

Redmond Asset Management, LLC



Form ADV Part 2 – Disclosure Brochure

This brochure was amended on March 24, 2014.

This brochure provides information about the qualifications and business practices of Redmond Asset Management, LLC (RAM). If you have any questions about the contents of this brochure, please contact us at 804.288.6080 and/or scott@redmondassetmanagement.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Redmond Asset Management, LLC is a registered investment adviser (RIA). The simple fact that it is registered does not imply a certain level of skill or training.

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Material Changes

There have been material changes from the annual update dated January, 17 2013.

Advisory Business

Effective January 1, 2014 Jeremy B. Kirkland became a partner with a 10% direct ownership stake. Managing Member R. Scott Redmond now directly owns 90%. Previously he owned 100%.

Model Based Programs

Effective December 2013, some assets previously under management transitioned to assets under advisement on a Unified Managed Account (UMA) platform. A UMA is a professionally managed private investment account that is rebalanced regularly and can encompass every investment vehicle in an investor's portfolio, all in a single account.

Pursuant to an agreement, certain Unified Managed Account (UMA) or Model Program Sponsors ("Sponsor") receive Redmond Asset Management's model securities portfolio for a particular investment style and, based on that model, the Sponsor or its designated representative ("Overlay Manager") exercises investment discretion and executes each investor's portfolio transactions predicated on the Sponsor's or Overlay Manager's own investment judgment. These Programs are referred to as Model-Based Programs. RAM typically provides its model portfolio (also known as impersonal investment advice) to the Sponsor or Overlay Manager, who subsequently, provides investment advice to its clients, based on their individual needs. When changes are made to a model by RAM, the Sponsor or Overlay Manager is responsible for implementing any modifications in their client accounts that are invested in the specific strategy. The Sponsor/Overlay Manager may or may not elect to execute all the purchase and/or sale transactions suggested by submissions of revisions in the model portfolio.

RAM does not have any contact with the underlying clients of these programs, nor do we enter trades, receive trade reports, or have access to any client reporting related to these accounts. It is the responsibility of the Sponsor to determine whether our model is suitable for their clients.

We regularly update the equity model portfolio (i.e. GARP, Small Cap) in accordance with the terms of each contract with the Sponsor or Overlay Manager. For example, we may update the model after all trades in our client accounts have been placed or update the model within our existing trade rotation policy. If we update the model in our normal trade rotation policy, the subsequent trades generated by the Sponsor or Overlay Manager using the model may execute orders before, after, or at the same time that we are executing trades for our clients. This could result in less favorable pricing for our clients located behind the model accounts in the trade rotation. The trade rotation should prevent systemic negative effects on any particular accounts.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

In 2013 RAM established a business relationship with Markel Corporation. RAM has purchased Markel securities for clients in the past and may purchase or sell for clients in the future. While RAM used the same investment process for Markel securities as it uses for other investments, we recognize that there might have been or will be a bias in the analysis. You should consider a potential conflict of interest.

Previously we disclosed that an employee sat on the board of AutoInfo, Inc., a publicly traded company. Since that employee was in possession of material, non-public information concerning AutoInfo, Inc., RAM did not manage shares for clients. In April 2013 AutoInfo, Inc. was sold and the company is no longer listed as a publicly traded company. This disclosure is no longer applicable and has been removed.

The material changes discussed herein refer only to material changes since the last annual update dated January 17, 2013.

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Advisory Business

Redmond Asset Management, LLC is an independently owned SEC-registered advisor. The firm was founded in December 2005 by R. Scott Redmond, CFA and is headquartered in Richmond, VA. The firm is primarily focused on managing domestic equity portfolios for retail investors and growing its institutional business via its domestic small cap strategy. Mr. Redmond is a managing member and 90% direct owner of the firm. Effective January 1, 2014 Jeremy B. Kirkland directly owns 10%.

We offer discretionary and non-discretionary portfolio management services to both individual and institutional investors through separate, sub-advisory, and wrap fee accounts. To the extent possible, we seek to tailor portfolios for clients' individual needs. For example, we consider taxes, income and liquidity requirements, and risk tolerance when building and managing portfolios for clients. Clients may request specific restrictions on how their account is managed - for example, "no bank stocks."

RAM specializes in identifying and investing in publicly traded equity securities by utilizing bottom-up, fundamental research. A lesser portion of our assets under management is invested in fixed income securities. Most fixed income securities are purchased with the intent of holding-to-maturity. Occasionally, usually upon the client's request, we will purchase other securities such as mutual funds, index funds or ETFs.

Our services are limited to the types of investments and types of investment advice specifically described in this brochure. For example, we are not capable of providing continuous advice concerning an options trading strategy or continuous advice on commodities or alternative investments; nor do we offer comprehensive financial planning or estate planning services.

Separately Managed Accounts

Separate accounts are managed for tax-exempt and taxable clients on a fully discretionary basis and on a non-discretionary basis. Clients may choose among multiple custodians and grant us brokerage discretion or choose directed brokerage. Separately managed account clients may place restrictions on the management of their accounts.

Sub-Advisory Accounts

RAM has sub-advisory relationships with other investment firms. We provide discretionary and non-discretionary advice to clients of these outside intermediaries on a separate account basis. We strive to manage these accounts in the same manner as our separately managed accounts; however, the contact between us and the end-client is limited. Clients with a sub-advisory account may place restrictions on the management of their accounts.

RAM participates in a "wrap fee" program. Wrap fee programs are arrangements between broker-dealers, investment advisors, banks and other financial institutions through which clients receive investment advice, brokerage, and custodial services in a bundled fee format – called a "wrap fee." We receive a portion of the wrap fee as agreed to between us and the wrap fee

program sponsor or as agreed to between us, the plan sponsor, and the end client. In these relationships, the level of client contact is less than contact with clients with separately managed accounts, usually because a representative from the plan sponsor is the client's direct contact. Additionally, the level of tailoring is less than other account types. Wrap fee account clients may place restrictions on the management of their accounts.

Model-Based Programs

Pursuant to an agreement, certain registered investment representatives have retained RAM to provide complete recommendations regarding the purchase, sale and retention of securities consistent with the management of a hypothetical investment portfolio (model portfolio) currently maintained by us and that corresponds to a specific investment style. The registered investment representatives subsequently use the model to assist in managing their client accounts. When changes are made to the model and after all trades have been placed for RAM clients, we promptly notify our subscribers of the changes. The subscriber may or may not decide to implement the changes in his/her client accounts.

Effective December 2013, some assets previously under management transitioned to assets under advisement on a Unified Managed Account (UMA) platform. A UMA is a professionally managed private investment account that is rebalanced regularly and can encompass every investment vehicle in an investor's portfolio, all in a single account.

Pursuant to an agreement, certain Unified Managed Account (UMA) or Model Program Sponsors ("Sponsor") receive Redmond Asset Management's model securities portfolio for a particular investment style and, based on that model, the Sponsor or its designated representative ("Overlay Manager") exercises investment discretion and executes each investor's portfolio transactions predicated on the Sponsor's or Overlay Manager's own investment judgment. These Programs are referred to as Model-Based Programs. RAM typically provides its model portfolio (also known as impersonal investment advice) to the Sponsor or Overlay Manager, who subsequently, provides investment advice to its clients, based on their individual needs. When changes are made to a model by RAM, the Sponsor or Overlay Manager is responsible for implementing any modifications in their client accounts that are invested in the specific strategy. The Sponsor/Overlay Manager may or may not elect to execute all the purchase and/or sale transactions suggested by submissions of revisions in the model portfolio.

RAM does not have any contact with the underlying client of these programs, nor do we enter trades, receive trade reports, or have access to any client reporting related to these accounts. It is the responsibility of the Sponsor to determine whether our model is suitable for their clients.

We regularly update the equity model portfolio (i.e. GARP, Small Cap) in accordance with the terms of each contract with the Sponsor or Overlay Manager. For example, we may update the model after all trades in our client accounts have been placed or update the model within our existing trade rotation policy. If we update the model in our normal trade rotation policy, the subsequent trades generated by the Sponsor or Overlay Manager using the model may execute orders before or at the same time that we are executing trades for our clients. This could result in less favorable pricing for our clients.

Assets Under Management

As of December 31, 2013, \$213,287,045 of assets under management are discretionary and \$9,153,728 are non-discretionary.

Fees and Compensation

Our services include developing and implementing an Investment Management Agreement (IMA), continuously monitoring client portfolios, and reporting the results to the client on a quarterly basis. We are compensated with an annual asset-based management fee that is charged quarterly in advance. The fee is based on a percentage of the client's assets under management as valued by the client's custodian at the beginning of each calendar quarter.

RAM may charge up to a 2% annualized fee, depending on the size and type of account and the services provided. In certain situations, a single account is charged a fee higher than 2% because we have deducted the total fee for other accounts of the same client from a single account. However, the combined fee that RAM charges for all accounts under each client relationship does not exceed 2%.

All fees are negotiable. Since fees are negotiable, different fees are charged for similar services and may be less than the stated fee schedule in this brochure or any other RAM fee schedule.

However, in order to provide broad guidance on our fee structure: an equity focused account is usually charged a 1% annualized fee on the first \$2,000,000 and a lesser percentage on assets thereafter. Equity accounts less than \$200,000 are commonly charged a 2% annual fee. Fixed income assets are usually charged 50 basis points. Blended accounts might be charged a flat fee less than 1%.

Below is our fee schedule for the RAM Small Cap strategy, which is marketed to institutional clients and high net worth individuals. Minimum account size is \$1,000,000 (RAM reserves the right to make exceptions and may charge up to 1.00% on smaller accounts).

RAM Small Cap	
<u>Asset Level</u>	<u>Annual Fee</u>
On first \$50,000,000	0.85%
Over \$50,000,000	0.75%

Investment advisory services begin with the effective date of the agreement, which is the date that the client signs the Investment Management Agreement. Typically, fees are deducted directly from the client's brokerage account pursuant to a written agreement. Clients outside of wrap programs may choose to pay an invoice via check.

Cumulative capital contributions or withdrawals from a client's account, in an amount equal to or exceeding 20% of the current value of the client's portfolio or an amount that alters RAM's quarterly management fee by more than \$500.00, will cause an adjustment to the management fee for the benefit of the client in the case of withdrawals and for the benefit of RAM in the case of contributions.

Either RAM or the client may terminate the agreement at any time upon 30 days written notice to the other party. Sub-advisory clients should communicate their desire for termination directly with their primary advisor or the wrap program sponsor.

If a client closes an account prior to the end of the quarter, the client will be refunded the pro rata amount of any fees paid in advance. The client is responsible for paying for services rendered until the termination of the agreement. The client can cancel the agreement without penalty within the first five days after signing it.

Separately Managed Accounts

The management fee for separately managed accounts is negotiated between RAM and the client. The fee is deducted from the account or the client writes a check.

Model Accounts

The fee for model accounts is negotiated between RAM and the outside firms or registered investment representatives to which it provides updated models.

Sub-Advisory

When RAM serves as a sub-advisor to other investment management firms, the asset based management fee is negotiated between RAM and the primary advisor or RAM, the primary advisor, and the end-client. Financial intermediaries deduct or bill management fees and pay sub-advisory fees directly to RAM.

Wrap Fee Programs

For wrap fee accounts, the program sponsor calculates and deducts the asset based management fee from the client account and then pays RAM via check or wire. The fee and service arrangements are negotiated between the plan sponsor and the client. Sometimes RAM, the plan sponsor, and the client negotiate management fees.

Other Fees and Expenses

Advisory fees charged by RAM are separate and distinct from other fees and expenses charged by securities, including but not limited to mutual funds, ETFs and partnerships, which may be bought for clients. A description of these fees and expenses is available in each fund's prospectus.

Additionally, the fees charged by RAM are exclusive of all custodial and transaction fees paid to custodians, brokers, or any other third parties. Clients should review all fees charged by RAM, custodians, and brokers and others to fully understand the total amount of fees incurred.

Neither RAM nor any of its supervised persons receive compensation for the sale of securities. However, other conflicts of interests may exist for services provided to RAM because of broker, custodian, or mutual fund selection. Please refer to the Brokerage Practices and Client Referrals and Other Compensation sections of this brochure.

Performance-Based Fees and Side-By-Side Management

RAM does not charge performance based fees or offer Side-By-Side Management.

Types of Clients

RAM offers investment management services primarily on a discretionary basis, in which we select investments and place trades on the client's behalf without prior consultation. A portion of our assets under management qualify as non-discretionary, in which we provide general investment advice or consult with the clients prior to placing any trades in the account. We primarily build and manage portfolios for individuals, trusts, retirement accounts (IRAs, pensions, and profit sharing plans), corporations, foundations, and endowments. We are capable of building and managing portfolios for municipalities and other institutions such as investment companies.

RAM has a limited number of clients who are registered investment advisor representatives and Sponsors and/or Overlay Managers of Unified Managed Accounts for whom it provides updates to model portfolios. We communicate any updates to the model via email or by logging into a Unified Managed Account (UMA) platform and inputting changes.

RAM adopted a minimum account size requirement of \$100,000 effective December 31, 2012, but we may waive this requirement for any reason - especially for younger clients seeking to establish a long-term relationship and for relatives of existing clients.

We may decline to work with certain clients if the relationship does not seem to be a good fit. The decision could be based on a single factor or a variety of factors. However, RAM does not discriminate on the basis of race, color, national origin, disability, sex, marital status, parental status, religion, sexual orientation, political beliefs, or because all or a part of an individual's income is derived from any public assistance program.

Methods of Analysis, Investment Strategies and Risk of Loss

RAM Investment Strategy

We buy multiple securities for each client with the idea that losses in some investments will be offset by gains in other investments. We hope to be right more often than we are wrong. So our general investment strategy is to know what we bought for clients, know why we bought it, and sell when we think we were mistaken or when the return potential seems unattractive. We view investing as more of an art than a science.

Investing always involves uncertainty and therefore risk of loss is something clients should be prepared to bear. Since the future is uncertain, the firm cannot know what will actually happen and actual investment results could vary materially from those anticipated, estimated, projected, or experienced in the past.

RAM's investment strategy bears several material risks to clients. We may be wrong more than we are right, resulting in loss. We may be right more than we are wrong, but have a disproportionate amount of money invested where we were wrong, resulting in loss.

Client portfolios could increase in value, but not as much as a comparable benchmark or in an amount commensurate with the level of risk perceived to have been taken. Client portfolios could decrease in value in an amount greater than a comparable benchmark or other portfolios perceived to possess similar risk.

The capital markets can broadly decline (a bear market), resulting in loss. Bear markets have occurred and will continue to occur. We are unable to predict when a bear market will come or go. Clients should expect that in any ten year period a bear market will drive down their portfolio value by more than 20%, possibly much more than 20%. It may take several years or longer before the portfolio fully recovers or the portfolio might never fully recover.

Equity Investment Strategy

RAM uses proprietary investment screens that focus on security specific analysis to hone in on interesting companies with underlying stocks that offer attractive return potential - in our estimation. We may alter or discontinue aspects of screens or some screens altogether, but the goal remains the same.

RAM primarily uses cash flow calculations to highlight companies that might be interesting, but the final determination has been largely subjective. Direct or indirect contact with the company, company SEC filings and press releases, third-party research reports, and industry contacts have been the primary sources used to analyze a company.

The return potential of an individual security is also a subjective determination. Generally, we estimate future earnings and use price multiples as guideposts to what the future value of the equity could be.

We attempt to manage each client relationship on an individualized basis, to the extent possible, and therefore our managed accounts have significant performance dispersion. In an effort to disclose our broad equity strategies, we have described four below. All strategies employ a fundamental, bottom-up approach as previously described.

RAM All Cap – Encompasses a wide range of client portfolios that consist of stocks of all market caps and with price multiples above and below the broad market price multiples. Portfolios are benchmarked to the S&P 500 Total Return Index.

RAM GARP – Consists of roughly 30 holdings, primarily large cap growth companies with proven track records and price multiples comparable to or discounted to the broad market price multiples. Portfolios are benchmarked to the S&P 500 Total Return Index.

RAM Equity Income – Targeted for clients seeking additional investment income. Portfolios consist of approximately 30 dividend paying stocks and are benchmarked to the S&P 500 Total Return Index.

RAM Small Cap – Consists of 50-70 small and mid-cap stocks and is benchmarked against the Russell 2000 Index. This strategy is offered only to institutional clients and high net worth individuals.

Management Risks - Any error and/or any inaccuracy that we make as an investment manager can lead to loss on an investment. Errors can occur in the cash flow calculation either through miscalculations by the firm or inaccurate data from data providers. Such errors might influence subjective assessments about how interesting the company is and result in loss. Projecting earnings and price multiples with precision seems practically impossible, which is why we use such projections as guideposts. We have and will continue to make inaccurate projections; frequently the inaccuracy has been and will continue to be quite striking.

Errors relating to direct or indirect contact with the company, company filings, third party research reports, and industry contacts can all lead to incorrect subjective assessments of the company and the prospects for its stock. Such errors occur frequently.

Company Specific Business Risks - Increased competition, higher material costs, lower sales prices, and litigation, are examples of company specific risks to consider. These types of risks are often listed under Risk Factors in each company's Form 10-K filed with the SEC.

Small and Mid-Cap Company Risks – Small and mid-cap companies may have additional risks that large capitalization companies do not have. Smaller companies tend to be less established and more vulnerable to changing market conditions. Their stocks are typically more volatile in price for a variety of reasons.

Equity Market Risks – The overall stock market affects the value of equity securities. GDP growth rates, interest rates, central bank and government actions, market conditions and liquidity, natural disasters, and man-made disasters (e.g. war and negligence) are examples of factors that affect the overall stock market. These factors outside the company frequently result in loss; furthermore, RAM is not an expert in assessing these factors.

Fixed Income Investment Strategies

RAM invests in corporate and municipal bonds, certificates of deposit (CDs), and other fixed income investments. We use credit ratings and/or specific opinions of the issuer to analyze the likelihood of receiving interest payments plus the principal at maturity. The investment strategy for fixed income securities is to have a security or a group of securities mature at the time cash is needed by the client or to have multiple securities that in aggregate produce a return that is satisfactory for the market conditions perceived by the firm.

The risks of loss that apply to other methods of analysis and investment strategies also apply to fixed income investments.

Additionally, the credit ratings and/or specific opinions of the issuer's likelihood of debt repayment could be inaccurate and lead RAM to underestimate the likelihood of default. Substantial loss may occur if the investment is sold prior to maturity or if default occurs. Interest rates affect the value of all investments, but especially the value of fixed income securities. For example, a bond sold prior to maturity after interest rates have risen substantially would likely result in loss. Interest and principal payments may be altered if an insured bond defaults or the bank issuing the CD is closed.

Mutual Funds, ETFs, and Index Funds

Mutual Funds, Exchange Traded Funds (ETFs), and other similar investments have been used. When investing in these types of securities we seek to express broad views about the perceived skill level of a fund manager and/or prospects for various capital market themes or investment strategies. These subjective views are gleaned from research performed at the firm and from third-party research. For example, we might use a pooled investment vehicle to express a positive opinion on emerging markets.

The risks of loss that apply to other methods of analysis and investment strategies also apply to mutual funds, ETFs, and other similar investments. Additionally, loss may occur if our subjective views, themes, and/or assessment of the skill of a mutual fund manager are incorrect. Technical risks that we are not aware of could exist for these pooled funds - particularly ETFs. These types of securities incur additional management, trading, and operational expenses that reduce investment performance, on average, over long periods of time.

Costs of Frequent Trading

Frequent trading is not an element of any investment strategy. However, frequent trading may occur if we are frequently wrong, the return potential of a large number of investments becomes unattractive, or the markets become very volatile. Frequent trading can hurt investment returns through increased brokerage costs, getting poor prices on purchases and/or sales, and increased taxes.

Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of RAM's investment advisory business or the integrity of the firm's management.

Other Financial Industry Activities and Affiliations

RAM management persons are not registered, nor have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

High ethical standards are critical to maintaining the trust and confidence of our clients and our reputation within the financial industry and our community. Most of our investment professionals hold the CFA charter and are required to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. RAM has adopted the CFA Institute Code of Ethics and Standards of Professional Conduct for all of its employees, which is available via the CFA Institute website: <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>. We will provide a copy to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

We do not recommend to clients or buy or sell for clients, securities in which RAM and related persons have a material financial interest. However, there are two situations that we believe should be disclosed.

An employee's family member that is not a related person has a material interest in Chevron Corporation. RAM has purchased Chevron securities for clients in the past and may purchase or sell for clients in the future. While RAM used the same investment process for Chevron securities as it uses for other investments, we recognize that there might have been or will be a bias in the analysis. You should consider a potential conflict of interest.

In 2013 RAM established a business relationship with Markel Corporation. RAM has purchased Markel securities for clients in the past and may purchase or sell for clients in the future. While RAM used the same investment process for Markel securities as it uses for other investments, we recognize that there might have been or will be a bias in the analysis. You should consider a potential conflict of interest.

RAM employees and related persons generally invest in equity securities that we recommend to clients. Not all our clients have the same investment objectives compared to RAM employees and related persons. RAM employees and related persons do not have the same investment

objectives compared to one another. This creates conflicts of interest. We address these conflicts by disclosing our specific policies to personal trading within this brochure, by requiring that all employees abide by our Code of Conduct and Regulatory Compliance Manual, and more broadly by requiring that all employees place client interests above their own at all times.

Without exception, RAM employees are forbidden to: front-run (a practice generally understood to be employees personally trading ahead of proposed client transactions) or short any securities held in client portfolios.

All RAM employees are required to get pre-clearance from an officer of the firm or his designee prior to any sale of a security that a client owns or any trade that exceeds the lesser of \$20,000 or 1% of that security's 3-month average trading volume. Any additional trades must be submitted for pre-clearance if the combined value or volume exceeds the above thresholds. Pre-clearance is also required for any trades of related securities (e.g. warrants or options) opposite of RAM's recommendations; including the buying and/or selling of put and/or call options for securities in client accounts. These opposite positions would be used for insurance purposes and viewed in the context of the employee or firm's entire position or exposure in the underlying security.

When RAM employees reduce or eliminate a personal position also held by clients, the reasons are documented and pre-cleared. Two common examples are:

1. An employee having too much stock as a result of market appreciation and wanting to reduce the position to reduce risk.
2. An employee selling stock to raise cash for a variety of personal uses.

Monitoring of Personal Trading

Transactions in the accounts of employees, spouses, and other accounts over which the employee directs trading and/or has direct or indirect beneficial interest are monitored on a quarterly basis to make sure that there have been no violations of personal trading policies and procedures. Also, all employees must submit an annual holdings report to the Chief Compliance Officer (CCO) or his designee. The CCO or his designee maintains documentation of personal securities transactions and holdings, including any violations that occur and the resulting actions.

Trade Errors

In the event of a trade error, the trader will document the error and take whatever steps are necessary for correction. Trade errors are considered on a case-by-case basis. Generally, any reimbursements owed to the client as a result of the error will be deducted from RAM's management fee and any profits from an error will remain in the client's account. The CCO will work with the trader to prevent similar errors from occurring repeatedly and will document the error and subsequent action taken in a folder entitled Trade Errors.

Brokerage Practices

Broker Selection and Best Execution

Best execution is the primary factor we consider when selecting a broker-dealer for client transactions. Best execution contemplates the total cost to the client, including commission. Our Brokerage Review Committee meets on an as needed basis, but not less than annually to review, select, and approves a list of brokers that RAM traders may select when placing directed brokerage trades. The committee considers range, quality, and cost of brokerage services including, among other factors: execution capability, trading expertise, commission rates, execution accuracy, reputation, and financial strength.

We attempt to negotiate commissions to the lowest acceptable levels. Currently, our relatively small firm size, small amount of brokerage discretion, and low turnover investment approach have generated low amounts of brokerage commissions. This has limited our ability to negotiate commission rates to lower levels that larger firms pay and limited the number of brokers willing to work with us. Currently, we use Jones Trading, William Blair & Company, Sidoti & Company, LLC and TradeManage, when trading equities for clients that have granted us brokerage discretion. We trade fixed income securities primarily through directed brokerage platforms and sometimes through firms such as R. Seelhaus and BB&T Capital Markets. We may add/remove brokerage firms to our list of approved brokers at any time.

Research and Other Soft Dollar Benefits

Soft dollars is a term used to describe the commission generated from a trade that is not actual cash commission. When we trade with certain broker-dealers they provide research to the firm (soft dollars) that could otherwise be obtained by direct payment (hard dollars). Soft dollars benefit the firm directly because we do not have to produce or pay for some research, products, or services.

Soft dollar arrangements create conflicts of interest. We may have an incentive to select or recommend a broker-dealer based on the firm's interest in receiving the research or other products or services, rather than on the clients' interest in receiving the most favorable execution. We may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. This is known as "paying up".

The research may not directly benefit the client whose securities are being traded, though this has never been the case, and in all likelihood will also benefit clients who do not have an account that can generate soft dollars. RAM does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

RAM uses soft dollars to pay for a portion of a subscription to Thomson Eikon for Investment Management. The service provides data used to create, maintain, and use our screens, research securities and capital markets, monitor holdings, and perform ad hoc analyses. These research products and services fall within the safe harbor provided by the SEC under Section 28(e) of the Exchange Act.

During the last fiscal year, all soft dollar trading was executed through Jones Trading. As RAM grows in size, it is expected that additional soft dollar arrangements will be made with other brokers. As a general practice, RAM will execute trades with the broker dealer that provided specific research used by our analysts and portfolio managers when deciding to purchase or sell a particular security.

Directed Brokerage and Aggregated Trades

RAM provides clients the option of directing brokerage or requesting RAM to select broker-dealers for transactions. RAM does not recommend, request, or require a client to direct us to execute transactions through a specified broker-dealer. However, we are more able to share experiences and impressions of the brokerage firms with which we currently work. If clients direct the firm to use a certain custodian/broker-dealer, we may be unable to achieve the most favorable execution of client transactions. Client directed brokerage might cost clients more money via higher brokerage commissions or less favorable pricing.

RAM commonly aggregates transactions for client accounts based on the clients' broker-dealer, which results in each client of each broker-dealer receiving the same price. The firm utilizes an odd/even day system to determine the order in which aggregated trades are placed.

Effective January 2014, RAM has relationships with Unified Model Account sponsors and/or overlay managers. Depending on the specific agreement, a model may be updated by RAM within the trade rotation process or at the completion of all trades. Since RAM does not participate in the trading process executed by UMA sponsors and/or overlay managers, it is possible that trades are executed before, after, or at the same time as RAM executes similar trades for its Separately Managed Accounts, which could result in less favorable pricing for either RAM clients, clients of the UMA sponsor/overlay manager, or both.

Generally, the firm aggregates trades for the purchase and sale of securities. Exceptions to aggregating trades into block orders occur when RAM believes that clients benefit from increased speed of execution, more precise portfolio customization, or when security illiquidity is expected to result in a higher cost to clients from block trading. Time, price, commissions, and opportunity cost are examples.

Sometimes, a RAM portfolio manager will place a trade in a single client account or in several client accounts and decide, after further contemplation and/or analysis, that the trade is also appropriate for other accounts. Also, our other portfolio managers may adopt the idea as well, on the same day or after several days of contemplation. In these cases, trades are not aggregated. This situation may create a perception of favoritism towards certain clients or raise questions as to why trades in a specific security were spread over time. RAM values independent thinking among its portfolio managers and views this practice (as opposed to a committee decision making process) as a necessary component to maintaining independent thinking. RAM does not expect that it would consistently favor or not favor certain clients over the long term.

The cost of not aggregating trades for clients will most likely result in clients receiving different prices for the same securities. For purchases, this will generally favor the first clients in a rising market and the last clients in a declining market and vice versa for sales.

Review of Accounts

Client accounts are reviewed on an as needed, but not less than quarterly, basis. As needed includes but is not limited to: new or different opinions on securities for purchase or sale, changing market conditions, and changes in client circumstances. All clients should inform us or their primary contact (sub-advisor or wrap program sponsor) of any changes to their situation.

Reviews are conducted by the client's primary portfolio manager at the firm, which could be Scott Redmond, CFA, Tom Robertson, CFA, or Jeremy Kirkland, CFA.

Clients receive a written quarterly report that contains: a letter that can cover a wide range of relevant topics, and a statement containing: the value of holdings, allocation breakdown, and performance measurement that shows management fees paid, realized gains/losses (for taxable accounts), dividends and interest paid. Other information is available upon request by clients.

Client Referrals and Other Compensation

Broker-Dealers

RAM may receive client referrals from brokers who work for broker-dealers that sponsor wrap fee programs or sub-advisory relationships that we participate in. In this situation, the client account is considered a directed brokerage account and we place trades through the respective custodian/broker-dealer. RAM does not compensate the broker for these referrals.

Any significant gift or compensation, direct or indirect, to brokers is prohibited because it could create a conflict of interest for the broker. A broker may be incentivized to favor managers over others based on gifts and/or compensation, rather than the quality of each investment manager and the appropriateness of the strategy for his/her client. Occasionally, an employee of RAM might invite a broker to lunch or to play a round of golf. RAM or a RAM employee may pay for all of or a portion of the cost of these events. We believe this type of compensation is acceptable and falls under the normal course of business standards, but it is closely monitored and scrutinized by our CCO nonetheless.

Institutional Platforms

RAM has developed a relationship with the Institutional Division of Charles Schwab & Co., Fidelity Institutional Services, Merrill Lynch, Sterne Agee and TD Ameritrade whereby it receives economic benefits from these institutional platforms that it would not receive if it did not provide investment advice to clients with accounts at those brokerage firms. While there is no

direct affiliation, economic benefits are received by RAM. These benefits are not contingent upon the amount of transactions directed by RAM or the securities purchased.

These benefits include but are not limited to: a dedicated trading desk that services RAM's clients, a dedicated service group and an account services manager dedicated to RAM's accounts, access to real-time order matching system, ability to block client trades, electronic download of trades, portfolio management software, access to an electronic interface, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees calculated and directly debited from client accounts (in accordance with federal and state requirements), newsletters, research, access to mutual funds, ability to have loads waived for clients who invest in certain loaded funds when certain conditions are met and maintained, commission free trades in specific securities, education on regulatory requirements and changes, business best practices, and the ability to have some custody fees waived.

Because of the economic benefits that RAM and its clients receive from these platforms, we may prefer one or some custodian/broker-dealers over others. We have an incentive to encourage or suggest that a client choose the custodian/broker-dealer that we prefer. You should consider a conflict of interest whenever asking a RAM employee for advice on which custodian/broker-dealer to use. We address this conflict by disclosing it to clients in this brochure and by requiring that each client independently choose a custodian/broker-dealer.

Sale of Securities

RAM and its employees do not accept direct compensation for the sale of securities or other investment products, including asset-based sales charges, or service fees from the sale of mutual funds.

RAM could receive indirect compensation in the form of research from firms that also sell financial products, such as mutual funds. For example, a well-known financial institution has offered to provide research that would benefit all RAM clients if we purchase a financial product offered by this institution for at least one of our clients. This creates a conflict of interest. We may have an incentive to recommend an investment product to a client based on research received, rather than on the individual client's need for the financial product. We address this conflict through this disclosure and require our portfolio managers to purchase only securities that in aggregate are suitable for each client. Ultimately, Scott Redmond is responsible for ensuring that all client accounts are invested in a way that is suitable for each client and that incentives do not bias our investment decisions for our clients.

Custody

RAM does not and will not have custody of client funds. Client assets are held with banks or registered broker-dealers that are qualified custodians. This means that clients should always make checks to be deposited into their account payable to their custodian, not to RAM.

Clients receive monthly or quarterly statements from their custodians and quarterly statements from RAM. Clients should carefully review all statements and we urge them to compare the account statements they receive from the qualified custodian to those received from us. The information in our reports may vary from information in the custodial statements based on accounting procedures, reporting dates, valuation methodologies of certain securities, or due to error.

Investment Discretion

RAM prefers to have discretionary authority to manage investment accounts on behalf of clients. This authority is explained in the Investment Management Agreement with the client, which gives RAM the limited power of attorney to enter transactions and in some cases request that money be sent to a client. A client may decide to place specific limitations on the discretionary authority granted to RAM.

Voting Client Securities

Generally, RAM does not have authority to vote client securities per each Investment Management Agreement. Clients are instructed to receive proxy materials directly from the custodian. However, clients may contact the firm with questions about a particular solicitation.

RAM will vote client securities if requested to do so. The policy is to vote in the interest of maximizing shareholder value. Consideration will be given to both short and long term implications of the proposal to be voted. Overwhelmingly RAM will purchase stocks of companies it perceives to be reasonably well run. Therefore it is reasonable to expect that we will vote proxies in a manner that supports managements' proposals.

Conflicts of Interest

We have currently identified no conflicts of interest between client interests and the firm's interests. Nevertheless, if we determine that RAM is facing a material conflict of interest a competent third party will be engaged at our expense. The third party will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

Our complete voting policy and procedures are memorialized in writing and is available to clients upon request. Our complete proxy voting record is also available to our clients.

Class Action Security Litigation Policies and Procedures

RAM is not required to assemble or file class action security litigation documentation on behalf of any client. Upon request, we will provide information we have readily available to help clients who decide to file.

Financial Information

RAM does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance, so we are not required to provide a balance sheet for our most recent fiscal quarter.

RAM might be incapable of meeting contractual commitments to clients or service providers under certain conditions.

Examples include:

1. RAM or its owners suffer financial troubles that limit the resources used to service clients or even cause the firm to shut down.
2. RAM commits a trade error in an amount substantially larger than the amount of errors and omissions insurance