

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Jolley Asset Management, LLC, a registered investment advisory firm. If you have any questions about the contents of this brochure, please contact us at 252 451-1450 or tsapp@jolleyasset.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. The firm's registration with the SEC does not imply any level of skill or training by our firm or officers.

Additional information about Jolley Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 113600.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/20/2015, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 Advisory Business

Jolley Asset Management, LLC is a SEC-registered investment adviser with its principal place of business located in Rocky Mount, North Carolina. Jolley Asset Management, LLC began conducting business in 1998.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 10% or more of this company).

- Frank Gehman Jolley, President and Member
- William A Vogel, Member
- Wilbanks, Smith & Thomas Asset Management, LLC, Member

INDIVIDUAL PORTFOLIO MANAGEMENT

Jolley Asset Management, LLC, (hereinafter "JAM") provides the following advisory services to its clients:

Portfolio Management Services:

JAM provides investment supervisory services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, JAM develops a client's personal investment strategy and creates and manages a portfolio based on that strategy. JAM provides this service to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and an investment partnership. JAM will manage advisory accounts on a discretionary basis. Account supervision is guided by the stated objectives of the client (i.e., growth, growth and income, and income).

A) JAM Individually Managed Accounts - These accounts will be managed based upon the investment objective of the client as described in the above paragraph. These accounts will be invested predominately in individual equity securities, exchange traded funds and/or taxable or tax-free bonds and money market funds or a combination thereof in the case of balanced objectives.

B) JAM Fund Model Accounts - JAM manages investment advisory accounts utilizing mutual funds and ETFs. JAM provides this service to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations. Account supervision is guided by the stated objectives of the client (i.e., equity, equity-tilted balanced, balanced and conservative balanced). Each portfolio is designed to meet a particular investment goal which JAM has determined is suitable to the client's circumstances.

However, each client will have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

C) Sub-Advisory Services: JAM also provides discretionary sub-advisory services to clients of Wilbanks Smith & Thomas Asset Management, LLC, (WST) a registered investment advisory firm based in Norfolk, VA, and a minority owner of JAM. WST may retain JAM to manage all or a portion of WST client assets sub-advised by JAM. JAM's sub-advisory services are consistent with the firm's advisory services for Individually Managed Accounts and based on the investment objective of the client as described above for the sub-advised clients subject to limitations imposed by the client's objectives and other regulatory limitations. For advisory and sub-advisory accounts, JAM will ensure that the following conditions are met and maintained:

- 1) JAM will manage each client's account on the basis of the client's financial situation and investment objective and any reasonable investment restrictions the client may impose;
- 2) JAM will obtain sufficient client information to be able to provide individualized investment advice to the client. Periodically, JAM will contact the client to determine whether there have been any changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions. On a quarterly basis, JAM will notify the client requesting the client to notify JAM if there have been changes to their financial situation or investment objectives and whether they wish to impose investment restrictions or modify existing restrictions;
- 3) JAM will be reasonably available to consult with the client;
- 4) Each client is able to impose reasonable investment restrictions on the management of the account;
- 5) Each client will receive a quarterly statement with a description of all account activity; and,
- 6) Each client will retain certain indicia of ownership of the securities and funds in the account, e.g., the ability to withdraw securities, vote securities, among others.

Advisory clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors, and any such restrictions or changes are to be in writing.

Once the client's portfolio has been established, we review the portfolio on an ongoing basis, and if necessary, rebalance the portfolio, based on the client's individual needs and objectives.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange-traded funds
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States government securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Investment Partnerships:

JAM will also provide its advisory services to JAM Partners, L. P., a North Carolina limited investment partnership. JAM is the general partner and investment manager of the partnership. When suitable for qualified clients, JAM may recommend a partnership investment. Prior to investing in the partnership, investors receive a confidential private placement offering memorandum which contains detailed information about the investments, risks, fees, service providers and conflicts, and other information. The investment partnership will be managed in such a way as to meet the investment goals of the partnership, rather than the individual needs of any particular investor in the partnership.

AMOUNT OF MANAGED ASSETS

As of 12/31/2014, we were actively managing approximately \$218 million of clients' assets on a discretionary basis.

Item 5 Fees and Compensation

PORTFOLIO MANAGEMENT SERVICES FEES

The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

A) JAM Individually Managed Accounts

Assets Under Management	Annual Fee
First \$500,000	1.25%
Next \$500,000	1.0%
Next \$1,000,000	.75%
\$2,000,000 and over	Negotiable

A minimum of \$250,000 of assets under management may be required for this service. This account size may be negotiable under certain circumstances. JAM may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

B) JAM Fund Model Accounts

Assets Under Management	Annual Fee
First \$500,000	.50%
Over \$500,000	.35%

A minimum of \$20,000 of assets under management may be required for this service. This account size may be negotiable under certain circumstances. JAM may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Fees are billed quarterly in arrears based upon the market value of the assets at the end of the preceding quarter. If your relationship with us is begun or ended during a calendar quarter, your fee will be prorated for the appropriate number of days completed or remaining in the quarter.

We may negotiate the amount of your fee depending upon circumstances including but not limited to account composition and complexity, other client, employee or family relationships, etc. which may result in different fees being charged by us for client accounts similar in composition and objectives.

You may pay your fee directly upon receipt of an invoice from us or you may authorize your custodian to allow us to directly debit our fee from your account or accounts. If you choose the latter method, your custodian will not confirm our fee but will pay the amount based on the fee amount communicated to the custodian by us and send it directly to us. You will receive a periodic statement from your custodian

which will include the amount of the fee which has been sent to us. You should confirm the accuracy of our fee calculation upon receipt of your custodian's statement.

Reduced fees, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

The fees you pay us do not include brokerage commissions or other fees or charges associated with securities transactions implemented with or through a brokerage firm, mark-ups or mark-downs in principal transactions, deferred sales charges, odd-lot differentials, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation all of which will be charged to you in addition to our fee. We do not receive any portion of any of the foregoing expenses or fees. You should go to the section on Brokerage Practices in our brochure for more information related to that process.

C) Sub-Advisory Services

For the Sub-Advisory Services, JAM receives a percentage of the annual advisory fees, which generally range from 0.25% to 0.50%, of the market values of the client's assets managed by WST for the services provided and paid to JAM for its sub-advisory services. WST advisory fee schedules are disclosed in WST's Form ADV 2.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice.

Mutual Fund Fees: All fees paid to JAM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee for mutual funds. If the mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund and/or ETF directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund and/or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to JAM's minimum account requirements and advisory fees in effect at the time the client entered into the

advisory relationship. Therefore, our firm's minimum account requirements and fee schedules will differ among clients.

ERISA Accounts: JAM is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) subject to the Employee Retirement Income and Securities Act (ERISA). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

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

PERFORMANCE-BASED FEES

JAM earns and receives a performance-based fee from JAM Partners, LP, a private investment partnership. JAM serves as general partner and investment manager of JAM Partners, LP (the Fund). The Fund will be charged a performance-based fee (if earned) and an administrative/management fee by JAM as described in the partnership's offering memorandum document.

Performance-based fees will only be charged in accordance with the provision of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the Fund. To qualify for a performance-based fee arrangement, a fund investor must meet the definition of "qualified clients" under the Investment Advisers Act of 1940, as amended, because they have a net worth of at least \$2 million.

Fund investors who elect to sell their units will be charged a performance-based fee based on the performance of the units for the measuring period going back from the termination date and prorated from the date on which the performance-based fee was last assessed.

In measuring the fund's assets for the calculation of performance-based fees, JAM shall include: for securities for which market quotations are readily available, the realized capital gains and losses and unrealized capital gains and losses of securities over the period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period.

Side-by-side Management refers to multiple client relationships where an adviser manages advisory client relationships and portfolios on a simultaneous basis for individuals, businesses, institutions and also mutual funds and/or hedge funds. In such circumstances, potential conflicts of interest may arise by and between the clients, the mutual funds and hedge funds, e.g., performance fee arrangements.

Investors and prospective investors in the Fund should note that performance-based fees create an incentive for an adviser such as JAM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Also, because the performance fee is calculated on a basis which includes unrealized as well as realized appreciation of assets, it may be greater than if such compensation were based solely on realized gains

Because of the performance fee arrangement, we do have an incentive to favor performance-based fee accounts over non-performance-based fee accounts and could have an incentive to favor the Fund which pays higher aggregate performance-based fees and in which officers and employees of the firm may have their personal assets invested than a client paying non-performance-based fees or the Fund in which officers and employees of the firm may have their personal assets invested.

Since we endeavor at all times to put the interests of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to investors and prospective clients the existence of material conflicts of interest, including the potential for our firm and its employees to earn more compensation from some clients than others;
2. We collect, maintain and document accurate, complete and relevant investor background information to ensure that investment in the subscribed Fund is appropriate for the investor's financial goals, objectives and risk tolerance and that the investor is qualified to invest;
3. We have implemented written policies and procedures for fair and consistent allocation of investment opportunities among all clients and the Fund, subject to the Fund's/client's underlying strategy, objectives, cash availability, availability of interests in the underlying funds and other appropriate considerations;
4. We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment;
5. We educate our employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

Performance-based fees will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

Item 7 Types of Clients

Jolley Asset Management, LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Other pooled investment vehicles (e.g., hedge funds)
- Charitable organizations
- Corporations or other businesses not listed above
- Other - trust company

See Item 5 Fees and Compensation for minimum account size requirements.

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

METHODS OF ANALYSIS

Fundamental Analysis

In making portfolio decisions, we typically utilize fundamental analysis, which involves analyzing the company balance sheet, income statement, management and the company's competitive advantages in the market place. We also consider the overall state of the economy, interest rates and attempt to determine whether the company's underlying prospects will be impacted positively or negatively by those economic trends.

Equity Investments

In managing portfolios, we utilize a value approach where we attempt to find companies that we believe trade at a significant discount to their estimated intrinsic value, with the expectation that over a reasonable time period, the discount will narrow or disappear. Investments are made with the concept of a "margin of safety", which we believe lessens the chance of a permanent loss of capital. Balance sheet strength is considered to be equally important to income statement trends when analyzing companies. As a value investor, we are typically looking for companies with low price/earnings ratios, low price/sales ratios or low price/book value ratios. When looking at companies we also consider its current valuation versus its historical valuation levels and other companies in the same or similar industries. Additional focus or attention is paid to the cash flow generation of the company and the company's dividend history. Risks to any equity holding (and/or portfolio) may arise due to deteriorating fundamentals related to the economy, poor capital asset allocation decisions by management and or a weakening competitive position. Technological obsolescence can also happen in today's rapidly changing environment. While we monitor portfolio holdings on an ongoing basis, there can be no assurance that our analysis will always be correct in our decision to buy, sell or hold a particular security.

Our fundamental analysis typically does not attempt to anticipate market movements. We are not market timers. This represents a potential risk as an equity holding or portfolio decline could be attributed to market forces rather than due to specific company risk factors. Diversification by company, sector and industry can help reduce specific company risk but not eliminate market volatility.

Fixed Income Investments

Taxable bond portfolios are diversified by company, industry and sector to prevent the portfolio from being susceptible to downturns in certain sectors of the economy. We also focus on the various rating agencies to help determine the quality of the bond portfolio and whether trends are improving or deteriorating. A credit quality decline may result in elimination of a bond from our portfolios if we believe the risk has become unsuitable for the client. Municipal bond portfolios are typically concentrated in higher quality general obligation issues which are backed by the full power and taxing authority of the issuing municipality. The major rating agencies are also used when selecting bonds for client portfolios. Once again if the credit quality of a particular issue is declining, we may consider eliminating the holding from client portfolios. Our analysis, as well as that by the rating agencies, may misjudge a company or municipality which could result in a declining bond price or potential default by the issuer. In all bond portfolios (taxable and non-taxable) particular attention is paid to the duration and average maturity of the portfolio as longer dated issues will be subject to price declines in the event of a rising interest rate environment.

Asset Allocation

We believe asset allocation is an important factor in managing risk in client portfolios. We meet with clients in an attempt to determine their long term goals, risk tolerance, time horizon, tax constraints, income needs and other factors to arrive at a particular asset allocation mix. Then we attempt to identify an appropriate ratio of equities, fixed income (bonds) and cash to help the client meet his/her long term objectives with an appropriate level of risk. Balanced portfolios with exposure to stocks, bonds and cash are utilized for many clients who desire to take less risk than would be the case with an all equity portfolio. Risks of asset allocation could result from the client or the manager not properly identifying the true risk profile of the client. Furthermore, a client's risk profile must be continuously monitored as their financial situation and objectives can change, which could possibly result in a need to change the asset mix of the portfolio.

Mutual Fund and/or ETF Analysis When utilizing mutual funds and/or exchange traded funds in portfolios we look at the experience and track record of the manager in an attempt to determine if the manager has demonstrated the ability to successfully invest over a period of time and in different economic conditions. We also examine the costs of the fund/ETF to determine if the management fees and expense ratios are reasonable and how they compare with their peer group. We also monitor the funds or ETFs in an attempt to determine if they are following their stated investment objective. A risk of our mutual fund and/or ETF analysis is that past performance does not guarantee future results. A manager who has been successful in the past may not be able to replicate their success in the

future. Further risks can arise due to a manager deviating from their stated objective or a manager change at the fund and/or ETF. While we will attempt to monitor such events, the fund/ETF could decline before we might identify the fact that the fund/ETF has become less successful at meeting their stated objectives.

Holding Periods

We typically purchase securities with the idea of holding them in client portfolios for a year or longer. Taxation on long term gains (in taxable accounts) is lower than that on short term gains and we clearly attempt to take advantage of that for our clients. While our goal is to invest for periods longer than one year, there are times when we will sell securities from the client portfolio before the security gain or loss has become a long term gain (loss). This could be the result of the company's stock becoming what we deem to be over-valued or it could be the result of what we believe to be a deteriorating fundamental issue that could result in a decline (or further decline) in the share price. In cases such as these we will likely sell the security with little regard as to the holding period. While this may be less advantageous from a tax standpoint we would be viewing the move as one to protect portfolio capital. More frequent trading will likely result in higher trading costs as well, which could be detrimental to long term returns.

Investing in securities such as the types of securities used by us in managing your assets or providing you investment advice involves the potential risk of loss in the value of the securities both in the amount invested in the securities as well as any profits which have not been realized by selling the securities. You should be prepared to bear the risk of such losses. The degree of risk depends upon the type of security or strategy involved.

Additional investment strategies for JAM Partners, LP (the Fund)

The investment objective of JAM Partners, LP is to maximize growth when market conditions are favorable and preserve capital when market conditions are deemed to be unfavorable. In seeking this objective the Fund will utilize (on the long side) the same value approach to investing as described in the Fundamental Analysis section above. In addition, the fund may also acquire securities involved in merger or tender offer arbitrage situations if deemed attractive on a risk-reward basis. Technical analysis which relies on charting and sentiment indicators may also be used in conjunction with fundamental analysis in an attempt to better time purchase and sale transactions. In addition, short-term trading strategies may be implemented as the focus for JAM Partners, LP is on generating absolute returns, with less emphasis on obtaining a long term holding period. For this reason, we would anticipate less focus on tax efficiency for JAM Partners, LP than our separate managed accounts.

The Fund will attempt to reduce the exposure to the risk of a decline in the equity markets primarily by means of short sales and the purchase of put options. The Fund will engage in short selling where the underlying company is deemed by our fundamental analysis to be overvalued or excessively priced in the marketplace. Once again technical analysis might be used in conjunction with fundamental analysis to time short sales and respective closing transactions. While the attempt is to generate market returns by security selection rather than market direction, there can be no assurance that our strategy will prove successful.

The asset allocation decision between stocks (long and short positions), bond (long and short positions) and cash will be dependent upon perceived market risk levels and expected asset class returns. When conditions are favorable the “net long” positions will be increased and when conditions are deemed to be unfavorable the “net long” position will be reduced and the portfolio could possibly be structured to be in a “net short” position.

Risk factors facing investors in JAM Partners, LP include the fact that we can utilize margin (borrowed money) in the Fund’s custodian brokerage account. This allows you to purchase more stock than you would be able to with your available cash and tends to magnify gains and or losses. Further risk arises from the margin interest expense which would become an expense to the Fund depending upon the amount of money borrowed and current levels of interest rates.

Short selling also poses an additional risk to the JAM Partners, LP investors. In short selling losses can be infinite, where in a long position you can never lose more than your original investment. In addition, while the analysis can be correct about the overvaluation of a security, the timing can be off, resulting in potential losses. Also problematic is the fact that if a stock is also viewed by others as overvalued and is heavily shorted, the result can be a “short squeeze”. This happens because as shorts are covered, the price of the security is pushed higher, which in turn forces others to cover, forcing the price even higher.

JAM Partners, LP is available only to qualified accredited investors. Additional information about the Fund investment strategies is provided in the offering documents.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable regulatory or disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

William A. Vogel, a minority owner and non-managing Member of JAM, is the President and Chief Executive Officer of Montag and Caldwell, Inc., a registered investment adviser, not affiliated with JAM. There are no referral arrangements between our firm and Montag and Caldwell, Inc. No JAM client is obligated to use the advisory services of Montag and Caldwell, Inc., as no Montag and Caldwell, Inc. advisory client is obligated to use our advisory services. Mr. Vogel will not provide investment advice on behalf of JAM. Policies and procedures have been instituted by JAM to ensure that Montag and Caldwell does not have knowledge of JAM's trades prior to implementation and vice versa.

JAM may invest client's assets in Montag & Caldwell mutual funds which are advised by Montag & Caldwell, Inc. Investing in Montag & Caldwell mutual funds presents a conflict of interest for JAM because investing in its mutual funds benefits Montag & Caldwell, Inc., and Mr. Vogel indirectly, through the advisory fees earned from JAM client assets invested in these funds.

This conflict is addressed through disclosure in this brochure. The review and purchase of a Montag & Caldwell fund is the same as any other mutual fund in which we invest. In relation to total fund assets, the amount invested by JAM is deemed by us to be insignificant.

JAM is affiliated with WST through WST's ownership of a minority interest in JAM. WST is an investment management firm based in Norfolk, VA. WST is a registered investment advisory firm privately owned by its principals and Wealthtrust, LLC, a non-voting interest owner and financial holding company. WST currently manages approximately \$2.5 billion of client assets. WST was founded in 1990 and has additional offices in Chapel Hill and Raleigh, NC.

JAM and WST may provide sub-advisory services to each other under written agreements and may refer potential clients to each other for investment management services for which JAM or WST will receive compensation as a sub-advisor, for its referral and / or sub-advisory services. Please refer to Item 4. Advisory Business and Item 14. Client Referrals and Other Compensation for additional information.

These relationships may create a conflict of interest on the part of each firm in referring clients or providing sub-advisory services to the other firm. JAM addresses this conflict by disclosing these relationships to clients and prospective clients in this brochure and in other written disclosures provided to clients.

JAM is the general partner of JAM Partners, LP (the Fund). JAM has primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the Fund. JAM and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business. JAM and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Fund, but could be allocated between the business of the Fund and other of our business activities and those of our affiliates.

Investments in the Fund may be recommended to qualified and eligible advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our

firm. Clients who invest in the Fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. JAM manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's offering and organizational documents.

Clients should be aware that the receipt of additional compensation by JAM and its owners, management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. JAM endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investments or investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance; - our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are appropriate to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and - we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

JAM and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the reporting and review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by

the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement). Our code also provides for oversight, enforcement and recordkeeping provisions.

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email to tsapp@jolleyasset.com, or by calling us at (252)451-1450.

JAM and individuals associated with our firm are prohibited from engaging in principal and agency cross transactions. Such transactions present conflicts of interest with clients and are therefore prohibited.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

Item 12 Brokerage Practices

For discretionary clients, JAM requires these clients to provide us with written authority to determine the broker-dealer to use.

JAM will aggregate trades where possible and when advantageous to clients. This aggregation of trades permits the trading of blocks of securities composed of assets from multiple client accounts, so long as transaction costs are pro-rated between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable and efficient manner, at an average share price. JAM will typically aggregate trades among clients whose accounts can be

traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. JAM's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with JAM, or our firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit and enable JAM to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client, the client account's asset size or other requirements.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) JAM client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for that account.

9) Funds and securities for aggregated orders are clearly identified on JAM's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

We have established a Best Execution Committee which periodically reviews our brokerage practices and the reasonableness of compensation or other remuneration paid to brokerage firms and monitors our efforts to see best execution of client transactions.

JAM may recommend that clients establish brokerage accounts with the Schwab Institutional Division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts.

Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with and to use the brokerage services of Schwab. JAM is independently owned and operated and not affiliated with Schwab.

Schwab provides JAM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit JAM but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;

- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

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

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab Institutional may make available, arrange and/or pay third-party vendors for the types of services rendered to JAM. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at and use the brokerage services of Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab and Schwab Institutional, which may create a potential conflict of interest.

Directed Brokerage: JAM will execute transactions through a particular brokerage firm as a result of your decision to direct us to execute transactions through a particular brokerage firm or as a result of your decision to participate in a "wrap fee" arrangement in which case trades are generally executed through the brokerage firm with which you have entered into the "wrap fee" arrangement. In this situation, you will be responsible for negotiating the commission rates you pay, not us. You should be aware that our inability to negotiate commissions, obtain volume discounts and that best execution may not be achieved for transactions in your account(s). As a result, transactions in accounts directed by you to a particular brokerage firm may result in higher commissions, greater spreads or less favorable net prices than would be the case if we were authorized to choose the brokerage firm through which to execute transactions for your account(s). You should also be aware that disparities in commission charges for similar transactions in accounts in different clients of ours may exist and that there is a conflict of interest arising from such directed brokerage practices.

You should be aware that transactions for accounts which we have been instructed by you to direct to a specified brokerage firm may be placed subsequent to transactions we enter from client accounts where we determine the brokerage firm through which to execute transactions for clients. This may result in less favorable execution for those accounts where we have been instructed by you to direct trades to a specified brokerage firm for execution.

You should be aware that you have brokerage options which you should consider other than instructing us to direct your transactions to a particular brokerage firm including the use by us of other brokerage

firms we determine to use for execution of client transactions possibly at a lower commission cost and that this option may be available through us.

Trade Errors: Error in executing client transactions may occur from time to time which we will seek to correct on a timely basis so that you will not incur a loss or other costs as a result of any such errors. Any loss or costs incurred as a result of the corrections of such errors will be borne by us or by your broker/custodian while any market gains resulting from the correction of such errors will usually be retained by your broker/custodian or you.

Item 13 Review of Accounts

As a registered adviser, and as a fiduciary to our advisory clients, JAM obtains substantial background information about each client's financial circumstances, investment objectives, and risk tolerance, among other things, through in-depth interviews and information gathering processes which includes client profile and relationship forms. Clients may also have and provide written investment policy statements or written investment guidelines that the firm reviews, approves and monitors as part of the firm's investment services, subject to any written revisions or updates received from a client. JAM reviews client portfolios on an ongoing basis with both client services personnel and portfolio managers working on a team approach.

JAM provides quarterly written reports to clients that include important information about the client's financial situation, portfolio holdings, values and transactions, among other things. JAM also provides performance information about the client account's performance, which also includes relevant market index or benchmark information.

Investment professionals may also schedule client meetings on a periodic basis, or request basis, to review a client's portfolio, performance, market conditions, financial circumstances, and investment objectives, among other things, to confirm that JAM's investment decisions and services are consistent with the client's objectives and goals. Meetings or reviews may also be triggered by market, economic or political changes, among others.

Item 14 Client Referrals and Other Compensation

JAM may from time to time enter into written agreements with other persons or companies who refer potential clients to us in exchange for a referral or solicitor fee which typically is a percentage of the fee we receive from the referred client for our services. This means that the persons or companies who refer potential clients to us as described will have a financial interest in your selecting us to provide you services. If you are referred to us through an arrangement like this, you will receive a written document which will disclose that we have an arrangement with the solicitor, any affiliation between us and the

solicitor, and a description of the compensation the solicitor will receive from us if you establish an account with us. The fee we charge you for our services will not be increased as a result of our use of these referral arrangements.

In addition, JAM may pay referral fees to persons and companies including WST, which are affiliated with JAM (Please refer to Item 10. Other Financial Industry Activities and Affiliations for additional information) and we may also compensate our employees, including our portfolio managers, who refer potential clients to us for our services. Thus, the affiliated company and/or employee will have a financial interest in the selection of JAM by the client for investment management services.

While JAM and WST may refer prospective clients or clients to each under these referral arrangements, no prospective client is obligated to engage either JAM or WST for their respective advisory services and may select any adviser of their choice.

It is JAM's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 Custody

Our firm is deemed to have custody 1) to the extent advisory clients authorize JAM to directly debit advisory fees from client custodian accounts and 2) for acting as general partner and investment manager of JAM Partners, LP. We may also bill clients for quarterly management fees upon request.

Consistent with appropriate guidelines, as part of this advisory client billing process, the client's custodian is advised of the amount and calculation of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions including deduction of advisory fees within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the fees, among other things. Clients should contact us directly and promptly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their qualified custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current and to notify us promptly of any discrepancy.

Item 16 Investment Discretion

We will accept discretionary investment authority over your assets if you agree to such an arrangement. This is typically accomplished through execution of a limited trading authority contained in your client agreement with us or through similar authority contained in a wrap fee arrangement you may execute with the brokerage firm which established the wrap fee arrangement. When executing your client agreement with us, you can further limit the extent of discretionary investment authority to be granted to us although this may impact the level of services we can provide you. You may also place restrictions on our authority such as instructions not to make investment in certain industries or to not sell certain investment you may have due to possible adverse tax consequences to you.

Item 17 Voting Client Securities

Generally, we generally vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict.

Clients may obtain a copy of our proxy voting policies and procedures by contacting Terry Sapp by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

Item 18 Financial Information

JAM has no additional financial circumstances to report and has not been the subject of a bankruptcy proceeding at any time since inception.

Under no circumstances does our firm require or solicit the pre-payment of fees in excess of \$1200 per client more than six months in advance of services rendered. In fact, all client billings are done in arrears.

Part 2B of Form ADV: Brochure Supplement

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This brochure supplement provides information about Frank G. Jolley that supplements the Jolley Asset Management, LLC Firm Brochure. You should have received a copy of that brochure. Please contact Terry Sapp, Chief Compliance Officer, if you did not receive Jolley Asset Management, LLC's Firm Brochure or if you have any questions about the contents of this supplement. Additional information about Frank G. Jolley is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Frank graduated from the University of North Carolina at Chapel Hill with a B. S. in Business Administration in 1979. Frank has served as President of Jolley Asset Management, LLC (JAM) since its formation in July, 1998. Prior to founding JAM, he was employed by Centura Bank, now a subsidiary of RBC Financial Group, as Vice-President and Portfolio Manager of the Trust/Investment area from October 1990 until July 1996 and as Chief Investment Officer of the Trust/Investment area from July 1996 until August, 1998. Frank received his Chartered Financial Analyst (CFA) designation in September 1994.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute - the largest global association of investment professionals.

There are currently more than 90,000 CFA charter holders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter holders to:

Place their clients' interests ahead of their own

- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charter holders-often making the charter a prerequisite for employment. Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession. To learn more about the CFA charter, visit www.cfainstitute.org.

Year of birth 1956.

Item 3 Disciplinary Information

Frank G. Jolley has no reportable disciplinary or regulatory events to disclose.

Item 4 Other Business Activities

Frank G. Jolley has no other business activities or affiliations to report and devotes all his business efforts and time to Jolley Asset Management, LLC.

Item 5 Additional Compensation

Frank G. Jolley receives no reportable additional compensation.

Item 6 Supervision

Frank Jolley, President, has overall responsibility for the management of the firm, supervision of the investment professionals and employees and setting business initiatives and strategies, among other things.

Part 2B of Form ADV: Brochure Supplement

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This brochure supplement provides information about Terry W. Sapp that supplements the Jolley Asset Management, LLC Firm Brochure. You should have received a copy of that brochure. Please contact Frank Jolley, President, if you did not receive Jolley Asset Management, LLC's Firm Brochure or if you have any questions about the contents of this supplement.

Additional information about Terry W. Sapp is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Terry is Vice-President--Portfolio Manager, Controller and Chief Compliance Officer of Jolley Asset Management, LLC (JAM). She graduated from East Carolina University with a B.S. in Business Administration in 1985. Terry joined JAM in February 2004. Prior to joining Jolley Asset Management, LLC she was employed as a portfolio manager by the Raleigh, NC office of Voyageur Asset Management, Inc. a subsidiary of RBC Financial Group from January 2003 through January 2004. From June 1985 through December 2002, Terry was employed as a portfolio manager/trust investment operations manager by Centura Bank, also a subsidiary of RBC Financial Group. She received her Certified Public Accountant certificate in November 1994 and her Chartered Financial Analyst (CFA) designation in October 2003.

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The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession. To learn more about the CFA charter, visit www.cfainstitute.org.

Year of birth 1963.

Item 3 Disciplinary Information

Terry W. Sapp has no reportable disciplinary or regulatory events to disclose.

Item 4 Other Business Activities

Terry W. Sapp has no other business activities or affiliations to report and devotes all her business efforts and time to Jolley Asset Management, LLC.

Item 5 Additional Compensation

Terry W. Sapp receives no reportable additional compensation.

Item 6 Supervision

Terry W. Sapp is supervised by Frank G. Jolley, President and CIO of Jolley Asset Management, LLC. This supervision includes the investment advice that is provided to clients. Frank can be reached by calling (252)451-1450 ext. 1.

Part 2B of Form ADV: Brochure Supplement

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This brochure supplement provides information about Florence H. Alston that supplements the Jolley Asset Management, LLC Firm Brochure. You should have received a copy of that brochure. Please contact Terry Sapp, Chief Compliance Officer, if you did not receive Jolley Asset Management, LLC's Firm Brochure or if you have any questions about the contents of this supplement.

Additional information about Florence H. Alston is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Florence is Vice-President--Client Services of Jolley Asset Management, LLC (JAM). She graduated from Peace College in Raleigh, NC with an Associate of Science Degree in Business in 1972. She completed Southeastern Trust School at Campbell University in 1982 and Cannon Trust School, Cannon Financial Institute in 1996. Prior to joining JAM in June 2001, Florence served as Financial Advisor with Centura Bank. From 1990 until 2001, Florence also held the position of Trust Administrator of Centura Bank. From 1981 until 1990, Florence was Manager of Trust Real Estate for Peoples Bank & Trust Company. She received her Certified Trust and Financial Advisor Designation in 1996.

The Certified Trust and Financial Advisor (CTFA) designation, sponsored by the ABA Institute of Certified Bankers, exists to promote professional competence in the wealth management and trust profession. The certification aims to provide wealth management and trust professionals with a form of recognition based on attainment of prescribed standards of knowledge. For management and the public, the designation is an indication of wealth management and trust professionals who possess the knowledge and skills required by the profession.

Certification for CTFA is a voluntary process and is managed by the Institute of Certified Bankers (ICB), a subsidiary of the American Bankers Association, along with practicing CTFA advisory board members. Qualification for the CTFA designation requires substantial levels of experience and education, including a minimum of three years of experience in wealth management and completion of an ICB-approved training program.

A letter of recommendation and commitment to the ICB Code of Ethics are also required. Earning the designation involves passing a comprehensive exam covering fiduciary and trust activities, financial planning (includes retirement planning, estate transfer planning and income tax planning), tax law and planning, investment management and ethics.

Maintaining the certification requires completing 45 credits of continuing education every three years with a minimum of six hours in the four core knowledge areas – fiduciary and trust activities, financial planning, tax law and planning, and investment management – plus three continuing education credits in ethics.

Year of birth 1952.

Item 3 Disciplinary Information

Florence H. Alston has no reportable disciplinary or regulatory events to disclose.

Item 4 Other Business Activities

Florence H. Alston has no other business affiliations or activities to report and devotes all her business efforts to JAM.

Item 5 Additional Compensation

Florence H. Alston receives no reportable additional compensation.

Item 6 Supervision

Florence H. Alston is supervised by Frank G. Jolley, President and CIO of Jolley Asset Management, LLC. This supervision includes the investment advice that is provided to clients. Frank can be reached by calling (252)451-1450 ext. 1.