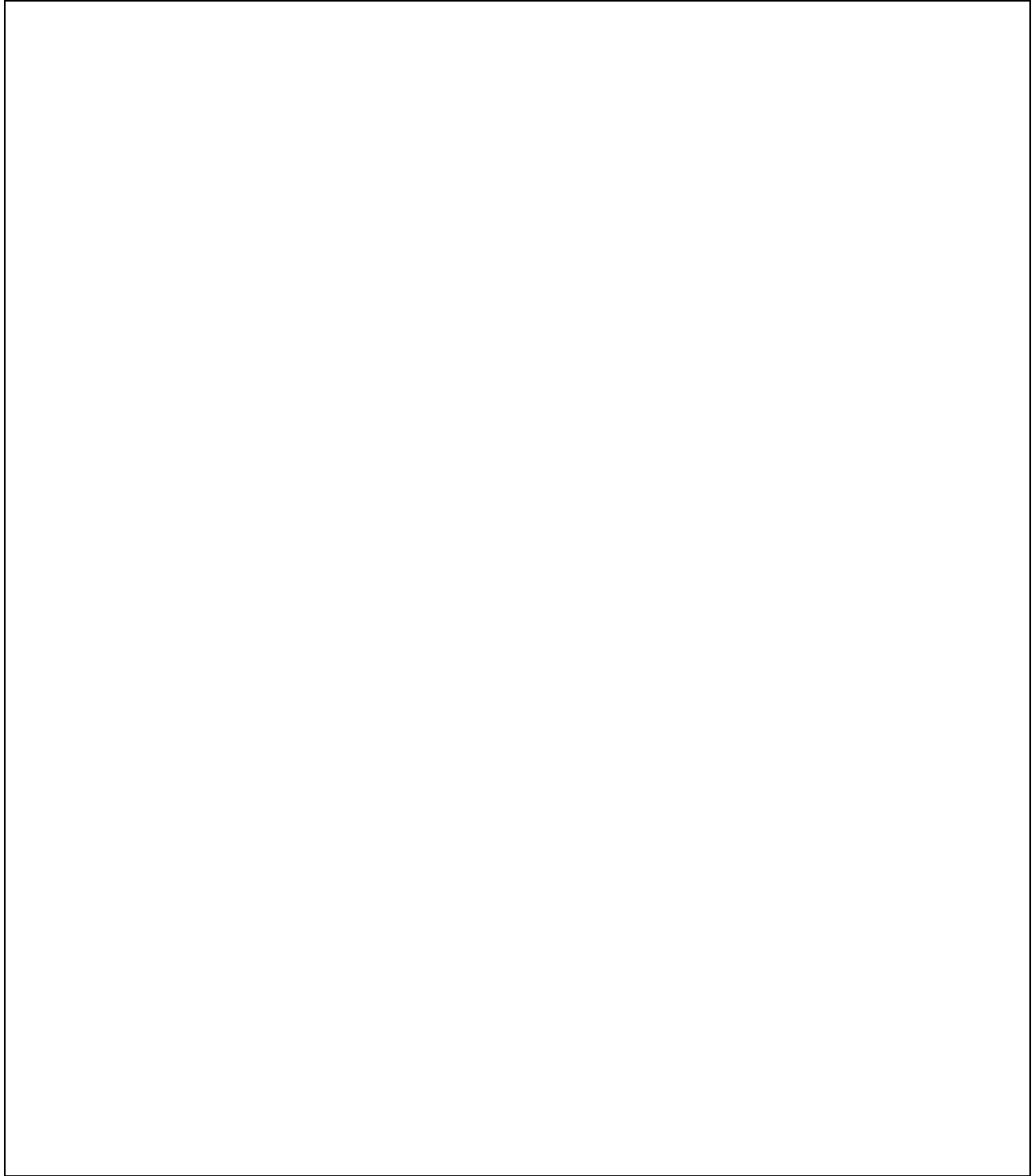



Item 5 Fees and Compensation



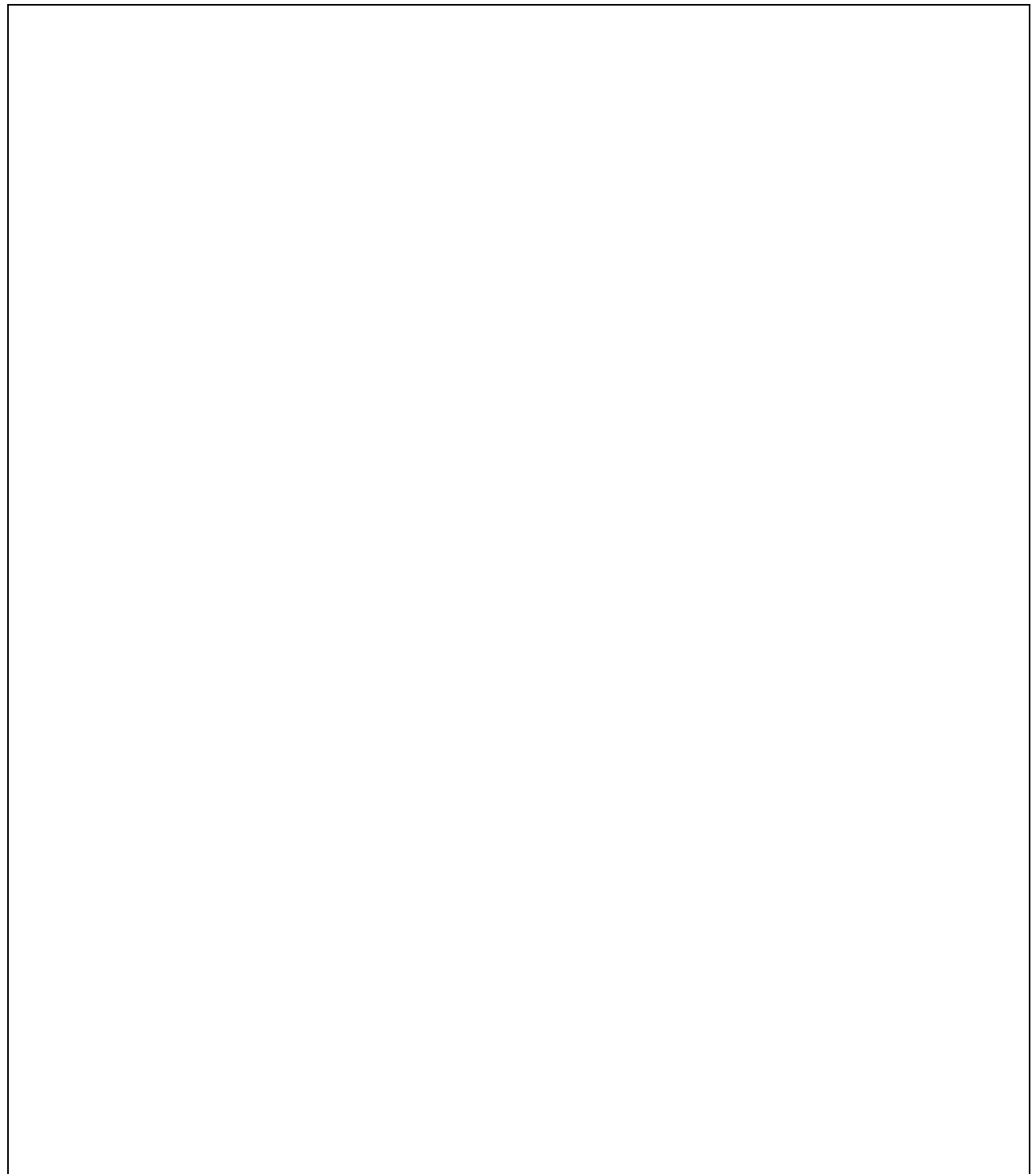


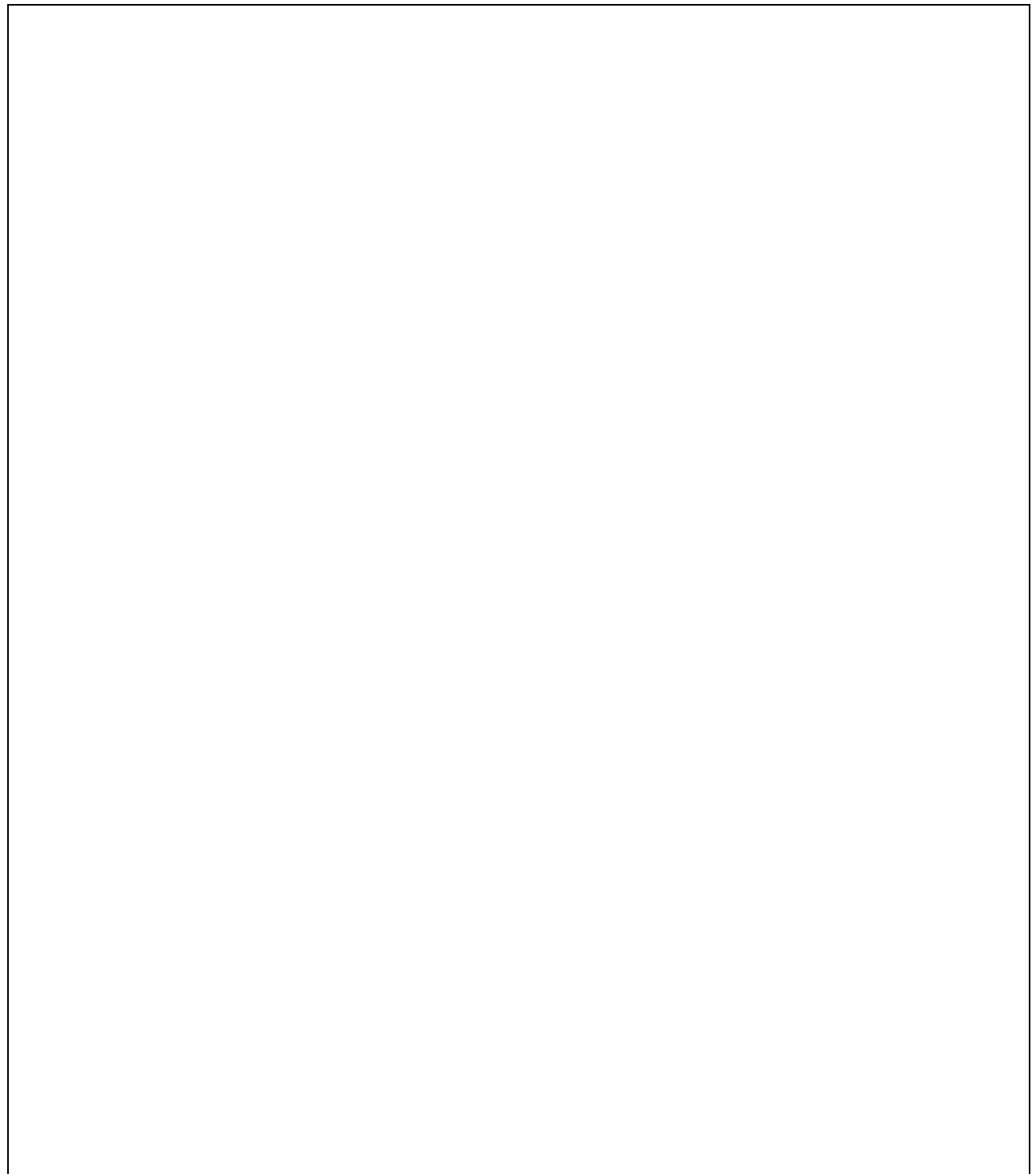
Item 7 Types of *Clients*

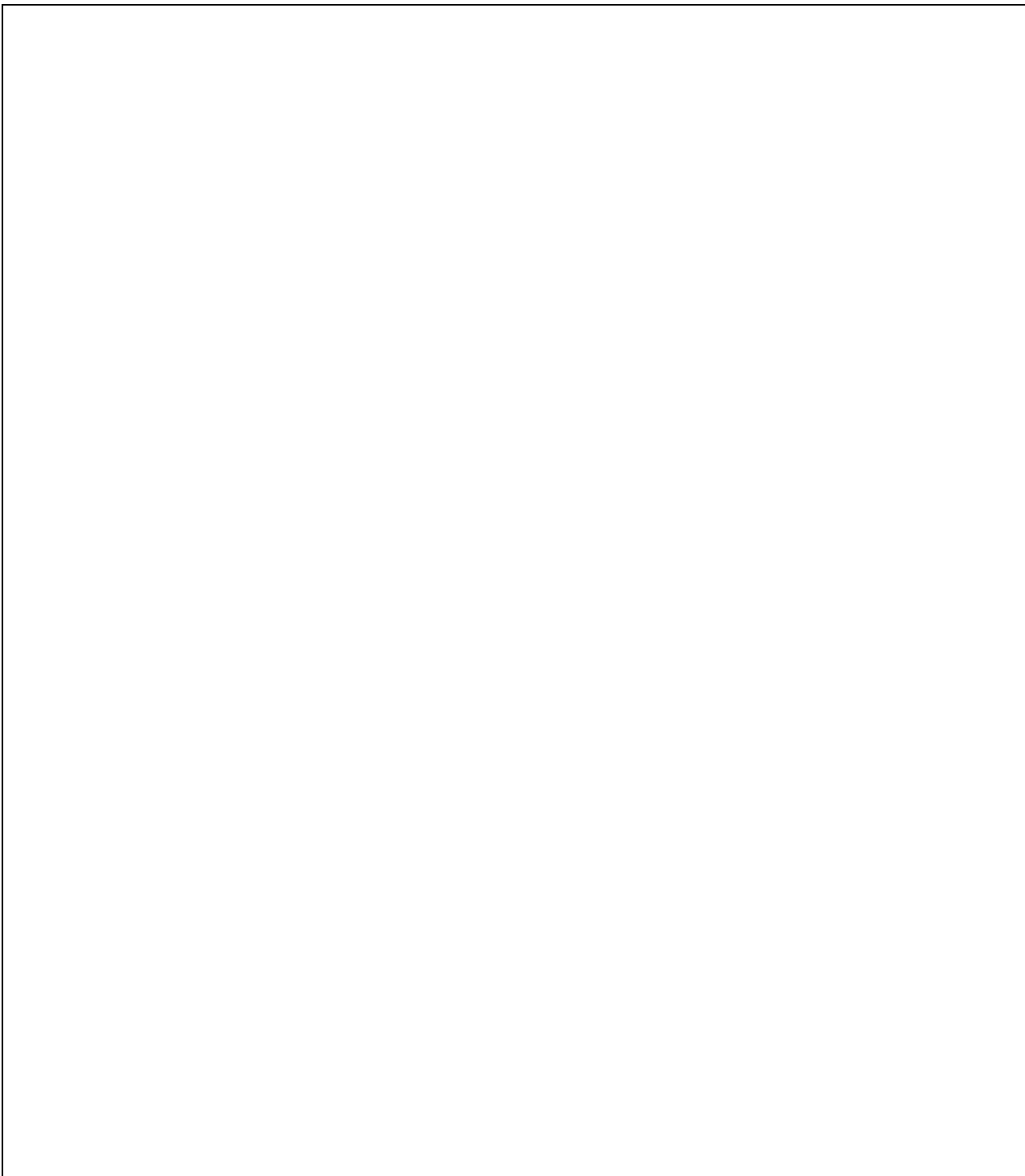




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Item 15 *Custody*

