



v.h.KING
ASSOCIATES



v.h. King Associates
2014 Los Angeles Ave., Berkeley, CA 94707
Ph. (510) 528-0271
Fx. (510) 528-0273
vhking@vhking.com

**Form ADV Part 2A
Brochure**

February 26, 2015

This brochure provides clients and potential clients with information about the qualifications and business practices of v.h. King Associates. For any questions about the contents of this brochure, please contact us at (510) 528-0271 and/or at vhking@vhking.com. Please note that the information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, nor by any state securities authority. Find more information about v.h. King Associates on the SEC website: www.adviserinfo.sec.gov. The IARD/CRD number for v.h. King Associates is **105705**. v.h. King Associates is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 – Material Changes since the last ADV Filing

The only material changes since the last ADV filing in 2014 are the Assets Under Management. Please see Item 4 E.

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Item 4 – Advisory Business

A. Our Adviser and Our Firm

Virginia H. King, CERTIFIED FINANCIAL PLANNER™, is the sole proprietor of v.h. King Associates located at 2014 Los Angeles Ave., Berkeley, CA 94707-2429, USA. v.h. King Associates is a portfolio management and financial planning firm, which has been performing investment advisory functions for thirty years, since 1984. The Firm is an SEC-Registered Investment Adviser with no publicly held intermediate subsidiaries. Our SEC file number is: **801-31899**; our Central Registration Depository (CRD) number is: **105705**.

B. Our Services

v.h. King Associates offers both portfolio management and financial planning. Virginia H. King, the principal, provides analyses of existing investments and investment opportunities in light of a client's stated financial objectives. She makes investment recommendations based on the client's assets, liabilities, earnings, personal obligations, and their willingness to assume risk. We offer the following services:

Financial Planning –

We help clients establish and clarify personal financial goals, both long-term and short-term. These might include cash flow management, purchasing a house, or information on donations, bequests and trusts. Part of our Financial Planning includes producing reports for and cooperating with clients' accountants, lawyers and pension administrators.

Portfolio management –

Virginia employs her investment strategy and practice in order to align her clients' portfolios with their financial goals.

v.h. King Associates issues no publications and maintains no website.

C. Communication with our clients

Virginia King does tailor advisory services to the individual needs of clients. She holds an annual review with each individual or family to brief them on their portfolio performance. She listens to individual prospects, plans and needs, and gives advice, runs retirement projections and tailors portfolios based on those conversations. Her main purpose is assisting clients with their financial lives and managing their portfolios; and her complementary objective is educating clients to become prudent, responsible investors.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. However, we do not encourage such client restrictions.

D. Wrap Fee Programs

We do not participate in any wrap fee programs.

E. Our Assets Under Management

As of December 31, 2014, v.h. King Associates had \$101,089,163.00 (in 303 accounts) in Assets Under Management, all of which are managed on a discretionary basis. We do not manage any assets on a non-discretionary basis (*See Item 16 below*).

Item 5 – Fees and Compensation

A. v.h. King Associates is a fee-only Portfolio Management and Financial Planning Firm. All of our fees and income derive from providing investment supervisory services to clients. Fees are not negotiable. Clients pay v.h. King Associates an annual fee, charged quarterly in arrears, so we calculate fees based on the quarter-end value of assets under management.

Fee Schedule:

On portfolios up to \$1,000,000	the fee is 1%
On any portion between \$1,000,001 and \$3,000,000	the fee is ½ %
On any portion over \$3,000,001	the fee is ¼%

B. Fees are automatically deducted from the client's Charles Schwab account in the month following their quarterly report.

C. Additional Fees: Mutual funds often charge a percentage of overall funds under management as a fee. Because v.h. King Associates charges a management fee based on assets under management, this will result in the client being charged, in effect, twice for those fund investments. While clients would be able to avoid this extra charge if they made their own mutual fund investments, we believe that keeping all assets together under unified management provides additional benefits and continuity that more than offset the additional fee. (See Item 12 below for more on brokerage fees.)

To fulfill her trades, Virginia employs open-end funds from the Charles Schwab Mutual Fund OneSource® service, which currently offers more than 10,000 funds with no loads or transaction fees. She also makes use of closed-end funds and exchange-traded funds (ETFs), for which Schwab does charge a fee, but she feels that the range of options such vehicles offer expands investment possibilities. We receive neither fees nor commissions from Schwab for these trades.

The client is fully informed of the fee schedule and agrees to all fees prior to signing a contract, and prior to services being rendered. Upon signing, the client receives a copy of Form ADV Part 2, and has up to five (5) business days to unconditionally rescind the contract.

Thereafter, either the client or v.h. King Associates may terminate the investment advisory contract, without prejudice, by giving at least five (5) business days' notice, in writing. Termination of the contract will not affect the client's obligation to pay advisory fees. We will bill the account, pro rata, through the termination date. Fees are not refundable.

E. Virginia King does not receive commissions for the sale of securities or funds.

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

v.h. King Associates does not accept performance fees. Every client is charged a fee based on a percentage of assets under management (*See* Item 5.A. above.)

Item 7 – Types of Clients

v.h. King Associates offers investment advice primarily to individuals and families; but under certain circumstances, we advise charitable trusts and non-profits, and pension plans.

The Firm, generally, does not accept any new clients, but we help existing clients set up new accounts, no minimum required, and assist clients in establishing:

- Donor Advised Funds and Foundations
- Retirement Accounts
- UGMA (Uniform Gifts to Minors Act) accounts and ESAs (Educational Savings Accounts)

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

Because of Virginia King's management style, there are no two identical portfolios. This is a function of portfolio size, length of time a client has been with us, their investment goals, and their tolerance for risk. Investing in securities, including mutual funds, involves risk of loss that clients should be prepared to bear.

A. 1. Methods of Analysis

Virginia uses only funds as investment vehicles, and primarily employs technical analysis when choosing a fund – or when deciding on a trade. Technical analysis studies historical price patterns and movements in financial markets to anticipate trends in the market as a whole, as well as in specific funds. It does not take into account the fundamental financial state of companies whose stocks underlie a fund. This presents a risk in that financially unsound companies could cause a fund to underperform its market benchmark.

For mutual funds and ETFs she generally reviews a fund's price history, looking specifically for volatility. She also considers its associated benchmark, exposure to sectors and any other relevant

factors. The analysis method assumes that the funds she trades, the rating agencies that review those funds, and other publicly available sources of information provide accurate and unbiased data. There is a risk that inaccurate or misleading information could compromise her analysis.

The main sources of information Virginia uses to analyze possible investments include:

- Financial newspapers and journals for information about new funds;
- Financial websites for price history and volatility information;
- The Schwab Advisor Services™ website for Schwab OneSource® funds;
- Fund prospectuses.

A. 3. Investment Strategy

The investment strategy used by v.h. King Associates for individual client accounts is the practice of asset allocation using multiple actively managed mutual funds of various investment specialties combined to create a portfolio. Virginia reviews portfolios closely, and uses modified dollar cost averaging (that is, she makes monthly additions if the price has gone down) to lower the cost basis of fund shares. Utilizing funds reduces company-specific risk, while dollar cost averaging reduces market risk.

Virginia manages portfolios to be diversified across asset classes and within asset classes in order to minimize the negative impact on any one sector on the total value of the portfolio. Typically, Virginia buys fund shares for the long term, holding them for at least five years.

B. 2. Risks of investment strategy

Virginia King employs an investment strategy that takes advantage of fund price volatility. A client's portfolio can thus experience major volatility in overall valuation and in performance, especially in the early years of the relationship. Clients should therefore be prepared for those fluctuations and understand that, in general, investing in securities, including mutual funds, involves risk of loss that clients should be prepared to bear. Characteristic risks of our investment strategy include:

- **Active Management Risk** – The investment approach and decisions may not produce the anticipated returns, and may cause the portfolio to lose value.
- **General Economic Risk** – The economy, economic uncertainty, inflation or interest rates, as well as national and international circumstances can negatively affect a portfolio's performance.
- **Government Intervention Risk** – decisions by the Federal Reserve or changes in Fed policy may create market uncertainty.
- **Leverage Risk** – We may employ instruments such as short funds and leveraged ETFs to shield a portfolio against certain market corrections. These tactics may cause a portfolio to sustain a loss.
- **Market Risk** – Markets are unpredictable and their movement can cause portfolios to lose value.

B. 3. Risks of Frequent Trading

In addition to Schwab's commission-free OneSource® mutual funds and ETFs, Virginia uses closed-end funds and other ETFs and as investment vehicles. Occasionally, she will sell all or part of a position within a short time frame (between one month and one year) to capture market gains of a volatile security; potentially, this could have a negative affect on portfolio returns through increased brokerage and other transactional costs and taxes. While Schwab does charge a fee for many trades, Virginia receives no commissions from Schwab, and has no incentive to trade unless it benefits her clients.

C. Risks of Funds

Funds are the preferred investment vehicle at v.h. King Associates. We use:

- Open-end mutual funds;
- Closed-end funds;
- ETFs.

There are multiple risks of investing in funds:

- Underlying Holding Risk: – Although mutual funds are diversified investments that mitigate the risk of investing in any one security, they face risks based on the investments they hold, any one of which could face any of the following risks, among others:
 - Market Risk: underlying stock prices will decline over a particular time period;
 - Industry Risk: stocks in a single industry will decline as a function of industry developments;
 - Country Risk: political events, financial crises, or natural disasters will negatively affect investments in that country.
- Fund Policy Change – which include changes in objective as well as name (e.g., a fund once devoted to China, converts into an emerging markets fund.)
- A fund closes to additional deposits – it declares “No new additions.” thereby rendering dollar cost averaging futile. Then, Virginia seeks out an equivalent fund.
- Fund Termination – Again, Virginia will attempt to find an equivalent fund, but it is not always possible.
- For open-end funds – we cannot secure a guaranteed price, as fund share prices are fixed only once a day at market closing.
- For thinly traded closed-end funds and ETFs – the risk is slow execution. Schwab does not guarantee timely execution on many of these orders, especially large orders. To address this problem, Virginia submits limit orders good for sixty days.
- For leveraged funds, a risk is that they respond out of proportion to the market, and must therefore be monitored more closely than more traditional funds.

Item 9 – Disciplinary Information

Neither Virginia King, nor v.h. King Associates, nor any of its associated personnel have ever been subject to legal or disciplinary events that are material to a client's – or to a prospective client's – evaluation of our advisory business, or of the integrity of our management.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Virginia King nor any other person associated with v.h. King Associates is affiliated with – or has any material relationship with – a broker-dealer, or any other financial industry entity; and thus, no material conflicts of interest to report.

We have never received any compensation – direct or indirect – for any referrals to other financial planners or investment advisers.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

A. The essence of all financial and monetary transactions is trust. The only value an investment adviser such as v.h. King Associates truly possesses is its reputation for trustworthiness and integrity. Ethical behavior toward clients and all their financial matters was a founding principle of v.h. King Associates over a quarter century ago. We expect all employees and associates to conduct themselves according to our ethical philosophy, without even the appearance impropriety.

Therefore, consistent with Section 204A of the Investment Advisers Act of 1940, we have adopted, a Code of Ethics based on the guiding principle that, as fiduciaries, we must serve the interests of our advisory clients ahead of our own. In keeping with an adviser's fiduciary obligations, we must:

- show loyalty to the client;
- safeguard a client's information and confidences;
- provide reasonable, suitable, independent advice to clients; and
- refrain from personal transactions inconsistent with client interests.

A complete Code of Ethics is available to clients upon request.

B. We do not buy or sell for client accounts any securities in which we – or any related person – have a material financial interest.

C. v.h. King Associates allows our principal and employees to purchase or sell the same securities we trade on behalf of clients. Owning the same securities we recommend to clients (for buying or selling) presents a potential conflict of interest that, as fiduciaries, we must disclose and mitigate through policies and procedures. Virginia adheres strictly to the trading practices she has developed to lessen any conflict of interest between her and her clients. (*See* Item 8 and Item 13). When she trades for the Employee and Family Account, she obeys the principle that such trading will not interfere with making decisions in the best interest of our clients.

D. Virginia generally invests for herself and for her employees according to the same investment strategy and using the same set of investments recommended to clients. A conflict of interest exists in such cases because the Firm could potentially receive more favorable prices than its clients. We have designed a trading schedule (*See* Item 13 below) to minimize this conflict of interest. Additionally, the majority of v.h. King Associates' trades are executed in widely held mutual funds. Given the volume of these funds, it is unlikely that the trading by the Firm's principal or employees could have any material impact on the price or movement of fund shares.

Item 12 – Brokerage Practices

v.h. King Associates does not maintain custody of client assets that we manage, although we may be deemed to have limited custody of those assets if the client gives us authority to instruct Schwab to withdraw our fees from the client's account (see Item 15 – Custody, below). Client 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, as the qualified custodian. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to. Clients open accounts with Schwab by entering into account agreements directly with them. We do not open accounts for our clients, although we may assist them in doing so. We are independently owned and operated and are not affiliated with Schwab.

How We Selected Schwab to be Broker and Custodian

We employ a custodian and broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We considered 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 client accounts 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**);

Client Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services but is compensated by charging fees on trades that it executes or that settle into a client's Schwab account. Schwab's asset-based fees (and/or custodial fees) were negotiated based on the condition that the Firm's clients collectively maintain a total of at least \$10,000,000 of their assets in accounts at Schwab. This commitment benefits our clients because otherwise they would pay higher overall asset-based fees. Additionally, in order to minimize client trading costs, we have Schwab execute all trades for our clients. We have determined that having Schwab execute our client trades is consistent with our duty to seek "best execution" of those 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 division serving independent investment advisory firms like v.h. King Associates. They provide our clients and us with access to their 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. These services generally are available to independent investment advisors on an unsolicited basis (we do not 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 at Schwab. (Otherwise, Schwab may charge us a quarterly service fee of \$1,200.) Following is a more detailed description of Schwab's support services:

Services that benefit our clients

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 our clients and their accounts.

Schwab products & services that may not directly benefit our clients

Schwab also makes available to v.h. King Associates various products and services that benefit us, but may not benefit 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. 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. These services might include:

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human capital consultants, and insurance providers.

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 provides a periodic forum where we can meet and discuss investments and other related issues with other investment professionals.

Schwab Services that v.h. King Associates uses

During the past fiscal year, v.h. King Associates has received the following benefits from Charles Schwab in return for effecting securities brokerage transactions through Schwab, and in return for retaining Schwab as custodian of client assets:

We are connected via the internet to the Schwab Advisor Services™ website, which lets us access client portfolios held at Schwab, view real-time quotes (delayed) and execute trades. Additionally, we use the site to:

- view reports that Schwab generates for clients;
- receive real-time alerts pertaining to actions in client accounts;
- get updates of Schwab procedures, SEC compliance policies or IRS tax matters;
- access a variety of other professional resources.

Secure entry to the website is assured through the required use of the Schwab Authentication card.

In addition to its web site, Schwab Advisor Services™ provides our office with Schwab Data Delivery, a desktop application that permits daily download of portfolio and transaction data (previous day's prices) into our client management software. Schwab sends trade confirmations and monthly account statements both to us and to our clients.

Schwab does provide discounts on some investment products (such as portfolio management software and financial industry publications) that might be purchased by us. (e.g., last year, Schwab

credited v.h. King Associates \$2,900 toward the annual maintenance fee for our PortfolioCenter[®] software.). PortfolioCenter[®] is made by SPT (Schwab Performance Technologies[®]), a Charles Schwab affiliate.

Schwab assigns an individual specialist dedicated to handling our needs as investment advisers and those of our clients. We believe such services benefit both v.h. King Associates and our clients.

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 our clients to maintain their accounts at Schwab, based on our interest in receiving Schwab services that benefit our business, rather than on their interest in receiving the best value in custody services, and in the most favorable execution of their 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 influenced by the scope, quality, and price of Schwab's services (*See **How We Selected Schwab** above*) and not by Schwab's offerings that benefit only us. We have over \$100 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. The products and services that Schwab makes available to us, benefit all of our clients' accounts, and are not allocated to any particular sub-groups of clients.

Brokerage for Client Referrals

As of 2014, v.h. King Associates is typically not accepting any new clients. Previously, any referrals were by word-of-mouth, through existing clients. We do not pay any party for referrals. Referrals and referral practices had no bearing on our selection of Charles Schwab as broker-dealer. No client transactions have ever been directed to a particular broker-dealer in return for client referrals.

Directed Brokerage

v.h. King Associates is independently owned and operated and not affiliated with Charles Schwab & Co. We trade exclusively through the Schwab Advisor Services[™] division. The Firm will not accept any client that directs the use of a specific broker-dealer other than Charles Schwab, as we believe this would hamper our ability to obtain best execution for client transactions as well as hinder us in serving the rest of our clients in a timely and effective fashion.

Not all advisers require their clients to direct brokerage to a specific custodian. While lower fees may be obtained through other broker-dealers and brokerage arrangements, the Firm believes that the custodial, operational and trading support provided by Schwab enhances our ability to serve our clients, and that, on balance, transaction fees paid by clients are reasonable for the services provided.

Aggregated Trades

It is the objective of v.h. King Associates to allocate trading and investment opportunities among advisory clients fairly and equitably, and in compliance with all applicable state and federal guidelines. No client account will be unfairly favored over any other account.

Due to the individualized attention to investments that each client receives from Virginia King – that is, our Trading Policy of monitoring and balancing client portfolios, each on their own specific day (*See* Item 13 below) – we generally do not aggregate client trades, but rather trade for each client account independently. It is possible that as a result, clients may pay higher execution costs on some trades. However, we believe that Virginia's Trading Policy and her use of Schwab OneSource® funds, which do not charge for trades, deliver benefits to our clients that outweigh the occasional higher trading charges from exchange-traded funds.

Item 13 – Review of Accounts

A. Trading Schedule – v.h. King Associates has adopted the following policies to meet our fiduciary responsibilities and to ensure that our portfolio review and trading practices are fair to all clients, and that no one client or account is advantaged over any other.

1. Virginia King assigns each new client a day-of-the-month, usually within two months of signing the contract. This date (for example: July 24th) serves as the client's Annual Review date. It is also the day of the month that Virginia reviews that client's portfolio and makes trades.
2. Virginia trades for clients according to this set schedule regardless of moment-to-moment prices or movements in the market, but she places limit orders (good for sixty days) on all her trades. She reviews and trades for the Family Account (which includes her own, family member, and staff portfolios) on the 1st and 2nd of each month. All other dates are reserved for clients.
3. Although Virginia places trades for a client only on that client's specified trading day, she has already determined a buy or sell price based on her trading procedure (*See* below.) If a fund is not trading that day at the price she wants, she puts in a limit order – good for sixty days, well beyond the next monthly review – so that the client's portfolio performance is not diminished by market swings of any one particular day.
4. That DAY-of-the-month is the day EACH month that Virginia reviews and evaluates a client's portfolio positions (the aforementioned example: July 24th).

5. She makes additional purchases on condition that the current price is at least 10% less than the cost basis.
6. She takes profits to the extent they represent a 12% annualized return. Profit taking is done on a discretionary basis, and is repeated until the original cost basis has been withdrawn.
7. Virginia may buy or sell based on a fund's price as a function of a particular client's cost basis in that fund. Although two clients may hold the same fund, they may have different cost bases and so different buy and sell points.
8. Periodically – but always on that same day of the month (unless a client has requested a specific trade) – she makes new investments or sells current positions for a variety of reasons. These include:
 - buying new funds when held (or previously held) funds close to new money in order to exchange one fund for another that accepts new investors; and
 - maintaining a diversified asset allocation.

The Firm understands that an Adviser has a duty to refrain from effecting personal securities transactions inconsistent with client interests. When Virginia trades for the Family Account on the 1st and 2nd of each month, we believe that the number of shares she trades represents such a small a percentage of the funds in question, that they will not – on their own – move the market and adversely affect client portfolios.

B. Monitoring –

Virginia King reviews all accounts on a monthly basis (*See A.1. above*).

C. Reports –

All clients receive (by email – or regular mail, if they choose) quarterly reports summarizing their portfolio holdings and performance. They also receive regular monthly account statements from Schwab. A report prepared by v.h. King Associates is not a substitute for Schwab's monthly account statement, which should be considered authoritative. In all our quarterly reports, we include a notice strongly urging clients to compare our reports with Schwab's statements.

When clients attend their Annual Review, Virginia presents them with a Portfolio Performance Summary as well as various other reports to facilitate the meeting.

Around mid-February, Charles Schwab – in addition to its periodic trade confirmations and regular monthly statements – sends clients a Form 1099 detailing interest, dividends, proceeds from sales, and resulting capital gains and losses. A duplicate may be sent to clients' accountants upon request. Additionally, v.h. King Associates may prepare periodic year-to-date gain-and-loss reports from the Schwab web site for internal use. Such reports are available to the accountants of those clients who have requested quarterly tax reports.

Item 14 – Client Referrals and Other Compensation

v.h. King Associates receives 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.

v.h. King Associates does not solicit – nor does it pay any person or company for – client referrals.

Item 15 - Custody

Charles Schwab & Co., Inc., which is unaffiliated with v.h. King Associates, is the qualified custodian for all client assets – cash, or securities – which Schwab maintains in separate accounts for each client under that client's name. The exception: certain legacy partnerships and annuities are held outside of Schwab.

Under government regulations, the Firm is deemed to have custody of client assets if, for example, a client authorizes us to instruct Schwab to deduct our advisory fees directly from the client's account. Schwab maintains actual custody of client assets. Schwab will send clients monthly account statements to the email or postal mailing address provided to Schwab. Clients should carefully review those statements promptly and compare Schwab's account statements to the quarterly reports they will receive from us. (See Item 13. C. above) Clients should contact us with any questions about their reports. Note: We will not create a monthly account statement for clients, nor will we be the sole recipient of statements produced by Schwab, the custodian of record.

Together with every quarterly report, v.h. King Associates will include a separate invoice of fees to be deducted from client account(s) indicating the pertinent quarter; the value of the assets under management on which the fee is based; the formula we used to calculate the fee; and the total fee that Schwab will deduct. (See Item 5. B. above) Aside from this type of fee withdrawal, the Firm does not have and will not accept custody of client funds and securities. In keeping with this policy, v.h. King Associates:

- restricts the Firm or an associate from serving as trustee or having general power of attorney over a client account;
- prohibits any associate from having authority to directly withdraw securities or cash assets from a client account. Advisory fees will only be withdrawn from a client investment account through engagement of a qualified and independent custodian maintaining client account assets, via written client approval;
- does not accept or forward client securities (i.e., stock certificates) erroneously delivered to our Firm.

Item 16 – Investment Discretion

v.h. King Associates maintains a Limited Power of Attorney* granting us discretionary authority to manage securities accounts on behalf of our clients. This LPOA permits us to select securities and the amount of securities to be bought or sold without obtaining specific client consent prior to the execution of any individual transaction. We carry out these discretionary investment decisions during the monthly reviews described in Item 13, above.

*The LPOA is part of the Schwab One® Account Application Agreement every client signs to open an account. It gives Virginia unrestricted authority to make securities transactions through Schwab. (See Item 12. above)

Item 17 – Voting Client Securities

Voting client securities is a service we offer.

Initially, after clients engage v.h. King Associates, they receive election information and proxies directly from the companies and funds in their portfolios. If a client wants us to vote their shares, we do that as a service for them. They can, at any time, contact the office to see how we voted; and they can also elect to receive their proxies once again. As we vote proxies on our clients' behalf, there is no conflict of interest between them and us.

A. Proxy Voting Policy of v.h. King Associates

Stockholders have the right to vote on important matters concerning corporate policies and governance. v.h. King Associates votes proxies in the best interest of its clients, congruent with socially responsible guidelines. The process for casting proxy votes is as follows: Virginia King takes sole responsibility to review all proxies as they are submitted. She votes proxies pursuant to the guidelines below, always maintaining the client's best economic interest as her prime consideration. We feel that when a company follows socially responsible guidelines, such decisions ultimately reflect positively on a company's bottom line, and thus on a client's portfolio value.

Here is a broad outline of our Proxy Voting Policy. A full, unabridged copy of the Guidelines is available upon request.

1. If a board committee selects more than 3 nominees and none of them are women, we will *oppose* the board's nominees.
2. We *support* shareholder resolutions asking corporations to refrain from contributing to initiative campaigns.
3. We *support* CERES (Coalition for Environmentally Responsible Economies) resolutions.
4. We will *support* shareholder socially responsible resolutions: examples include:
 - Environmental accountability;

- Financial and social accountability in executive compensation;
- Glass ceiling reviews, and
- Requests for studies on impacts of development on culturally sensitive areas.

5. We will *support* resolutions that ask corporations with large numbers of shareholders to move their annual meetings around the country so that shareholders have an opportunity to participate in person.

Also, we will *support* resolutions asking directors to affirm the continuation of in-person annual meetings.

6. We *support* the principle of independent auditors. Therefore, we will *oppose* the appointment of auditors where non-audit fees, such as consulting fees, represent more than 50% of the total fees paid to the auditor, where such data is available.

7. We *oppose* bylaws requiring cumulative voting (because it violates the principles of fairness and equity by granting minority shareholders a disproportionate voice in running the company).

8. We *support* reasonable compensation packages for managers and directors.

In general, we do **not** regard as reasonable:

- Restricted stock incentive plans,
- Pension plans for outside directors,
- Gold or silver parachute plans triggered by a takeover,
- Annual compensation to outside directors exceeding \$100,000,
- Annual compensation for top management exceeding \$5,000,000.

9. We will *support* resolutions limiting stock options granted:

- to a single individual – to no more than 5% of the total options granted in a single year; and
- to the group of executive officers – to no more than 10% of the total options granted in a single year.

We will *support* resolutions mandating performance-based stock options for executives.

These include:

- indexed stock options,
- premium-priced stock options, and
- performance-vesting options.

10. We *oppose* mergers with companies with parameters that fail to meet our criteria, and we oppose mergers with a two-tier tender offer. We will *oppose* all-inclusive resolutions since they are both impractical and entail an unnecessary expense.

11. We *oppose* Employee Stock Ownership plans (ESOPs) **unless** they are designed to promote active employee ownership (versus a way to park stock to avoid a takeover). Thus, we support worker involvement/ownership through stock options available to a **majority** of employees.

Item 18 – Financial Information

As we do not require or solicit prepayment of any amount; and, as we only have custody of client assets insofar as we may direct Schwab, as qualified custodian, to deduct our quarterly fee from client accounts; and, as there is no financial condition likely to impair our ability to meet contractual commitments to our clients; therefore, we have not attached a balance sheet.

v.h. King Associates has never been the subject of a bankruptcy petition

Additional Information – Privacy & Trade Error Policies

Privacy Policy

v.h. King Associates is committed to safeguarding the confidential information of our clients. Our policy with respect to personal information is as follows:

- We limit access to information only to those employees who have a professional reason for knowing it, and only to nonaffiliated parties, as permitted or required by law.
- We maintain a secure physical office, and our computer network is protected to ensure that client information is not placed at unreasonable risk.
- For unaffiliated third parties that require access to a client's personal information (such as a brokerage firm), we also require strict confidentiality in our agreements with them.
- We do not provide our clients' personally identifiable information to mailing list vendors.
- We will maintain client files for as long as they remain clients, and for as long thereafter as may be required by law. Then, all such information will be appropriately destroyed.
- Clients receive our privacy notice when they sign a contract. Annually, thereafter – or when any material change in privacy policy occurs – we send them the privacy policy, as required by law.

Trade Error Policy

In the event any error occurs in the handling of any client transactions, our policy is to identify and correct any errors as quickly as possible without disadvantaging the client or benefiting v.h. King Associates in any way.

We monitor and reconcile all trading activity daily, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval, and maintain a trade error file.

If v.h. King Associates is responsible for the error, then Charles Schwab will invoice us for any trade errors that incur a market loss of \$100 or greater. If Schwab assumes responsibility, they will correct the error at no cost to us or to our clients.