

Item 1- Cover Page

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JKMilne Asset Management

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This Brochure provides information about the qualifications and business practices of **JKMilne Asset Management** ["ADVISER"]. If you have any questions about the contents of this Brochure, please contact us at **239-936-3430**. 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.

JKMilne Asset Management is a registered investment adviser. 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.

Additional information about **JKMilne Asset Management** is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated [October 26, 2010](#) is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new 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 ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting [Samantha Robson, Client Service Specialist](#) at [239-936-3430](tel:239-936-3430) or srobson@jkmilne.com.

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Item 4 – Advisory Business

JKMilne Asset Management provides investment supervisory services to institutional clients in return for a percentage of assets under management. JKAM was formed in 2004 and is owned by John K. Milne. Composite products offered by the “Advisor” include the following:

Global Multi-Strategy - The objective of global multi-strategy is to exceed the returns of a standard or customized domestic or global bond index, and we are currently using the *Barclays Capital Aggregate Bond Index*. The weightings of the market segments in the account may be market weights or policy-specific weights. The investment in global (non-US) issues or the ability to invest in global issues in the account is what differentiates this composite from Active Aggregate.

Intermediate Active – Intermediate Active Portfolios are benchmarked against the *Barclays Capital Intermediate Government Credit Bond Index* or equivalent. The account objective is to outperform the benchmark in a given cycle. The maturity of instruments and investments is typically (but not limited to) 10 years or less, investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investments are not limited to index sectors.

Aggregate Active – Active Aggregate Portfolios are benchmarked against the *Barclays Capital Aggregate Bond Index* or equivalent. The account objective is to outperform the benchmark in a given cycle. There is no limit on maximum maturity of individual instruments, issues are investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investments are not limited to index sectors but will typically include securitized securities (mortgage backed).

Intermediate Aggregate Active – Intermediate Active Aggregate Portfolios are benchmarked against the *Barclays Capital Intermediate Aggregate Bond Index* or equivalent. The account objective is to outperform the benchmark in a given cycle. The maturity of instruments and investments is typically (but not limited to) 10 years or less, issues are investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investments are not limited to index sectors but will typically include securitized (mortgage-backed securities).

Intermediate Index - – Intermediate Index Portfolios are benchmarked against the *Barclays Capital Intermediate Government Credit Bond Index* or equivalent. The account objective is to match the performance of the benchmark index. The maturity of instruments and investments is typically (but not limited to) 10 years or less, issues are investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investment sectors are limited to those included in the benchmark.

Government/Credit Index –Government/Credit Index Portfolios are benchmarked against the *Barclays Capital Government Credit Bond Index* or equivalent. The account objective is to match the performance of the benchmark index. The maturity of instruments and investments is typically 30 years or less, issues are investment grade only securities at time of purchase, and cash investments are typically 5% or less. Investment sectors are limited to those included in the benchmark.

Absolute Value – The objective of Absolute Value accounts is to not lose principal value on a one-year rolling basis. Generally viewed as a short-term product, typical benchmarks would be 90-day Treasury Bills, 1-3 year index or 1-5 year index. Investments are investment grade at time of purchase but can be in any sector (governments, corporate or securitized) and any maturity, although typically 5 years or shorter.

Global Strategy – The objective of the account is to exceed the return of a standard or customized global bond index. The current benchmark is the *BofA/ML Global Government Bond Index (G7 ex Japan)*. Investments are typically but not limited to Treasury issues of the benchmark countries and currencies (unhedged).

Balanced -- The objective of the “Advisor’s” balanced portfolio management is to allocate investment funds across multiple asset classes. The three primary asset classes are stocks, bonds, and cash. The allocation can be tactical or strategic long term positions subject to macroeconomic influences and the global business cycle. Within the three primary asset classes allocations may be to domestic or global markets in either passive or active investment strategies or a combination of both. Within the markets the “Advisor” may allocate between styles and various capitalization families such as small cap equity or large cap growth equities. The firm believes in minimizing turnover and underlying mutual fund fees through selection of managers with long term skill demonstration. The “Advisor” uses both internal and Wall Street research as well as that of independent firms.

Should one of the aforementioned composites not be an appropriate fit for a prospective client, JKMilne Asset Management also offers the following options:

Duration Matching – The “Advisor” has the capability to match any client specified duration. Duration matching is implemented by using specific or broadly diversified portfolios, such as treasury only.

Long Duration – The “Advisor” manages long duration funds versus standardized indices such as the Merrill Lynch Long Treasury. The “Advisor” also uses blended indices or customized domestic or foreign benchmarks including liability durations.

Customized Portfolio Creation – The “Advisor” can customize portfolios for credit quality needs, income, or investment horizons. Prospective clients may include healthcare organizations or clients that have outstanding tax-exempt debt which is being arbitrated.

JKMilne Asset Management follows the guidelines for each client account to ensure compliance with the needs of the client. Our initial approach is to understand the needs and restrictions of a potential client, and select an appropriate benchmark and guidelines to meet the client’s requests.

As of year end (12/31/2010), JKMAM managed \$1,721,223,482 in discretionary assets, and \$55,624,592 in non-discretionary assets, for a total of \$1,776,848,074 in AUM.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by JKMilne Asset Management is established in a client's written agreement with JKMAM. JKMAM will generally bill its fees on a monthly or quarterly basis, as agreed to by the client. Clients may elect to be billed in advance or arrears each calendar month/quarter. It is the responsibility of the client to pay the "Advisor" the amount specified in the invoice within thirty (30) days after the date of the invoice. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

All fees are subject to negotiation.

JKMilne Asset Management's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. 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 JKMAM's fee, and JKMAM shall not receive any portion of these commissions, fees, and costs.

JKMilne Asset Management has a maximum fee schedule, outlined as follows:

Active Fixed Income

(Global, Intermediate, Aggregate, Intermediate Aggregate, Absolute Value)

0.50 of 1% (.0050) per annum on the first	\$ 5,000,000
0.40 of 1% (.0040) per annum on the next	5,000,000
0.30 of 1% (.0030) per annum on the next	90,000,000
Negotiable thereafter	

Account start-up fee \$3000 per portfolio

Account Size Minimum \$10,000,000

(Global Multi Strategy)

0.50 of 1% (.0050) per annum on the first \$ 5,000,000

0.40 of 1% (.0040) per annum on the next 5,000,000

0.30 of 1% (.0030) per annum on the next 90,000,000

Negotiable thereafter

Account start-up fee \$3000 per portfolio

Account Size Minimum \$50,000,000

Indexed Fixed Income

(Government Credit Index, Intermediate Index)

0.12 of 1% (.0012) per annum on the first \$ 25,000,000

0.10 of 1% (.0010) per annum on the next 75,000,000

Negotiable thereafter

Account start-up fee \$3000 per portfolio

Account Size Minimum \$25,000,000

Balanced Fund

(Balanced Product)

0.65 of 1% (.0065) per annum on the first \$ 10,000,000

0.45 of 1% (.0045) per annum on the next \$ 20,000,000

0.27 of 1% (.0027) per annum on the next \$ 20,000,000

0.23 of 1% (.0023) per annum on the next \$ 50,000,000

Negotiable thereafter

Account start-up fee \$3000 per portfolio

Account Size Minimum \$10,000,000

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

JKMilne Asset Management does 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

JKMilne Asset Management provides portfolio management services to corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, insurance companies, religious orders, registered mutual funds, and other U.S. and international institutions.

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

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

JKMilne Asset Management develops an investment strategy for fixed income utilizing a combination of a top down view of global economies and a bottom up approach to issuer and sector specific value. Key philosophical risk measures are discussed and examined; they are yield curve, credit spread, and basis risk.

The team is interdisciplinary with an economics discipline based on fundamentals and a proprietary model. The team has extensive experience in credit analysis and risk assessment skills. JKMAM utilizes broker and third party research as well as primary or proprietary information.

A fundamental outlook is established based on economics while portfolio managers contribute intelligence on liquidity, supply, and value opportunities on a secular and opportunistic basis. The analysts examine the global high grade fixed-income and currency movements and supply impact information on proposed trades, sector allocations, and yield curve positions.

The team consolidates the above input on a weekly basis and utilizes the flexibility to meet and interact on an ad hoc basis. A published strategy summary report is the output and is executed by the traders based on best execution practices.

The principals of the firm have nearly 50 years of combined experience in managing fixed income portfolios. The principals' prior experience of managing portfolios was well documented, and total assets were in the range of \$90 billion. Each executive is thoroughly schooled in portfolio management and trading, and are keen managers in the volatile markets of fixed income.

JKMAM believes in reasonable diversification. Portfolios will typically hold up to 100 issues and only the highest grade securities will constitute up to 5% exposure per name. Industry exposures may be up to 25%, though this would usually be the financial sector or other high grade areas. Other industries are substantially lower in exposure to no exposure. Non-dollar bonds and/or sovereigns may also be used when permitted. Currency hedging may be used. JKMAM may be tactical and strategic based on short term movements in value and long term secular moves, based on a Macro and bottom-up judgment.

Cash may be used to create or off-set convexity and other security and sector allocations. However, regardless of cash allocations the overall risk of the portfolio is managed against the client benchmark, interest rate risk, convexity, and tracking. A maximum of 40% cash may be held in an extreme barbell strategy.

JKMilne Asset Management's philosophy is to actively manage the key components of bond risk to produce higher relative returns at volatility below that of the market. By the very nature of the fixed income class, investors seek stability with a known exposure to the risk variables of return. The components of risk in the market are relative duration to the benchmark, credit spread, and basis risk.

The firm matches the investment risk characteristics with the client's liability in a holistic way, whether it is interest rate risk and duration, program and funding income cash flow needs, or liquidity. The team's philosophy is to then construct portfolios with a yield advantage and minimize outright interest rate timing by implementing yield curve, credit, and sector strategies with undervalued securities or mis-priced securities and sectors.

JKMilne Asset Management provides a high level of experience in the risk management of our portfolios. However it is important to understand that prior to entering into any investment relationship, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss. In light of the risks, you should undertake such investing only if you fully understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk.

Please note the following types of risk to consider prior to entering into an investment relationship:

General Investment Risk: All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses.

Interest Rate Risk: An account that invests in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. JKMAM continually monitors changes in interest rates and invests accordingly.

Credit Risk: An account which invests in bonds and other fixed income securities is subject to the risk that issuers may not make payments on such securities. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Accounts investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile. JKMAM only invests in investment grade securities.

Sector Risk: Accounts which concentrate their portfolio in a specific sector may carry a higher degree of risk due to lower diversification and sector-specific risks (e.g. companies in the technology sector are at risk from new technologies and face a high risk of obsolescence as a result of technological advances, etc.). Because these investments are limited to a relatively narrow segment of the economy, the accounts' investments are not as diversified as other accounts. JKMAM does not concentrate its' portfolios in any specific sector.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of **JKMilne Asset Management** or the integrity of **JKMAM**'s management. **JKMAM** has no disciplinary information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

JKMilne Asset Management does not participate in any other financial industry activities and has no affiliates.

Item 11 – Code of Ethics

JKMilne Asset Management has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients to meet the requirements of the Advisers Act Rule 204A-1. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at JKMAM must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of JKMilne Asset Management will not interfere with (i) making decisions in the best interest of advisory clients, (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts, and (iii) avoiding any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of JKMAM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

The Code is designed to ensure that the high ethical standards long maintained by JKMilne Asset Management continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct.

Pursuant to Section 206 of the Advisers Act, both JKMilne Asset Management and its members and employees are prohibited from engaging in fraudulent, deceptive, or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that JKMAM has an affirmative duty of utmost good faith to act solely in the best interest of its clients. JKMAM and its members and employees are subject to the following specific fiduciary obligations when dealing with clients:

1. The duty to have a reasonable, independent basis for the investment advice provided;
2. The duty to obtain best execution for a client's transactions where the Firm is in a position to direct brokerage transactions for the client;
3. The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs, and circumstances; and
4. A duty to be loyal to clients in all regards.

JKMilne Asset Management's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Samantha Robson at 239-936-3430 or srobson@jkmilne.com.

Item 12 – Brokerage Practices

As an investment advisory firm, JKMilne Asset Management has a fiduciary and fundamental duty to seek best execution for client transactions.

JKMilne Asset Management, as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

Best execution has been defined by the SEC as the “execution of securities transactions for clients in such a manner that the clients’ total cost or proceeds in each transaction is the most favorable under the circumstances.” The best execution responsibility applies to the circumstances of each particular transaction and an adviser must consider the full range and quality of a broker-dealer’s services, including execution capability, commission rates, the value of any research, financial responsibility and responsiveness, among other things.

JKMilne Asset Management utilizes discretionary brokerage arrangements for all discretionary accounts. JKMAM will determine the broker-dealer based on best execution, as defined above.

JKMilne Asset Management reviews, on a routine basis, commission rates and execution and settlement services performed by various broker-dealers in order to determine their competitiveness.

JKMilne Asset Management as a matter of policy does utilize research, research-related products and other brokerage services on a soft dollar commission basis. JKMAM's soft dollar policy is to make a good faith determination of the value of the research product or services in relation to the commissions paid. JKMAM also maintains soft dollar arrangements for those research products and services which assist JKMAM in its investment decision-making process. These research products are used to service all of the firm’s accounts and not just those accounts paying for it.

Products and services include information in the form of written and oral reports, reports accessed by computers, statistical calculations, appraisals and analyses relating to markets, companies, industries, business and economic factors, market trends, portfolio strategy, and trading insight and intelligence. Also included are certain quotation and information gathering equipment. These research products and services are obtained in an effort to benefit the client.

JKMilne Asset Management currently receives the benefit of the following equipment and services to assist in our investment management strategies, which are paid for by the broker-dealer under a soft dollar arrangement:

1. Bloomberg
2. Barclays Capital Inc., Point
3. Credit Sights

Commissions generated by securities trades in client accounts pay for the aforementioned research quotation equipment services. The investment information obtained through the use of the investment services mentioned above is important in JKMAM's investment decision making and generally benefits all clients.

Item 13 – Review of Accounts

The investment team, including investment portfolio managers and the Chief Investment Officer, meet regularly to review market and client related issues. While certain aspects of each account are reviewed on a daily basis, official strategy meetings are held at least monthly or on an ad hoc basis as warranted by changes in the markets and economic factors.

Client reporting is also a large part of the firms' client service platform, and typically includes a standard quarterly report of the account performance and analytics, as well as a copy of the account holdings. Clients also have the option to request information concerning the account in a specific format or at more frequent intervals. Reports are sent electronically.

Item 14 – *Client Referrals and Other Compensation*

JKMilne Asset Management does not receive any cash, benefits, or other forms of payment from any firm or related person for client referrals.

Item 15 – Custody

As a matter of policy and practice, JKMilne Asset Management does not permit employees or the firm to accept or maintain custody of client assets. It is our policy that we will not accept, hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them, including direct debiting of advisory fees. JKMAM will not intentionally take custody of client cash or securities. In the event any employee of JKMAM receives funds, securities, or other assets from a client, such employee must immediately notify the Compliance Officer and arrange to return such funds, securities, or other assets to the client within three business days of receiving them.

Item 16 – Investment Discretion

JKMilne Asset Management usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, **JKMilne Asset Management** observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, **JKMAM**'s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to **JKMilne Asset Management** in writing.

Item 17 – Voting *Client* Securities

As a matter of firm policy and practice, JKMilne Asset Management does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the sole responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. If the client is acting as fiduciary of a plan subject to the provisions of the Employee Retirement Income Security Act of 1974 [ERISA], the client expressly retains the authority and responsibility for, and JKMAM is expressly precluded from, rendering any advice or taking any action with respect to the voting of any such proxies. However, JKMAM may, in its discretion, answer the client's questions with respect to the voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about JKMilne Asset Management's financial condition. JKMAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.