

Investment Advisor Brochure - Colley Asset Management, Inc.

Item 1: Cover Page

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Colley Asset Management, Inc. (“Advisor”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”). Registration does not imply a certain level of skill or training.

This brochure provides information about the Advisor’s qualifications and business practices. If you have any questions about the contents of this brochure, please contact us at (518) 581-0500 or email us at jjjm@capital.net. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Colley Asset Management, Inc. is available on the SEC’s website at www.advisorinfo.sec.gov.

Item 2: Material Changes

This brochure contains no material changes since the Advisor’s last annual update.

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Item 4: Advisory Business

- A. Description of Advisory Firm: Colley Asset Management, Inc. was formed on March 24, 1994. The Advisor is wholly owned by John Earl Colley.
- B. Description of Advisory Services Offered: The Advisor provides investment supervisory services to clients.
- C. Flexibility of Services: The Advisor primarily serves a clientele (each a "Client") whose primary investment objective is growth of capital above the rate of inflation, matching risk tolerance with general market benchmarks. Clients have short term and long term investment objectives. The Advisor's strategies may not be suitable for all investors. The Advisor will tailor a recommended allocation among investment strategies to individual Clients' objectives and risk tolerance. For some Clients, stop loss protections and benchmark triggers may be implemented.
- D. Description of Wrap Fee Programs: The Advisor does not offer or participate in wrap fee programs.
- E. Client Assets: As of December 31, 2011, the Advisor managed \$75,880,000 of Client assets on a discretionary basis and \$28,770,630 of Client assets on a non-discretionary basis. The Advisor managed 425 Client accounts, with a total of \$104,650,630.00 under management.

Item 5: Fees and Compensation

- A. Basis of Compensation: The Advisor offers investment advisory services which are compensated either by a percentage of assets under management or by a fixed fee. Generally, the Advisor charges an annual fee of 1% of the market value of account assets, which is paid quarterly. Fees may be negotiated based on unique circumstances. The Advisor also offers the alternative of charging a fixed fee for overseeing separately managed accounts, whereby the Advisor oversees a Client's accounts with unrelated third parties, such as broker-dealers (other than the Designated Broker, as that term is defined in Item 12.A) or bank accounts. The fixed fee for such separately managed accounts is based on a number of circumstances, including but not limited to the size of the account, number of accounts and degree of difficulty (e.g., reporting requirements, frequency of client contact and amount of required documentation). Other considerations include tax reporting requirements, pledged or margin accounts, and the degree of the Advisor's review of Client assets held by third parties, such as risk assessment and/or allocations. The Advisor charges a fixed fee of up to 1% of the assets under management for separately managed accounts, but no less than \$100 for any such account. Clients may also be separately invoiced by third parties who compensate the Advisor by outside billing payments pursuant to the terms of the Client's written investment advisory agreement (generally, the "Advisory Agreement").

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- B. Method of Fee Collection: The Client authorizes the Advisor to directly deduct advisory fees (“Advisory Fee” or “Advisory Fees”) from the Client’s account in accordance with the terms of the Client’s Advisory Agreement. The Advisor’s fees do not include, and are in addition to, fees that may be charged by the Client’s account custodian. In all cases, the Advisor sends invoices to the Client’s account custodians, authorizing the quarterly deduction of the Advisor’s fee per the terms of the Client’s Advisory Agreement.
- C. Other Fees and Expenses: Currently, the Advisor does not charge any other fees to or impose any other expenses on Client accounts for its advisory services. The Advisor may charge additional fees in the future pursuant to a prior written agreement with the Client.
- D. Timing of Fees: Management Advisory fees are charged on a quarterly basis and billed in advance in accordance with the Advisory Agreement between the Advisor and the Client. Clients having fixed fee arrangements are generally billed quarterly or annually, as negotiated with the Client.
- E. Commissions: The Advisor’s principal, John E. Colley (the “Principal” or “Mr. Colley”), does not receive a commission for the sale of securities or other investment products. The Advisor currently does not have any “supervised personnel” (as defined by the SEC).

Item 6: Performance-Based Fees

Performance-Based Fees: The Advisor does not charge performance-based fees.

Item 7: Types of Clients

Types of Clients: Clients include individuals, trusts, corporations and other business entities. The Advisor has acted as investment advisor, pursuant to the Advisor’s standard Advisory Agreement, for several irrevocable trusts of which the Advisor’s Principal (a related person), was the Trustee. Each of these trust clients entered into an exclusive custodial agreement with a third-party registered broker-dealer (not the Advisor) such that the Advisor did not act as custodian for any such Client’s assets, all of which were registered in street name with the independent custodian. Mr. Colley does not currently serve as Trustee for any existing Client and/or Client accounts.

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

- A. Methods of Analysis: The Advisor follows a four-factor investment analysis approach. The four factors are: Value, Quality, Diversification and Performance. While the Advisor focuses on fundamental analysis, all methods of analysis are deemed relevant in the Advisor’s investment advice to Clients, including but not limited to fundamental analysis,

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economic analysis, cyclical analysis, political analysis, social analysis, military analysis, psychological analysis, and technical analysis and charting, including peer review analysis. The Advisor's analytical methods include technical charting, fundamental, technical and cyclical analysis. The sources of information used by the Advisor may include inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports and prospectuses and filings with the SEC, company press releases and financial newspapers and magazines. Investment strategies used by the Advisor to implement any particular investment advice given to a particular Client may include long term purchases (securities held at least twelve months), short term purchases (securities sold within twelve months), trading (securities sold within 30 days), short sales, margin transactions and option writing that may include covered options, uncovered options or spreading strategies. All of these methods are utilized from time to time in varying degrees to study general and specific investments situations. The Advisor regularly (as frequently as weekly) examines the core investment holdings of all Client accounts.

The Advisor generally follows a conservative, value-oriented investment approach and is committed to personalized Client service and seeking to achieve superior investment performance.

The Advisor's approach is both disciplined and consistent, and one that is based on the conviction that an impressive long-term rate of return from assets under management can best be achieved by having equities (e.g., common stock) as a significant component of a Client's long-term investment strategy, while also recognizing the positive leverage and income element which fixed-income securities can provide during different economic and interest rate climates. Changes in economic, social and political conditions also impact investment choices and forecasts.

The Advisor's equity investment philosophy can be summarized in four words: Value-Quality-Diversification-Performance. The Advisor's equity selection process involves careful evaluation of:

- * Macro and Micro economic trends, including global economic factors;
- * Cash flow and earnings growth;
- * Return on equity (ROE);
- * Return on assets (ROA);
- * P/E multiples and historical earnings analysis (peer group comparisons and PEG's);
- * Book value and ratios;
- * Quantitative and qualitative;
- * Strength of financial statements;
- * Competitive position within major markets, including sector and peer analysis;
- * Risk/reward tolerance;

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- * Check in on client comfort levels, patience, preservation of principal concerns
- * Geo-political factors;
- * Investor and/or consumer sentiment surveys; and
- * SEC filings.

The Advisor also weights domestic and international business sectors based on industry leadership, macro overview, and fundamentals relative to the stock market as a whole.

The Advisor's fixed-income management philosophy is based on the belief that active management of fixed-income assets can significantly enhance total returns by decreasing the potential affect of various risk factors. After considering individual investment objectives, the Advisor's management of both taxable and tax-exempt assets is based on relative value and is anchored in:

- * Emphasis on credit quality for capital preservation and income;
- * A laddered maturity diversification, where appropriate;
- * Making portfolio adjustments to take advantage of interest rate movement trends;
- * Stressing call protection and emphasizing after-tax yields, when appropriate;
- * Monitoring European market conditions;
- * Monitoring interest rate variables;
- * Monitoring foreign influences and worldwide news; and
- * Evaluating yield curves

Asset allocation decisions are based on individual Client objectives, risk tolerances, tax considerations and liquidity needs, among other factors.

- B. Risks of Methods of Analysis: The Advisor may not be infallible in its analysis in identifying investment themes and in conducting fundamental and/or technical analysis. The modeling discussed in Item 8.A, in and of itself may not be sufficient to determine which securities to buy or sell or when to buy or sell them. While the Advisor performs regular Client portfolio reviews relative to suitability, quality and risk of investment, the Advisor may also ask Clients to promptly inform the Advisor of changes in their lives, financial or otherwise, or comfort levels relating to investments. Changes in Client circumstances and/or changes in comfort levels with investments may influence investment objectives and decisions. A Client's request to start frequent trading can negatively impact performance, particularly through increased brokerage and transaction costs and taxes (the Advisor typically discourages such investment practices).
- C. Risks of Investment Securities: The Advisor may recommend investments in a wide range of securities including stocks (equities), mutual funds, exchange traded funds, preferred stock and options, bonds and futures contracts. Investing in securities involves

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risk of loss that Clients must be prepared to accept. The Advisor seeks to tailor the Client's investment by reviewing risk/reward factors, grade ratings and general comfort levels correlated to a particular Client's risk tolerance, which may be affected by personal or business circumstances. The Advisor's flexibility of services are addressed in Item 4.C above. The Advisor will discuss with the Client the investment and re-investment decisions relative to balancing risks with rewards.

Item 9: Disciplinary Information

- A. Criminal Disclosure Reporting: The Advisor is not subject to any criminal or civil actions in a domestic, foreign or military court.
- B. Regulatory Action Disclosure Reporting: On February 25, 2005, the Securities and Exchange Commission issued an order instituting Administrative and Cease and Desist Proceedings (the "SEC Order") against the Advisor and Mr. Colley, with respect to a failure to properly disclose, from February 1998 through June 2003, a Federal Reserve Order, dated February 3, 1998, between the Board of Governors of the Federal Reserve Systems and Mr. Colley ("Federal Reserve Order"). The Federal Reserve Order was a combined order of prohibition and assessment of a \$40,000 civil monetary penalty in full resolution of the Federal Reserve allegations that, while an employee of Trustco Bank, New York ("Trustco") and prior to his resignation from Trustco in 1992, Mr. Colley breached fiduciary duties in connection with his sale (for the customer's account) of numismatic coins belonging to a Trustco customer. The Federal Reserve Order states that it does not constitute an admission of liability. Pursuant to the SEC Order, the Advisor and Mr. Colley were ordered to cease and desist from committing or causing any violations or future violations of the disclosure rules (Sections 206(4) and 207 of the Investment Advisers Act of 1940 and Rule 206(4)-4 thereunder), pay a civil penalty of \$100,000, and comply with certain undertakings, including furnishing a copy of the SEC Order to each of the Advisor's existing and prospective clients. The SEC Order also recites that neither the Advisor or Mr. Colley (both of which promptly complied with the SEC Order) admits or denies the SEC's finding.

Item 10: Other Financial Industry Activities and Affiliations

- A. Broker-Dealer Registration: Neither the Advisor or its Principal is registered, or has an application pending to register, as a broker-dealer or a representative of a broker-dealer.
- B. Commodity Pool Operator Registration: Neither the Advisor or its Principal is registered, or has an application pending to register, as a future commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of these foregoing entities.

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- C. Relationships with Related Persons: Neither the Advisor or its Principal has any relationships or arrangements with any related persons that are material to the advisory business or Clients.
- D. Conflicts of Interests with Other Advisors: The Advisor does not receive compensation from any other advisors (investment or otherwise) that it may select for its Clients or to whom the Advisor may refer its Clients.

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

- A. Code of Ethics: The Advisor has adopted a Code of Ethics, which is applicable to all of the Advisor's access and supervised persons (if any). The Code of Ethics establishes a standard of business conduct reflecting the Advisor's fiduciary obligations and the fiduciary obligations of all (if any) of Advisor's access and supervised persons. The Advisor's Code of Ethics includes a Disaster Recovery Plan and Business Continuity Plan, which together set forth detailed instructions that would enable someone other than the Advisor's President, Mr. Colley, to continue managing the Advisor's business. Under the Advisor's Code of Ethics, among other things, each access person must provide to the Advisor's Compliance Officer (i) no less frequently than annually, a written statement of securities holdings, and (ii) no less frequently than quarterly, reports of transactions in securities in which any such access person has a direct or indirect beneficial interest, with certain limited exceptions. The Advisor's Code of Ethics requires any and all supervised persons to (i) comply with applicable federal securities laws, (ii) promptly report any violations of the Code of Ethics to the Chief Compliance Officer, and (iii) be provided (by Advisor) with a copy of the Code of Ethics. In addition, the Code of Ethics requires pre-clearance of an access person's proposed participation in any initial securities public offering and/or private placement. The Advisor will provide a copy of its Code of Ethics to any Client or prospective Client upon request.
- B. Interest in Client Transactions: The Advisor, its representatives and affiliates may own, acquire or dispose of securities that are currently or were previously owned by a Client, including securities that were purchased or sold for the Client by the Advisor. The Advisor does not have any obligation to purchase or sell, or to recommend for purchase or sale, for a Client's account, any investment that the Advisor and/or its affiliates may purchase or sell for the Advisor's (and/or affiliates) own accounts or for the account of any other Client if in the Advisor's sole discretion, such investment appears unsuitable, impractical or undesirable for that particular Client's account. When, as, and if purchases or sales of a security on behalf of a Client occur during the same day that the Advisor, its representatives, or affiliates are purchasing or selling that security, the Client will receive the best transaction price.
- C. Personal Trading in Securities Recommended to Clients: The Advisor restricts personal trading in securities recommended to Clients per its policy as outlined in Item 11.D below.

- D. Personal Trading in Securities Bought for Client Accounts: The Advisor has no supervised personnel. If the Advisor had supervised personnel, the Advisor would require that all supervised personnel must provide a complete report of personal securities holdings upon commencement of association with the Advisor and within thirty (30) days of January of each year of such associations. Any such supervised personnel also must arrange to have monthly statements from their brokerage accounts promptly provided to the Advisor. Although the Advisor's Code of Ethics allows personal securities investing, access persons must provide a trade record for all trades in reportable securities, which include all securities except U.S. government securities, money market instruments, shares of money market funds, shares of unaffiliated mutual funds, and shares of unit investment trusts. The Advisor forbids trading in any reportable securities that could result in front running.

Item 12: Brokerage Practices

- A. Factors Considered in Selecting or Recommending Broker Dealers: In its Advisory Agreement, each Client authorizes the Advisor to act as the Client's agent and attorney-in-fact to buy, sell (including short sales) and trade in stocks, bonds, and other securities (margined and unmargined) for the Client's accounts and in accordance with the Client's risk guidelines and the Client's Advisory Agreement. The Advisor will follow the specific written guidelines provided by each Client, which may change during the course of the Client's relationship with the Advisor. The Advisory Agreement for a particular Client may provide that if the Advisor acts in accordance with such guidelines, the Advisor will have full discretion over securities selection, weighing of investment positions within the portfolio, industry representation within the portfolio, purchase and sell decisions, the placement of orders for securities transactions, and other relevant day to day investment decisions. The full discretion given by the Clients does not preclude Advisor's right to confer with a Client which has given the Advisor complete discretionary authority if in the Advisor's judgment, the Advisor decides (under the particular facts and circumstances, including, e.g., change in the Client's short term needs and asset allocation adjustments) that it is in the Client's interest to be involved in the decision-making process before exercising the Advisor's discretion to buy or sell investments and/or the frequency or timing of such transaction(s).

In each such instance in which the Advisor confers with the Client (and does not proceed solely on the Advisor's discretionary authority) a block trade will not be able to occur because the buy/sell decisions may occur over several days or a few weeks as phone calls are exchanged and Client involvement is obtained. Accordingly, when the Advisor engages in this process with the Client it is not always possible to accomplish quick buy/sell and/or trade decisions associated with instantaneous block trading.

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The Advisor uses its discretion and its best judgment in communicating with Clients before acting to buy/sell investments and continues to implement its policy of not accepting trade orders and/or instructions regarding a Client's account by email, voice mail or fax. The Advisor is committed to such communication and analysis with each client based on situations and client preferences, which vary from client to client. The Advisor's retained right to choose to involve the discretionary Client to a greater or lesser extent in the decision-making process does not (by the terms of the Advisory Agreement in any way negate the absolute discretion given to the Advisor in the Advisory Agreement.

The Advisor's decision to communicate with and involve the Client and/or any broker-dealer (including its representatives and/or branch manager) in any particular decision-making process is in the Advisor's sole discretion, consistent with the discretionary authority given to Advisor by the Client pursuant to the Advisory Agreement does not relinquish or diminish the Advisor's fiduciary duty to the Client.

The Advisor may, in its sole discretion, aggregate contemporaneous buy or sell orders for the same investments for the accounts of more than one Client. Whenever such aggregation occurs, each account so aggregated shall participate in the aggregated order at the average price.

The Advisor requires each Client to designate, at the time they enter into a relationship with the Advisor, a broker-dealer (the "Designated Broker") through which securities transactions on behalf of such Client's account(s) will be executed. In selecting the Designated Broker, the Client has sole responsibility for negotiating commission rates and other transaction costs. The Advisor is not required to effect any securities transactions through the Designated Broker if the Advisor reasonably believes that to do so may result in a breach of the Advisor's duties as a fiduciary.

At a Client's request, the Advisor will recommend a particular broker-dealer or broker-dealers to a Client. Under such circumstances, the Advisor suggests that the Client select a broker-dealer based upon the following factors: (i) the broker's capability to perform quality executions; (ii) the broker's ability to work well with the Advisor; (iii) the Advisor's past experience with the broker; (iv) the broker's general reputation; (v) the broker's ability to provide competitive commission rates; (vi) whether the Advisor regards the broker as appropriate party with whom it and its client should conduct business, and (vii) the broker's ability to provide necessary data on client transactions in an accurate and timely manner. The Advisor regularly conducts a review and consideration of full-service broker-dealers and a comparison of the services provided, including, but not limited to financial strength, professional standards and costs. In the event that the Advisor's fiduciary duty requires the Advisor to execute a securities transaction on behalf of a Client with a broker-dealer other than the Designated Broker,

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the Advisor will use the foregoing criteria to select that broker-dealer and promptly advise the Client of the selection.

The Advisor believes that Raymond James Financial Services, Inc. (“Raymond James”) achieves high marks in the foregoing criteria. Accordingly, the Advisor often recommends that Clients select Raymond James as the Designated Broker. Raymond James does not sell any proprietary products or services. Accordingly, Clients are not limited with respect to their investment choices. The Advisor also believes that Raymond James charges competitive standard commission rates (e.g., Clients generally receive a discount on stock transactions of at least 30% from full commission rates; Raymond James’ minimum charge per transaction is \$75). As do many broker-dealers, Raymond James reserves the right to, from time to time, execute small odd-lot trades and waive or charge a reduced minimum fee to the client.

Raymond James has informed Advisor that (1) it is Raymond James policy to conduct the same purchases/sales for several different accounts as a block at the same execution price for that day, and (2) the Raymond James commission is set per trade and does not change by performing block trades. Clients of Raymond James receive the same purchase/sale price for stock and/or securities whether trades are blocked and it is the policy of Raymond James that its commissions are determined immediately thereafter so as to not delay the block trade process. Nonetheless, Clients who select Raymond James as their Designated Broker may pay higher commission than those obtainable from other brokers, such as discount and on-line brokers.

Potential Conflict of Interest

The Advisor has a potential conflict of interest in recommending Raymond James to Clients. The Advisor has established an ongoing relationship with the 358 Broadway, Saratoga Springs, New York branch office of Raymond James (the “RJ Branch”) and Kaaren Powell, who is a registered representative of Raymond James and branch manager of the RJ Branch. Since January 2000, the RJ Branch and the Advisor have each had offices in a shared office suite at 358 Broadway, Saratoga Springs, NY. This arrangement has included the sharing of an office suite, equipment, supplies and staff. To more efficiently handle the ongoing affairs of the shared office space, a New York limited liability company, Saratoga Green, LLC (“Saratoga Green”) was established. Saratoga Green is currently solely owned and controlled by Ms. Powell.

Pursuant to an agreement (the “Expenses Agreement”) among Saratoga Green, the Advisor, Ms. Powell and Mr. Colley, Saratoga Green has agreed to pay certain of the expenses associated with the shared office suite. Saratoga Green may or may not use commissions earned by Ms. Powell from securities transactions executed on behalf of the Advisor’s clients in order to pay such expenses. (See the disclosure under Item 13A below for further information relating to the Advisor’s relationship with Saratoga Green

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and Ms. Powell). Accordingly, the Advisor and its principals and representatives have a potential financial incentive to recommend to Clients that they effect securities transactions for their account(s) through Raymond James and Ms. Powell. Additionally, an indirect benefit may inure to the Advisor from a higher volume of securities transactions at a frequency that may not be consistent with a Client's best interests.

As long as Saratoga Green continues to pay such expenses pursuant to the Expenses Agreement, the Advisor will continue to have such potential conflict of interest in connection with securities transactions placed through Raymond James and Ms. Powell. The Advisor believes, however, that this arrangement furthers the personalized attention that it strives to provide to its clients. Having a Raymond James registered representative present in the same office suite has enabled the Advisor to monitor closely whether the Advisor's Clients that are also clients of Raymond James are receiving cost effective, prompt and reliable service with respect to their securities transactions. The Advisor also has entered into its arrangement with Ms. Powell because it believes that certain other advantages are created for clients. For example, because its overhead is reduced, the Advisor is able to reallocate its resources to provide to Clients, or coordinate the provision of, certain estate and tax planning services, without having to charge the higher fees that may be charged by other investment advisors for providing similar services. Such benefits are provided to all of the Advisor's Clients, including those Clients with a Designated Broker that is other than Raymond James.

Since each Client chooses its own Designated Broker, Client accounts may have different commission and fee expenses. Therefore, a particular Client may not necessarily obtain commission rates and execution as favorable as those that would be obtained if that Client selected a broker-dealer other than its Designated Broker. This may be misleading to a Client since Clients may receive comparable brokerage services from other broker-dealers at substantially lower cost.

- B. Aggregation of the Purchase or Sale of Securities: Where possible, the Advisor executes bulk trades in consideration of the factors described above in Item 12.A. above.

Item 13: Review of Accounts

- A. Periodic Client Account Reviews: Generally, the Advisor reviews Client accounts on a monthly basis. Reviews of Client accounts may be conducted more frequently in certain circumstances.
- B. Non-Periodic Client Account Reviews: Generally, and in addition to periodic reviews, the Advisor conducts reviews of Client accounts on an as needed basis.
- C. Content and Frequency of Reports: The custodian and/or Designated Broker for a particular Client's account will prepare Client reports at least quarterly, and in most

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cases, monthly, containing an analysis of the account since the prior statement; a list of any other account activity such as additions to and withdrawals from the account; posting of interest and dividends; and expenses of the account, including the Advisor's advisory fee. Additionally, Clients receive periodic (often quarterly) reports directly from the companies in whose securities products in which the Client is invested. Trade confirmations for all securities transactions executed on such Client's behalf are sent to the Client directly by the executing broker.

Item 14: Client Referrals and Other Compensation

- A. Economic Benefits from Non-Clients: As described above in Item 12A, the Advisor has established an ongoing relationship with Saratoga Green and Ms. Powell. Pursuant to the Expenses Agreement, Saratoga Green pays Ms. Powell's salary and benefits, as well as certain expenses to maintain the shared office suite, including: rent; utilities; telephone service with respect to the telephones that are used solely within the offices; high speed internet access and cable services; the salaries and benefits of Saratoga Green's support staff; equipment repairs with respect to equipment owned by Saratoga Green; News wire services; Morningstar and Value Line research services and any successor thereto or any comparable research service at any time replacing the research services in the office suite; postage; overnight deliveries; and other expenses relating to office supplies. Saratoga Green's vendor detail report shows that the Advisor pays directly to Saratoga Green (i) a monthly rent check for Advisor's office, and (ii) for office supplies and administrative services, as used, from time to time. In accordance with the terms of the Expenses Agreement, Saratoga Green may, from time to time, also pay certain other business expenses, including expenses relating to advertising and promotion. Commissions earned by Ms. Powell on securities transactions executed on behalf of the Advisor's Clients as well as trailers and other sales concessions earned by Ms. Powell with respect to the Advisor's Client transactions in mutual funds, may or may not be used to pay such expenses. Pursuant to the Expenses Agreement, the Advisor has agreed to pay rent to Saratoga Green on a monthly basis and Mr. Colley has agreed to provide such operational and financial support to Saratoga Green as the Advisor, Mr. Colley, Ms. Powell and Saratoga Green determine to be appropriate or necessary from time to time in order to ensure that the Advisor's Clients are furnished with high quality service and personalized attention.

As the payment of expenses by Saratoga Green pursuant to the Expenses Agreement effectively results in reduction of the Advisor's operating expenses, the Advisor and its Principal have a potential financial incentive to recommend to Clients that they effect securities transaction for their account(s) through Ms. Powell and Raymond James. Additionally, the Advisor and its Principal have an incentive to recommend securities transactions, including purchases and sales of mutual fund shares, with a frequency that may not be consistent with a Client's best interests. While Saratoga Green continues to pay expenses, the Advisor will continue to have these potential conflicts of interest in

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connection with securities transactions, including purchases and sales of mutual fund shares, placed through Raymond James and Ms. Powell.

As further described in Item 12A, however, the Advisor has entered into the Expenses Agreement and its arrangement with Saratoga Green and Ms. Powell because the Advisor believes that the arrangement furthers the personalized attention that it provides to its Clients and represents an arm's-length overhead sharing arrangement. Moreover, the Advisor believes that the arrangement has enables it to provide, or coordinate the provision of, a broad range of wealth management services to Clients without having to charge the higher fees that may be charged by other investment advisers for providing similar services.

- B. Compensation for Client Referrals: The Advisor does not receive compensation, nor pay compensation for Client referrals.

Item 15: Custody

The Advisor does not have custody over Client securities.

Item 16: Investment Discretion

The Advisor accepts and undertakes unlimited discretionary authority to manage securities for most of its Client accounts. In all cases in which the Client grants that discretionary authority to the Advisor, it is documented in the Client's Advisory Agreement.

Item 17: Voting Client Securities

- A. Voting Policies and Procedures: The Advisor does not vote on any proxies on behalf of Clients unless the Client and the Advisor have agreed otherwise in the Advisory Agreement.
- B. Client Receipt of Proxy Materials: The Client receives proxy materials directly from brokers and broker-dealers or their authorized agents or representatives.

Item 18: Financial Information

- A. The Advisor may require prepayment of Client fees, but not in an amount exceeding \$1200 and not more than six (6) months in advance.

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- B. The Advisor has discretionary authority with respect to certain Client accounts pursuant to the terms of the Client's Advisory Agreement. The Advisor may require prepayment of Client fees, but not in an amount exceeding \$1200 and not more than six (6) months in advance.
- C. The Advisor has never been the subject of a bankruptcy petition.

Item 19: Requirements for State-Registered Advisors

The Advisor is registered with the SEC and is not registered with any state securities authorities. The Advisor, however, provides New York State with a notice filing as required by New York law.