

FARR, MILLER & WASHINGTON, LLC

Part 2A of Form ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Farr, Miller & Washington, LLC. If you have any questions about the contents of this brochure, please contact us at 202-530-5606 or by email at scantus@farmiller.com. This brochure is a required document for all investment advisors. 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 Farr, Miller & Washington is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by an identifying number, known as a CRD Number. Our Firm's CRD number is 107553.

Item 2 – Material Changes

Farr, Miller & Washington, LLC has not had any material changes since our last annual brochure dated May 27, 2011.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other interim disclosure information about material changes as necessary.

Our Brochure may be requested by contacting Susan W. Cantus, Principal/Chief Compliance Officer at 202-530-5606 or scantus@farrmiller.com.

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Item 4 – Advisory Business

Firm Description:

Farr, Miller & Washington, LLC was founded in 1996 by Michael K. Farr, Elmon A. Miller and John A. Washington. The firm is a SEC-registered independent investment advisor* with our principal place of business located in Washington, D.C. We also have an office located in Devon, Pennsylvania.

The firm was founded on three guiding principles: to provide analytical and management excellence through a conservative long-term portfolio management process, accessibility and superior client service, and consistent risk-adjusted performance. These principles have guided the firm since inception, and today the expanded investment team manages portfolios for high net worth individuals and institutions. For more information on the types of clients we provide services to, please see *Item 7 – Types of Clients* of this Brochure.

*Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Principal Owners:

The firm is wholly owned by the named founders and other key officers actively employed by the firm through FMW Holdings, LLC, which owns 100% of Farr, Miller & Washington LLC (FMW). The principal owner is Michael K. Farr, President. The other owners are as follows: Elmon A. Miller, Jr. (Managing Director), John A. Washington (Managing Director), Taylor D. McGowan (Portfolio Manager/Analyst), Susan W. Cantus (CCO), Caroline Savage (Principal), Keith B. Davis (Portfolio Manager/Analyst), and Michael C. Fox (CFO/Analyst).

Types of Advisory Services:

FMW provides asset management services to our clients based on their individual needs, in accordance with the methods described in *Item 8 – Investment Strategies and Methods of Analysis* of this Brochure. Through personal discussions with our clients, we identify their goals and objectives based on the client's particular circumstances. We establish a portfolio investment strategy consistent with the client's risk/return objective(s).

Our core investment products are: Large Cap Growth Equity, Fixed Income, Balanced, Small /Mid-Cap Equity, and Growth and Income. For more information on our products, please see *Item 8 – Investment Strategies* of this Brochure.

FMW manages client accounts on a discretionary and non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., equity (growth), fixed income, and/or growth and income) as well as tax considerations.

FMW also furnishes investment advice through consultations on a case by case basis. We offer financial consultation regarding strategic decisions for both individual and institutional clients. This may consist of long term legacy and estate planning or significant liquidity events (i.e. refinancing, the potential sale of a company, inheritance, etc).

We also may provide financial planning services to select individuals on a recurring basis for a fee which is described in Item 5.

Farr, Miller & Washington maintains a sub-management agreement with an unaffiliated investment advisor, Envestnet Asset Management Inc for FMW to provide a large cap equity model portfolio. This program is referred to as a "Third Party Models Program". The investment advisor uses the model investment portfolio created by FMW as the basis for investment products that the third party offers to our clients. FMW creates the model portfolio based on what FMW deems as an appropriate allocation and weighting of securities for each product. The client determines how and when to act upon the recommended changes to the model portfolio. FMW, cannot, in and of itself, place a trade for any investor using the program for which FMW acts as a research provider.

Client Assets:

As of 02/29/2012, FMW was actively managing \$ 816,708,831 of client's assets on a discretionary basis plus \$ 8,287,063 of clients' assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Fee Schedule:

For our services, FMW receives a quarterly investment advisory fee equal to an annual percentage of the market value of assets under management, including cash and cash equivalents, as of the close of business on the last day of the preceding quarter. The standard fee schedule for our Large Cap Growth Product, Balanced, and Growth and Income Product is as follows: 1% per annum for the first \$2 million, 0.80% for the next two million, and 0.60% for 4 million and greater.

The Fee schedule for our Small/Mid-Cap Product is as follows: 1.25% per annum for the first \$1 million, 1% for the next million, and 0.75% for 2 million and greater.

For accounts invested in our Municipal Fixed Income Product, our fee schedule is as follows: for investing in Tax Free Municipal Securities it is 0.45% per annum for the first \$5 million, 0.40% for the next five million, and 0.40% for ten million and greater. The fee for investing in Taxable Fixed Income is 0.50% per annum.

Although FMW has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees for all of our products on a case by case basis. Discounts may be offered to family members and associated persons of our firm. The specific annual fee schedule will be identified in the management contract between the adviser and each client.

Fee Billing:

All fees are payable quarterly in advance, due at the beginning of each quarter. In limited cases, fees may be paid in arrears by institutional accounts. Clients may elect to be billed for fees or authorize Farr, Miller & Washington to directly debit fees from client custodial accounts. A client may terminate their advisory arrangement with FMW at any time, by giving written notice. For those accounts that pay quarterly in advance, fees will be reimbursed to the client on a pro-rata basis for the number of days in the quarter the account was not under management. For those accounts that pay quarterly in arrears, any earned, unpaid fees will be due and payable at the time the account is closed. The amount of fees will be based on the account value on the date the advisory relationship is terminated, pro-rated for the number of days in the quarter the account was open.

FMW may also provide financial consultation services on an hourly basis for a fee of \$750 per hour, or as negotiated. These services are described in *Item 4 - Types of Advisory Services*.

For financial planning services for select clients, FMW charges between 15 – 75 basis points on the total assets upon which we are consulting. The fee will be charged quarterly in advance. Fees may be negotiable.

For our sub-management agreement with Envestnet Asset Management, Inc, Farr, Miller & Washington will be compensated based on a negotiated percentage of the assets invested in that product. The account minimum is \$100,000.

Other Fees:

Clients may incur certain charges imposed by custodians, brokers, and other third parties such as brokerage securities transaction fees (commissions), trade-away fees, wire fees and other fees and taxes on brokerage accounts. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Farr, Miller & Washington's fee, and we will not receive any portion of these commissions, fees, and costs. Please refer to *Brokerage Practice Services (Item 12)* of this form ADV for additional information.

Item 6 – Performance-Based Fees and Side-By-Side Management

Farr, Miller & Washington, LLC and our supervised persons do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Description:

Farr, Miller & Washington, LLC provides portfolio management services to high net worth individuals, as well as individuals, trusts, estates, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, private funds, state or municipal government entities, and other U.S. institutions.

Account Minimums:

Our minimum account size is \$500,000 for accounts opened after September 1, 1999. For our Small/Mid-Cap Product, the minimum account size is \$250,000. The minimum fee for our Large Cap product is \$5,000, although exceptions for size and fees may be made on a case by case basis.

Item 8 – Investment Strategies, Methods of Analysis, and Risk of Loss

Investment Strategies:

Large Cap Growth:

Our core product, the Large Cap Growth equity portfolio, is a conservative diversified portfolio consisting of 30 to 40 high-quality growth companies. The portfolio employs a buy-to-hold philosophy. The goal is to exceed the performance of the market over a full market cycle (3 to 5 years) without taking on more risk than the overall market. Individual weightings are no greater than 4% of total assets at purchase and the portfolio is fully invested with a target cash position of 5%. Our research analysts seek leading companies in industries with attractive secular growth prospects that have strong management teams, great long-term track records, conservative balance sheets, high returns on capital, and sustainable free cash flow. The firm performs in depth valuation work to determine whether each stock has a reasonable chance of out performing the market over the

subsequent 5 years. Investment turnover averages roughly 25% per year and the firm believes that this long-term mindset allows it to ignore short-term noise in favor of long-term fundamentals. The risk/reward proposition must make sense for long-term investors and our focus on valuation provides downside protection and preservation of capital in weak markets.

Small/Mid-Cap:

Our Small/Mid-Cap Product was established on June 30, 2006. This product invests mainly in common stock of small and mid-capitalization companies. The portfolio consists of 30 to 40 companies with a history of consistent profits, high returns on capital, strong balance sheets, and low reinvestment requirements that trade at reasonable valuations. Stocks in this portfolio typically range from \$100 million to \$5 billion in market capitalization. The goal of this product is to outperform the Russell 2500 Index over a full market cycle (3 to 5 years).

Growth & Income:

Our Growth and Income product's investment objective is to provide current income and capital appreciation through long-term investments. To pursue this goal, the portfolio typically invests the majority of its assets in common stocks and real estate investment trusts (REITs). The portfolio may also invest in preferred stock, foreign common stocks/ADR's, corporate bonds and government Treasury bonds. Our investment universe consists of companies/REITs with total market capitalization ranging from \$1.0 billion and higher. The investment committee will use best efforts to minimize short and long-term capital gains taxes. The portfolio seeks to reduce risk by diversifying among multiple companies and industries.

Fixed Income

FMW's fixed income portfolios are primarily composed of investment grade corporate bonds, agency bonds, treasury bonds, and municipal bonds. Analysts perform credit analysis on each bond purchased. We build bond portfolios that are designed to act as an anchor during rough markets and to provide income where necessary. Individual bonds are analyzed and bond portfolios are constructed based on each client's risk tolerance, time horizon, income needs, and tax situation. The firm's long-term views on interest rates, inflation, and the economy also play a major role in the construction of bond portfolios.

Exchange Traded Funds

FMW purchases exchange traded funds in situations where a client's investment objectives can not be fully met through the purchase of individual securities or when a client seeks an index portfolio with allocations to numerous asset classes.

Methods of Analysis:

Large Cap Growth & Small/Mid-Cap

FMW performs fundamental, bottom-up equity research to identify companies suitable for client portfolios. The investment process starts with quantitative screens that seek to identify high quality companies with the following characteristics: 1) a solid track record, 2) a conservative balance sheet, 3) solid returns on invested capital, and 4) a reasonable valuation. Technical analysis is not utilized in the firm's investment process.

The quantitative screens narrow the list of potential stocks from roughly 2,000 stocks to 100. Value Line and Bloomberg are both used for generating screens. At this point, the research analysts take a quick look at each stock in an effort to cut the list down to a more manageable and select group. At this stage, common reasons for a stock to get rejected would include: a highly cyclical earnings track record, excessive off-balance sheet liabilities, weak free cash flow, any issues with management, and poor earnings quality. Next, research analysts conduct a full due diligence on the roughly 20 stocks per year that make it into the final round of research. Bloomberg, Value Line, First Call, and Call Street are all used to help the firm build quality portfolios. However, all investment opinions are ultimately internally generated. Research at this stage can take up to two weeks per name and includes:

- 1) Reading SEC filings, management presentations, sell-side equity research, industry reports, conference call transcripts, and related periodicals.
- 2) Building historical and projected models
- 3) Interviewing management, sell-side analysts, and industry contacts.
- 4) Performing extensive valuation work (e.g. discounted cash flow, comparable multiple analysis, etc.).
- 5) Creating investment presentation for the investment committee to consider.

Approximately 5 to 10 new stocks get added to the portfolio each year. The investment committee makes all investment decisions as a group.

Stocks are sold from portfolios for the following 4 reasons:

- 1) Excessive valuation
- 2) Deterioration in fundamentals
- 3) Change in original thesis
- 4) Disingenuous management

Growth and Income Product:

The portfolio managers employ fundamental, bottom-up research to select companies believed to have good prospects for income generation and capital appreciation over a three-to-five year time period. Significant attention will be paid to the following: 1) Balance sheet strength – companies will not have onerous levels of debt and will have sufficient flexibility to sustain and/or grow the business without accessing the capital markets; 2) Competitive advantages – high barriers to entry, deep-rooted customer relationships, defensible or enduring cost structure advantage, or proprietary technology that allows the company to sustain dividend payments; 3) Dividend coverage – sufficient free cash flow to make dividend payments, 4) Secular growth drivers – long-term growth trends resulting from demand for products and/or services and 5) Absolute and relative valuation – value of the company is attractive both on a stand-alone basis as well as relative to other similar companies.

Risk of Loss:

Investing in all securities involves risk of loss that clients should be prepared to bear.

Risks of Stock investing

Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which a fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

FMW controls risk for our Equity products by: 1) building diversified portfolios, 2) limiting positions sizes, 3) focusing on industry-leading companies with solid balance sheets, and 4) putting great emphasis on not overpaying for a stock.

Risks of Bond investing

Bonds have two main sources of risk. *Interest rate risk* is the risk that a rise in interest rates will cause the price of a debt security held to fall. Securities with longer maturities

typically suffer greater declines than those with shorter maturities. Mortgage-backed securities can react somewhat differently to interest rate changes because falling rates can cause losses of principal due to increased mortgage prepayments and rising rates can lead to decreased prepayments and greater volatility. *Credit risk* is the risk that an issuer of a debt security will default (fail to make scheduled interest or principal payments), potentially reducing income distributions and market values. This risk is increased when a security is downgraded or the perceived creditworthiness of the issuer deteriorates.

FMW controls risk for fixed income portfolios by purchasing investment grade bonds with strong credit characteristics and maturity dates of usually fifteen years or less depending on the client objectives.

Risks of ETF investing

ETFs are typically designed to track some group of underlying securities (e.g. domestic stock indices, foreign stock indices, bond indices, commodities, real estate, etc.). Investors in these types of ETFs will make money if the underlying securities rise in value and lose money if the underlying securities decline in value. Buying ETFs reduces the security-specific risk that comes with owning individual stocks and bonds. However, it does not reduce market risk, currency risk, geopolitical risk, or any other risk that could cause the securities underlying the ETF to fall in value.

Item 9 – Disciplinary Information

Farr, Miller & Washington and our employees have not been involved in any legal or disciplinary events in the past ten years that would be material to a client’s evaluation of the company or our personnel.

Item 10 – Other Financial Industry Activities and Affiliations

FMW Holdings LLC owns 100% of Farr, Miller & Washington, LLC and also its affiliate, Farr Consulting LLC. This firm is a consulting firm, but currently does not perform any services for any clients.

FMW also has a sub-advisory relationship with Envestnet Asset Management Inc., a third-party unaffiliated investment advisor. FMW only provides an Equity model to the firm and does not have any authority to trade on behalf of the clients enrolled in the program. Therefore, we do not deem there to be a conflict of interest.

Item 11 – Code of Ethics

Farr, Miller & Washington strives to protect, defend and pursue the interests of our clients ahead of all others including our own. Farr, Miller & Washington, LLC adopted a Code of Ethics for all supervised persons of the firm effective February 1, 2005 which is designed to comply with Rule 204-A-1 under the Investment Advisors Act of 1940. All supervised persons employed by Farr, Miller & Washington must agree to abide by the terms of the Code of Ethics annually, or as amended.

Farr, Miller & Washington will provide a copy of the Code of Ethics to any client or prospective client upon request. Requests should be made by calling 800-390-3277/202-530-5600 or sending a request via email to Susan Cantus at scantus@farrmiller.com.

The employees of FMW may invest for their personal accounts in securities identical to those recommended to our clients. Because this practice might cause an employee from benefiting from trading ahead of clients, our code establishes the policy that no employees may purchase or sell any security prior to a transaction(s) being implemented for an advisory client and requires pre-approval of all employee trades. It is also the practice of the firm that we do not recommend to clients, securities in which the firm or a related person has a material financial interest in. FMW employees are also prohibited from engaging in principal transactions as well as agency cross transactions.

Our Code includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's employees. We also have established procedures for the maintenance of all required books and records as well as requirements regarding the reporting of Code of Ethics violations to our senior management.

The Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Some employees have accounts that are managed by the firm on a discretionary basis. These accounts invest in the same securities as clients and are treated as any other client account. We may aggregate our employee trades if they are with client transactions when possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. For more information on our allocation procedures, please see *Item 12 – Brokerage Practice* of this Brochure.

Item 12 – Brokerage Practices

Except as limited by client instructions, Farr, Miller & Washington exercises discretionary authority to determine through which broker or dealer securities are to be bought or sold and to negotiate the commission rates for securities transactions.

Selecting Brokerage/Custodial Firms:

Absent a client's existing brokerage relationship and at the request of clients, the firm does from time to time recommend brokerage firms to custody the assets with which we have a relationship such as Deutsche Bank Alex Brown and Fidelity Investments. Because of the combination of their integrated back office and administrative on-line services, in addition to their dedicated customer service teams, our clients benefit from significant value-added.

Executing Brokers:

FMW utilizes the most competitive brokerage firms in executing client transactions. In effecting transactions for clients, FMW seeks to obtain overall best net execution. This means that a firm must execute transactions for clients in a manner that the client's total costs or proceeds in each transaction are most favorable under the circumstances.

In evaluating prices and executions, FMW will consider the factors we deems relevant, which include the breadth of the market in the security, the price of the security, the financial condition and execution capability of a broker or dealer and the reasonableness of the commission, if any, for the specific transaction.

Research and Soft Dollars:

FMW will take into consideration not only the items listed above, but also the commission paid research and brokerage services provided by a broker or dealer in connection with the execution of client transactions, also known as "soft dollars". In conducting all of our soft dollar relationships, FMW will seek to take advantage of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. When FMW uses client brokerage commissions to obtain research or other products or services, this presents a conflict of interest because FMW receives a benefit because we do not have to produce or pay for the research, products or services. These relationships may influence FMW's judgment in allocating brokerage business between firms that provide soft dollar services and firms that do not.

FMW may pay a brokerage commission in excess of what another broker or dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. In such a case, however, FMW will determine in good faith that such a commission is reasonable in relation to the value of

brokerage, research and other services and soft dollar relationships provided by such broker or dealer, viewed in terms of either the specific transaction or FMW's overall responsibilities to the portfolios over which FMW exercises investment authority.

It should be noted that not all accounts may benefit from each soft dollar service and that one account may pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. Regardless, the research and other benefits resulting from the brokerage relationship would benefit all FMW accounts.

Research obtained during the last fiscal year includes written reports or computer software that furnishes advice on individual companies/industries, economic data, general market information and that assists FMW in carrying out our responsibilities. Within the last fiscal year, FMW acquired the following research services with client commissions: Bloomberg, Call Street, First Call and other proprietary research from major Wall Street Firms.

FMW currently has soft-dollar arrangements with UBS Paine Webber Inc and Credit Suisse First Boston. The commissions paid to UBS Paine Webber and Credit Suisse First Boston are reasonable in respect to the research services provided, and are no greater than the standard three to five cents per share (Or \$ 50 odd lot charge) paid to any other Broker-Dealer. Clients are not disadvantaged in any way and most research obtained will benefit all clients on a general basis. UBS Paine Webber is responsible for the payment of Bloomberg. Credit Suisse First Boston is responsible for the payment of First Call Research and Call Street.

Research received from brokers or dealers is supplemental to FMW's own research programs. The fees to FMW under our advisory agreements with clients are not reduced by reason of its receiving any brokerage and research services.

Directed Brokerage:

Clients may elect to direct brokerage through a particular broker; however, clients that do so may pay more in brokerage commissions and may not obtain best execution, depending on the commission arrangement between the client and the designated broker. Because commission rates under directed brokerage arrangements typically are not subject to negotiation by FMW, clients who elect to direct brokerage to a particular broker may not benefit from any lower commission rates that FMW negotiates with other brokers. In addition, clients that direct brokerage may not participate in any volume commission discounts negotiated by FMW with brokers other than the broker identified by the client. Clients also should be aware that there may be other disadvantages associated with directing brokerage to a particular broker, including a delay in the timing of execution of

transactions. All FMW clients who direct brokerage are required to sign a direction letter and acknowledgment that they may not receive the best execution.

Order Aggregation:

When advantageous to the client, FMW will aggregate client orders received within a similar time frame. When an aggregate order is executed in parts at different prices or when two or more separate orders for the same security are entered at approximately the same time and are executed at different prices, FMW will, make allocations using the average price at which a security is bought or sold for the clients involved in the transaction. In the event that an order is not filled, we follow an order rotation policy so that no client is systematically disfavored.

Brokerage for Client Referrals:

Farr, Miller & Washington currently participates in the Fidelity Wealth Advisor Solutions Program, ("Service"), a service designed to make information about Investment Advisors and financial planners available to their high net-worth investors. Fidelity is a broker/dealer independent of and unaffiliated with FMW. Clients referred to FMW as a result of this relationship will usually use Fidelity as the custodian although it is not a requirement by FMW.

There also may be an incentive to select an executing broker-dealer based on our interest in receiving client referrals, rather than the clients' interest in receiving most favorable execution. FMW always strives to achieve best execution, and therefore, trades for client accounts custodied at Fidelity may be executed through a different broker/dealer. We conduct broker reviews based on factors noted above to choose an executing broker. When we trade away, a small processing fee is charged by Fidelity that is in addition to any commissions charged by the executing broker-dealer.

Item 13 – Review of Accounts

Portfolio managers monitor each client account to evaluate the suitability of portfolio investments in light of client objectives. Reviews vary in frequency and may be undertaken due to a multitude of factors, including, but not limited to: market developments, the nature of portfolio holdings, individual client objectives, changes in client objectives or investment instructions and/or the addition or withdrawal of client assets. All client accounts will be reviewed at least on a quarterly basis.

Reports to Clients:

Clients are notified of all trades in their accounts in writing at the time of the trades by the custodians, and they also receive a monthly brokerage statement from the custodian. Farr, Miller & Washington provides complete written reports of the accounts to our clients quarterly. These reports include portfolio appraisals, performance reporting and a gain/loss summary. Clients will also receive a copy of our quarterly newsletter, *The Farr View*. In addition, at the request of a client, a formal written report and review can be performed at any time.

Item 14 – Client Referrals and Other Compensation

Farr, Miller & Washington has written agreements with Individuals as well as third party firms pursuant to which we will compensate them as Solicitors for referral activities. These solicitors are not affiliated with FMW. In regards to our current agreement with an individual, FMW pays a solicitation fee of twenty-five percent of the management fees collected from the referred client on a quarterly basis.

Farr, Miller & Washington also has a written agreement with a third party firm, Cedar Partners, Ltd. where Cedar will provide sales and marketing services to the firm, including the introduction of prospective advisory clients to Farr, Miller & Washington. Cedar is not affiliated with and has no relationship with FMW other than a contractual relationship governed by the agreement between Cedar and FMW. Our current agreement with Cedar is to compensate them by the payment of an Annual Retainer equal to \$25,000 and an Account Fee equal to 20% of the investment management fees paid to Farr, Miller & Washington by clients introduced by Cedar. The retainer is paid during the term of the Agreement between Cedar and FMW. The Account Fee is paid for as long as the client's account is managed by Farr, Miller & Washington. FMW has a standard fee schedule and does not charge any additional amounts to clients who were solicited by Cedar to cover the amounts the firm pays to Cedar.

Farr, Miller & Washington, LLC also maintains a solicitor's arrangement with BrokersXpress, LLC. The representatives under our agreement receive fifty percent of the investment management fees on assets placed under the management of the Advisor for as long as the client account is maintained as a client by FMW. Please note that for this particular agreement, FMW adds a differential to our standard fee schedule to compensate for any solicitations by BrokersXpress, LLC. The differential is 0.50% on an annual basis.

Client referral and solicitation arrangements by nature present an inherent conflict of interest between the adviser and client. As such, FMW complies with Rule 206(4)-3 (the Cash Solicitation Rule) under the Investment Advisers Act of 1940, which requires that

among other things, that FMW not compensate any party for client referrals without a written agreement. This rule also requires that prospective clients are provided disclosures by the third party, which clearly describes the solicitation terms and compensation arrangement.

Item 15 – Custody

Farr, Miller & Washington is not a broker-dealer and does not take possession of client assets. Our clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as custodians. FMW has a limited power of attorney to place trades on the client's behalf. If authorized by the client, FMW may also have the authority to directly debit client accounts for quarterly fees, and therefore is deemed to have Custody. See the Other Financial Industry Activities and Affiliations and the Fee Billing and Direct Debit of Fees of this Brochure.

As part of our billing process, the client's custodian is advised of the amount of fee to be deducted from the client's accounts. At least quarterly, the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets are required to send statements of holdings and transactions to the client. In addition to periodic statements from the custodians, Farr, Miller & Washington, LLC sends reports to our clients on a quarterly basis. We urge you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

In addition to direct fee debiting, FMW is deemed to have custody because several principals of the firm serve as trustee for certain client accounts, and therefore they have control over and access to these assets. Per the SEC custody rule requirements, Farr, Miller & Washington has retained a third-party certified public accounting firm to conduct a surprise Custody Examination each year.

Item 16 – Investment Discretion

Farr, Miller & Washington provides both discretionary and non-discretionary investment advisory services. FMW usually receives discretionary authority from the client at the outset of an advisory relationship defined through the management contract.

For discretionary accounts, FMW determines the identity and amount of securities to be bought sold, the brokerage firm for execution, as well as the timing of such purchases and sales, consistent with the investment objectives of each client and subject to any

investment policies and limitations established by the client. Such limitations generally include investing in certain securities, types of securities, or industry sectors. Clients may also direct purchases and sales for certain securities. Investment decisions for a client concerning specific portfolio securities are made independently from those for other clients advised by FMW. As a result, a client may or may not invest in the same securities as other clients.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Farr, Miller & Washington, LLC generally does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Farr, Miller & Washington may offer assistance and advice as to a particular proxy matter upon a client's request, but the client always retains the proxy voting responsibility. Our policy is disclosed to clients in the investment advisory contract.

Although generally we do not vote proxies, the firm does make exceptions for certain Institutional Clients. For those limited clients, we have retained an independent third party proxy consultant, ISS. This firm offers a fully outsourced proxy voting service which includes delivery of holdings specific proxy research and recommendations, automated voting with vote override options, full record keeping and a dedicated account management team to support the service. ISS will vote proxies in accordance with our established policies and procedures.

Absent material conflicts, ISS will determine how Farr, Miller & Washington, LLC should vote the proxy in accordance with the client's applicable voting guidelines, complete the proxy and vote the proxy in a timely and appropriate manner.

If a material conflict of interest exists, FMW has established a Proxy Committee which will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation.

Clients may obtain a copy of Farr, Miller & Washington's complete proxy voting policies and procedures upon request. Clients may also obtain information and reports from FMW about how their securities were voted, if applicable.

Item 18 – Financial Information

FMW has never been the subject of a bankruptcy petition and FMW is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.