

Ramsey & Associates, Inc.

SEC File Number: 801 – 56341

ADV Part 2A, Firm Brochure

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This Brochure provides information about the qualifications and business practices of Ramsey & Associates, Inc. If you have any questions about the contents of this Brochure, please contact us at (206) 324-1950 or Karen@ramseyassoc.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

References herein to Ramsey & Associates, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training

Item 2 Material Changes

There have been no material changes made to this ADV Part 2A, Firm Brochure since the March 29, 2016 Annual Amendment filing.

Ramsey & Associates, Inc.’s Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding this Brochure.

Item 3 Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-by-Side Management	9
Item 7	Types of Clients.....	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9	Disciplinary Information	10
Item 10	Other Financial Industry Activities and Affiliations	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12	Brokerage Practices	12
Item 13	Review of Accounts.....	14
Item 14	Client Referrals and Other Compensation.....	14
Item 15	Custody.....	14
Item 16	Investment Discretion.....	15
Item 17	Voting Client Securities.....	15
Item 18	Financial Information	15

Item 4 Advisory Business

- A. Ramsey & Associates, Inc. (the “Registrant”) is a corporation formed on December 22, 1995 in the State of Washington. The Registrant became registered as an Investment Adviser Firm in 1995. The Registrant is owned by Karen S. Ramsey, who serves as the Registrant’s President and Chief Compliance Officer.
- B. As discussed below, the Registrant offers to its clients (individuals and high net worth individuals) combined investment advisory services and financial planning and related consulting services and internet-based investment advisory services.

RAMSEY & ASSOCIATES - INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide combined non-discretionary investment advisory services and financial planning and related consulting services on a *fee-only* basis.

Limited Discretionary Authority: The Registrant, pursuant to the terms of an *Investment Advisory Agreement*, may be granted discretionary authority, (i.e., ability to effect account transactions without prior consultation or authorization from the client) limited to investment grade fixed income securities (i.e., certificates of deposit, U.S. Treasury and agency obligations, corporate and municipal bonds, etc.) transactions for client accounts.

The scope of the ongoing annual financial planning and/or related consultation services to be rendered by Registrant is intended to generally be limited to reviewing/evaluating/ revising Registrant’s previous recommendations and/or services relative to a change in the client’s financial situation and/or investment objectives. In the unlikely event that a client requires extraordinary financial planning and/or consultation services, Registrant may increase the fee during the remainder of the year, the dollar amount of which increase shall be determined by Registrant, and set forth in a separate written notice from Registrant to the client. Registrant’s fee schedule (i.e. percentages [%]) is subject to review and change on an annual basis. However, no increase in the fee schedule shall be effective without prior written notification to the client.

RAMSEY INVESTING.COM - INTERNET INVESTMENT PROGRAM

The Registrant has developed an internet-based investment program (the “Program”). Prior to becoming a Program client, the client will be required to complete and/or execute certain documentation, including a Program agreement setting forth the contractual terms and conditions of the engagement and a *Risk Tolerance Questionnaire*. Upon review of the *Risk Tolerance Questionnaire* and if desired by the client, an initial telephone consultation will take place between Registrant and the client.

The Registrant shall then allocate the investment assets, on a discretionary basis, into a model portfolio (the “Portfolio”) as determined by the *Risk Tolerance Questionnaire* and the initial telephone conversation. The client shall also direct Registrant to allocate the investment assets within the Portfolio in underlying investments that are characterized by Registrant as Active, Socially Responsible or Passive investment style. Thereafter, Registrant is authorized, without prior consultation with the client, to rebalance the assets within the Portfolio on an ongoing, periodic, basis to maintain the designated asset

allocation. Additionally, at Registrant's discretion, Registrant may also make tactical adjustments or partial rebalances to the portfolio at any time.

The underlying mutual funds and/or exchange traded funds ("ETFs") that comprise a Portfolio are subject to change at the exclusive discretion of Registrant. However, Registrant shall continue to manage the assets within the initial designated Portfolio until such time as the client has notified Registrant, in writing (electronic mail will suffice), that there has been a change in his/her financial situation and/or investment objectives, and has submitted a new *Risk Tolerance Questionnaire* for review by Registrant.

Unless the client prior notifies Registrant about a change in his/her financial situation and/or investment objectives, the extent of Registrant's interaction with the client shall be limited to up to three initial telephone consultations and, thereafter, an optional twelve (12) month annual review telephone conference to review account performance and investment objectives. It remains the client's exclusive responsibility to notify Registrant of any changes in his/her investment objectives and/or financial situation. Registrant shall not be required to verify any information obtained from client and is expressly authorized to rely thereon.

All information and documentation pertaining to the Program, including Portfolio descriptions, *Risk Tolerance Questionnaire*, Registrant's written disclosure statement and Privacy Notice, and account reports prepared by Registrant shall be exclusively described and included on the internet web site and all other communications (except for the twelve (12) month annual telephonic review discussed above, termination, and notice of death or disability) between Registrant and the client shall be made primarily electronically via the website and/or email.

The service to be provided by Registrant is limited to the management of the assets under the Program and **does not** include financial planning, tax planning, insurance planning, estate planning, or any other related or unrelated consulting services

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Limitations of Non-Investment Consulting/Implementation Services. If the client engages Registrant to provide Investment Advisory Services not under the Internet Investment Program and to the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as legal, accounting, or insurance implementation services. Accordingly, the Registrant **does not** prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the

purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services.

Independent Managers. Registrant may also recommend that certain clients authorize the active discretionary management of all or a portion of their assets among certain independent investment manager(s) (the "*Independent Manager(s)*") to be recommended by Registrant, based upon the stated investment objectives of the client, in accordance with the terms and conditions of the investment management program sponsored by Envestnet Asset Management ("*Envestnet*") and such other investment management programs as Registrant determines may be appropriate for its clients. The terms and conditions (including the amount of fees to be paid to the *Independent Manager(s)*) under which the client shall engage the *Independent Manager(s)* shall be set forth in a separate written agreement between the client and *Envestnet*. Registrant shall continue to render advisory services to the client relative to ongoing financial planning and the monitoring and review of the *Independent Manager(s)* performance, for which Registrant shall receive an annual advisory fee, to be determined and billed quarterly by *Envestnet*, in arrears, based upon a percentage of the market value of the assets on the last business day of the preceding quarter.

Annual Financial Planning Review Services. To the extent specifically requested by the client, and agreed to by Registrant, Registrant *may* continue to provide annual financial planning review services on an hourly fee basis.

National Advisors Holdings, Inc. Registrant's Principal, Karen S. Ramsey, is a shareholder of National Advisors Holdings, Inc. ("NAH"), a Delaware corporation. Ms. Ramsey holds a minority interest, in the aggregate, of the outstanding stock of NAH. NAH has formed a federal trust company known as National Advisors Trust Company ("NATC"). NATC provides trust services to clients of investment advisory firms such as Registrant.

Other Business Interests. Registrant's Principal, Karen S. Ramsey, is the sole owner and member of Ramsey Seminars LLC, a limited liability company that provides non-investment related seminars to the general public.

Ms. Ramsey is a fifty percent (50%) member of R-S, LLC. R-S, LLC, is a real estate holding entity, whose sole asset is Registrant's office space. No clients of Registrant are solicited to invest in this entity.

Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal, electronic or written consent to any such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) **without first obtaining the client's verbal, electronic or written consent.**

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written disclosure statement as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such a rollover recommendation.**

Use of Mutual Funds. While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publically-available mutual funds that they could obtain without engaging Registrant as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging Registrant as an investment advisor, they would not receive the benefit of Registrant's initial and ongoing investment advisory services.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). Investment Advisory Services clients may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in certain unaffiliated wrap fee programs. The program for which Registrant manages investment advisory accounts on a discretionary basis is sponsored by Envestnet Asset Management ("*Envestnet*"). With respect to this wrap-fee program, clients pay their fees directly to the sponsoring brokers who, in turn, remit a portion of those fees to Registrant. The advisory fees remitted to

Registrant are based upon an annual percentage of assets under management, and are calculated by the sponsoring brokers either on a quarterly basis or a monthly basis.

Please Note: (Wrap/Managed Account programs): In the event that Registrant is engaged to provide investment management services as part of an unaffiliated wrap-fee program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that Registrant is engaged to provide investment management services as part of an unaffiliated managed account program, Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

- E. As of December 31, 2016, the Registrant had \$51,946,106 in assets under management on a discretionary basis and \$140,342,575 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services and financial planning services on a *fee-only* basis.

RAMSEY & ASSOCIATES - INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide combined non-discretionary investment advisory services and financial planning and related consulting services on a negotiable *fee-only* basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management* as follows:

<u>ASSETS UNDER MANAGEMENT</u>	<u>ANNUAL FEE</u>
Initial \$1 Million	1.00%
\$1,000,001 to \$5,000,000	0.50%
\$5,000,001 and over	0.40%

* Please Note – If the client directs the Registrant to manage certain assets that it acquired before executing an investment advisory agreement with the Registrant, (“Legacy Assets,”) those assets will be included as part of the total assets under management and the client will incur a corresponding fee with respect to those Legacy Assets. However, if the Client does not direct the Registrant to actively manage Legacy Assets according to an investment advisory agreement, the Registrant does not include those Legacy Assets in its calculation of total assets under management.

RAMSEY INVESTING.COM - INTERNET INVESTMENT PROGRAM

If a client determines to engage the Registrant on a discretionary basis to provide investment advisory services under the Registrant's Internet Investment Program, the Registrant's annual investment advisory fee shall be 1.00% of the market value and type of assets placed under the Registrant's management. **

** Please Note – The Registrant imposes a minimum fee of \$1,000 on all Internet Investment Program accounts.

- B. The Registrant's advisory fees are deducted from the client's custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. Registrant's annual investment advisory fee shall be prorated and paid monthly, in arrears, based upon the market value of the assets, adjusted for inflows and outflows, on the last business day of the previous month. **Please Note: All Ramsey Investing.com clients shall have their advisory fees deducted from their accounts.**
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Tradeaway/Prime Broker Fees. Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian.

With respect to the unaffiliated wrap fee program sponsored by Envestnet, clients shall pay two sets of fees for management of their account. In particular, clients will pay the Registrant's annual investment advisory fee as discussed under Item 5A above, in addition to: (i) a program fee ranging between 0.2% and 0.4%; and (ii) separate account manager fees ranging between 0.4% and 0.5%.

- D. Registrant's annual investment advisory fee shall be prorated and paid monthly, in arrears, based upon the market value of the assets, adjusted for inflows and outflows, on the last business day of the previous month.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall debit the

account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing month.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals and high net worth individuals. The Registrant generally requires a \$750,000 minimum asset level for investment advisory services provided to non-Internet Investment Program clients. The Registrant generally requires a \$1,000 minimum annual fee for Internet Investment Program accounts. Therefore, if a client maintains less than \$100,000 in an Internet Investment Program account and is subject to the \$1,000 minimum fee, the client will pay a higher percentage annual fee than 1%. However, the Registrant, in its sole discretion, may reduce its investment advisory fee and/or reduce or waive its minimum asset requirement for non-Internet Investment Program clients or its minimum annual fee requirement for Internet Investment Program clients based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
 - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Please Note: Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies

recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds, on a non-discretionary basis, and *Independent Manager(s)* in accordance with the client's designated investment objective(s). (*See Independent Managers above*).

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least annually, in addition to a written report of the Access Person's quarterly transactions; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* and/or *Envestnet* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, and/or mutual fund / product sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Envestnet* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *Envestnet* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. The Registrant does not receive referrals from broker-dealers.
3. Directed Brokerage. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients who have engaged the Registrant to provide investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review Investment Advisory Services (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment management services will have access to a quarterly report from the Registrant's website, if applicable, summarizing account status and performance. Clients of Registrant's Internet Investment Internet investment program will have access to performance reports on the Registrant's website at any time.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive economic benefits from *Schwab* and/or *Envestnet*, including support services and/or products without cost (and/or at a discount).

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Envestnet* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *Envestnet* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. **The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a monthly or quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The Registrant may be engaged by Investment Advisory Services Clients to provide services on a limited discretionary basis. These clients may only engage the Registrant to provide discretionary services relating to their individual bond portfolios. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. Except with respect to those assets managed by an *Independent Manager*, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.