

Nancy C. Nelson & Associates, Inc.

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February 23, 2012

This brochure provides information about the qualifications and business practices of Nancy C. Nelson & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Nancy C. Nelson & Associates, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment advisor provide you with information you need to determine whether to hire or retain the advisor.

Additional information about Nancy C. Nelson & Associates, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Nancy C. Nelson & Associates, Inc.

The initial Part 2 was dated March 23, 2011, and filed as part of our annual updating amendment.

Our annual updating amendment dated February 23, 2012, contained the following material changes:

Item 4: As of December 31, 2011, we manage assets of \$40.5 million on a discretionary basis.

Item 12: The Soft Dollars section was added to provide disclosure that reflects that we do not receive soft dollars in the way soft dollars have historically been described. Due to a recent rewording by the SEC of the question related to receipt of additional products and services from our Custodian, those services could be labeled as soft dollars although they do not meet the definition. The products and services we receive are described in the section entitled “Products and Services Available to Us From Schwab,” would fall under this description of soft dollars.

ITEM 3

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ITEM 4: ADVISORY BUSINESS

Who we are

Nancy C. Nelson & Associates, Inc. (referred to as “we,” “our,” “us,” or “NCN&A”), has been registered as an investment advisor since January 1985. Our principal officers are Nancy C. Nelson, President and Daniel C. Fender, Secretary. Ms. Nelson is the sole person providing advice on our behalf.

Services we offer

Financial Planning

“The long-term process of wisely managing your finances so you can achieve your goals and dreams, while at the same time negotiating the financial barriers that inevitably arise in every stage of life. Remember, financial planning is a process, not a product.” as defined by the Financial Planning Association

To help clients through this process we:

- Identify personal goals and discuss the pros and cons of various ways of meeting them
- Gather and maintain data about current assets and liabilities, income and expenses, to create a snapshot of financial health
- Review employee fringe benefits and make recommendations
- Run retirement projections to develop saving and withdrawal recommendations
- Once the client decides on specific action steps to take, these are identified as Tasks, with responsibility assigned to either the client or a staff person at NCN&A to follow through. Taken together these Tasks and their accomplishment make up a continually evolving Financial Plan.

Although we are not tax professionals, we do make recommendations with a view to minimizing the amount of income tax owed, and, for managed accounts, we provide the information needed for preparation of tax returns. Similarly, we discuss the need for casualty, health, disability and long-term care insurance, but rely on the specialized advice of insurance professionals that the client chooses. We discuss estate planning goals with clients but do not prepare legal documents.

All recommendations are based on information provided by the client, who agrees to keep us up-to-date on any changes in their personal or financial situation.

Ongoing Investment Management

Using a mix of index and actively managed no-load mutual funds and exchange-traded funds, NCN&A takes the responsibility for day-to-day management of client account(s). Clients choose one of three Investment Philosophies for each account. NCN&A never has physical custody of client assets; all accounts are at Charles Schwab and Co. Inc.

We tailor our services to your needs by offering three different ideal portfolios (growth, growth-and-income, and income), and asking clients to sign an Investor Profile selecting the appropriate one for each managed account.

We offer the option of substituting Socially Responsible Investments for some of our standard mutual funds and ETFs.

Assets under management

As of December 31, 2011, we manage assets of \$40.5 million on a discretionary basis. We do not manage assets on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

Investment Management Services

Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Advisory Fees & Billing Practices

Fees for investment management services are calculated as a percentage of assets under management. These fees are billed quarterly in advance, based on the assets under management as of the last day of the previous calendar quarter. Our fee schedule is:

<u>Value of Portfolio Under Management</u>	<u>Quarterly Fee</u>	<u>Equivalent Annual Fee</u>
First \$1,000,000	0.2500%	1.00%
Next \$1,000,000	0.1875%	0.75%
Assets over \$2,000,000	0.1250%	0.50%
Minimum Fee:	\$2,500	\$10,000

The minimum annual fee is subject to negotiation for elderly and/or long-term clients with total managed assets of less than \$1,000,000.

Our fees include both investment management and financial planning services.

You may provide authorization for us to deduct our fees directly from your investment account. Important information about the deduction of management fees:

- You must provide authorization for us to deduct fees by initialing the appropriate section of our contract.
- You will receive a detailed invoice each quarter which outlines our fees and how they are calculated at the same time we request payment from the custodian.
- You will receive a statement from your custodian which shows your holdings.

- You are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

You may elect to pay by check rather than having payment deducted directly from your account.

You may end our advisory relationship by providing written notice. We will prorate the advisory fees earned through the termination date and send you a refund of the prepaid, unearned portion of your fee. We process refund payments within 7 days of the termination date and will send you a check or refund your investment account. In either case we will provide a final invoice detailing the calculation of the refund.

Other Costs Involved

In addition to our advisory fee shown above, you are responsible for paying fees associated with investing for your account. These fees include:

- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.
- brokerage costs and transaction fees for any securities or fixed income trades. These are generally charged by your custodian and/or executing broker.

Additional information about brokerage costs and services is provided in “Item 12: Brokerage Practices.”

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

We do not receive performance fees for managing accounts.

ITEM 7: TYPES OF CLIENTS

Our clients are typically individuals and couples. Generally we require that clients maintain a minimum of \$1,000,000 under management with us. However, we may waive that minimum at our sole discretion.

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

Analysis of investments to purchase in client accounts includes both fundamental and cyclical methods. Main sources of information are financial newspapers, magazines and websites, Morningstar, and presentations by investment professionals at conferences and via webinars. The strategy used involves investing one-half of each account in a Core fixed mix of cash:bonds:stock, generally using index funds. These investments are usually held for a very long time, and only change with the written consent of the client to a change in their selected Investment Profile. Another ten percent of each account is invested in an asset allocation fund whose manager changes investments as they determine is best. The final forty percent of each account is generally invested in actively- managed funds.

The material risks for clients of NCN&A are the same as those for any mutual funds investor. These can be briefly summarized as:

Market Risk: the value of investments within a mutual fund changes daily which means an investor can lose money. For an index fund, there is no attempt to time the market, so it is a certainty that shareholders will lose value when the investments that make up the index the fund invests in lose money.

Equity Risk: The stock of individual companies can rise or fall in share price, which can lead to a loss of value in a fund.

Interest Rate Risk: as interest rates rise the value of individual bonds in a bond index goes down, which leads to a loss of value in the overall fund.

Default Risk: A given bond issuer can default on bond payments, leading to a loss in fund value.

Since NCN&A makes no attempt to time the market each of these Risks is certain to come into play at one time or another. For this reason clients are asked to identify their withdrawal needs in advance, and a series of Certificates of Deposit are bought to cover three years of anticipated withdrawals. More detailed explanations of the risks of any individual mutual fund or ETF in client accounts can be found in the fund prospectus, which is delivered by Charles Schwab to each client when the fund is first purchased in an account.

NCN&A generally uses open-end mutual funds and exchange-traded funds.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situation at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As a registered investment advisor, we are required to disclose when we or our management persons have any other financial industry affiliations. Neither NCN&A nor our principal has outside business affiliations in the financial industry.

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

Code of Ethics

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by NCN&A and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

Personal Trading for Associated Persons

We may buy or sell some of the same securities for you that we already hold in our personal account. We may also buy for our personal account some of the same securities that you already hold in your account. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by your transactions.

The securities in client accounts managed by NCN&A are, by written agreement with each client, limited to open-end mutual funds, exchange traded funds, insured certificates of deposit, and U.S. Treasury debt. Since no employee or family member has any direct or indirect influence or control over any of these types of securities, there is no opportunity for her to manipulate investments in a way to affect price or fees paid to buy/sell these securities.

Trades for our accounts (and those of our associated persons) will be placed after client trades have been completed. When our trades are placed after our client trades, we may receive a better or worse price than that received by the client.

NCN&A and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

All persons associated with us are required to report all personal securities transactions to us quarterly.

ITEM 12: BROKERAGE PRACTICES

The Custodian and Brokers We Use

We do not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see “Item 15: Custody”). Your assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank. We require that our clients use Charles Schwab & Co., Inc. (“Schwab”), a registered

broker/dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we require that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Schwab, then we cannot manage your account.

Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “Your Brokerage and Custody Costs”).

How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab*”)

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek

“best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

Services That Benefit You.

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients’ accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs

- Publications and conferences on practice management and business succession

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to require that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We have \$42.2 million in client assets under management, and we do not believe that requiring our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Aggregation of Orders

There are occasions on which portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for another client or one or more of our associated persons. Since mutual funds are priced at the close of the market, all trades placed on the same day receive the same price. Exchange-traded funds are continually priced; trades are placed as close together in time as our trading system allows. We do not believe there is a material difference in the price received in different accounts.

Soft Dollars

"Soft dollars" are typically generated when an investment advisor enters into an agreement with an executing broker to receive a portion of the commissions generated by the advisor's client trades. The soft dollars are allocated to the investment advisor and can then be used to purchase items or services. The investment advisor has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to clients could be seen as "soft dollars." The additional services we receive from Schwab, as disclosed in the section entitled "Products and Services Available to Us From Schwab" above, would fall under this description of soft dollars.

ITEM 13: REVIEW OF ACCOUNTS

Investment Management

Annually each spring Nancy C. Nelson reviews the ideal asset allocation for each of the three Investor Profiles and makes any changes she feels are advisable. Each account is reviewed mid-month and assets are rebalanced if they are more than two percent above or below the ideal allocation. Schwab transaction fees are taken into account, which means that sometimes smaller accounts are allowed to get to three or four percent above or below ideal allocation levels.

All reviews are performed by Nancy C. Nelson, President.

Clients receive quarterly and annual reports. Quarterly reports list all account holdings by fund name, dollar value, percentage of total account, and total account value. Annual reports include, for each managed account: page one: a graph of account values and net additions/withdrawals; time-weighted return from start through date of report, as well as year-to-date and five prior calendar years; account value, total deposits, total withdrawals and net additions; \$ in and \$ out year-to-date, five prior years, and a summation all years before that; page two: asset allocation among cash, bonds, stock and other; list of CDs including face amount, interest rate and maturity date; top ten stocks in underlying mutual funds/ETFs and % of account value in each; % regional exposure for underlying stocks; average maturity and credit quality for underlying bonds; and annual expense ratio for funds in account, compared to average fund expenses for bonds, stocks, and foreign stock funds.

Financial Planning

The financial plan is reviewed at least once a year, during the client's annual review. Reviews can also be triggered at the client's request, often as a result of a major life change, such as a new child, new job, or retirement.

A retirement projection is usually done once a year, unless the client requests that it not be done. Any portions of the overall plan that are known to be out of date are reviewed and any recommendations for change are made in writing, with clear assignment of responsibility for follow-through (client or staff member of NCN&A). Each year there is usually a client-wide focus on one aspect of a financial plan, such as estate planning documents or long-term care insurance. Changes in tax rates might also trigger a review to see if there are any new options for saving on income taxes.

All reviews are performed by Nancy C. Nelson, President.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see "Item 12: Brokerage Practices"). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We do not directly or indirectly compensate anyone for client referrals.

ITEM 15: CUSTODY

If you give us authority to deduct our fees directly from your separately managed account, we have custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in “Item 5: Fees and Compensation.” Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab’s account statements to the periodic portfolio reports you will receive from us.

ITEM 16: INVESTMENT DISCRETION

As one of the conditions of managing your account, you are required to provide discretionary authority for us to manage your assets. Discretionary authority means that you are giving us a limited power of attorney to place trades on your behalf. This limited power of attorney does not allow us to withdraw money from your account, other than advisory fees if you agree to give us that authority.

You grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on your behalf. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for your account(s).

Clients may direct us to invest in socially responsible funds.

ITEM 17: VOTING CLIENT SECURITIES

As a matter of policy and as a fiduciary to our clients, we have responsibility for voting proxies for your portfolio securities consistent with your best economic interests. We maintain written policies and procedures as to the handling, research, voting and reporting of proxy voting and make appropriate disclosures about our proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. You may not provide direction regarding any particular proxy solicitation.

You may elect to retain the authority to vote the proxies yourself. In this case, you will receive proxies and other related paperwork directly from your custodian. Upon request we will provide guidance about voting a specific proxy solicitation.

You may request a copy of our Proxy Policies and Procedures and/or information about how a proxy was voted at any time by contacting our Olympia office at (360) 754-2663.

ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment of more than \$1,200 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.

BROCHURE SUPPLEMENT
ITEM 1: COVER SHEET

Nancy C. Nelson

Nancy C. Nelson & Associates, Inc.

5326 110th Avenue SW

Olympia, WA 98512

(360) 754-2663

February 23, 2012

This Brochure Supplement provides information about Nancy C. Nelson that supplements the Nancy C. Nelson & Associates, Inc. Brochure. You should have received a copy of that Brochure. Please contact Nancy C. Nelson, President at (360) 754-2663 or nancy@ncnelson.com if you did not receive Nancy C. Nelson & Associates, Inc.'s Brochure or if you have any questions about the content of this supplement.

Additional information about Nancy C. Nelson is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Nancy C. Nelson was born in 1951. She attended University of Washington where she majored in Fisheries, receiving a BS in 1973 and a MS in 1978. Ms. Nelson has been the President of Nancy C. Nelson & Associates, Inc., a registered investment advisory firm, since January 1999.

Professional Designations

Certified Financial Planner (CFP) – 1984

The CFP designation is issued by the Certified Financial Planner Board of Standards, Inc. In order to receive a CFP designation, the candidate must have a bachelor's degree or higher from an accredited college or university and have 3 years of full-time personal financial planning experience. In addition, the candidate must complete a CFP board-registered program or hold one of the following: CPA, ChFC, Chartered Life Underwriter (CLU), CFA, Ph.D. in business or economics, Doctor of Business Administration or attorney's license. Once the designation is earned, the CFP must complete 30 hours of continuing education every 2 years.

ITEM 3: DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

ITEM 4: OTHER BUSINESS ACTIVITIES

Ms. Nelson is not involved in any other business activities.

ITEM 5: ADDITIONAL COMPENSATION

Ms. Nelson does not receive any economic benefit from any non-client for providing advisory services.

ITEM 6: SUPERVISION

Ms. Nelson, President, is the owner and sole person providing investment advice on our behalf. Her telephone number is (360) 754-2663.