

**FORM ADV****Part II - Page 1****Uniform Application for Investment Adviser Registration****OMB APPROVAL**

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Name of Investment Adviser: <b>Townsend &amp; Associates, Inc.</b>				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code: Telephone Number:
<b>2761 W 120<sup>th</sup> Ave., Suite 200</b>	<b>Westminster</b>	<b>CO</b>	<b>80234</b>	<b>( 303 ) 452-5986</b>

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any government authority.**

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**Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.**

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**FORM ADV****Part II - Page 2**

Applicant:

**Townsend & Associates, Inc.**

SEC File Number:

**801-66559**

Date:

**3/21/07**

## Definitions for Part II

Related person - Any officer, director or partner of applicant or any person directly or indirectly controlling, controlled by, or under common control with the applicant, including any non-clerical, non-ministerial employee.

Investment Supervisory Services - Giving continuous investment advice to a client (or making investments for the client) based on the individual needs of the client. Individual needs include, for example, the nature of other client assets and the client's personal and family obligations.

**1. A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service.  
(See instruction below.)

- Applicant:
- |                                     |     |   |     |
|-------------------------------------|-----|---|-----|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services . . . . .  | 25% |
| <input checked="" type="checkbox"/> | (2) | Manages investment advisory accounts not involving investment supervisory services . . . . .  | 13% |
| <input checked="" type="checkbox"/> | (3) | Furnishes investment advice through consultations not included in either service described above . . . . .  | 50% |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription . . . . .   | %   |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above . . . . .   | %   |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities . . . . . | %   |
| <input checked="" type="checkbox"/> | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities . . . . .   | 10% |
| <input type="checkbox"/>            | (8) | Provides a timing service . . . . .   | %   |
| <input checked="" type="checkbox"/> | (9) | Furnishes advice about securities in any manner not described above . . . . .   | 2%  |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

<b>B.</b>	Does the applicant call any of the services it checked above financial planning or some similar term? . . . . .	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
-----------	---	---	-----------------------------

**C.** Applicant offers investment advisory services for: (check all that apply):

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management      | <input type="checkbox"/> (4) Subscription fees      |
| <input checked="" type="checkbox"/> (2) Hourly charges                               | <input checked="" type="checkbox"/> (5) Commissions |
| <input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input checked="" type="checkbox"/> (6) Other       |

**D.** For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of Clients** - Applicant generally provides investment advice to: (check those that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> A. Individuals           | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations         |
| <input type="checkbox"/> B. Banks or thrift institutions     | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies             | <input type="checkbox"/> G. Other (describe on Schedule F)                                  |
| <input type="checkbox"/> D. Pension and profit sharing plans |   |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**FORM ADV****Part II - Page 3**

Applicant:

Townsend &amp; Associates, Inc.

SEC File Number:

801- 66559

Date:

2/14/07

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity Securities                   | <input checked="" type="checkbox"/> H. United States government securities     |
| <input checked="" type="checkbox"/> (1) exchange-listed securities         |  |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter | <input type="checkbox"/> I. Options contracts on:                              |
| <input type="checkbox"/> (3) foreign issues                                | <input type="checkbox"/> (1) securities  |
|  | <input type="checkbox"/> (2) commodities                                       |
| <input type="checkbox"/> B. Warrants                                       |  |
| <input checked="" type="checkbox"/> C. Corporate debt securities           | <input type="checkbox"/> J. Futures contracts on:                              |
| (other than commercial paper)  | <input type="checkbox"/> (1) tangibles   |
|  | <input type="checkbox"/> (2) intangibles                                       |
| <input type="checkbox"/> D. Commercial paper                               |  |
| <input checked="" type="checkbox"/> E. Certificates of deposit             | <input checked="" type="checkbox"/> K. Interests in partnerships investing in: |
| <input checked="" type="checkbox"/> F. Municipal securities                | <input type="checkbox"/> (1) real estate                                       |
|  | <input type="checkbox"/> (2) oil and gas interests                             |
| <input type="checkbox"/> G. Investment company securities                  | <input type="checkbox"/> (3) other (explain on Schedule F)                     |
| <input checked="" type="checkbox"/> (1) variable life insurance            | <input type="checkbox"/> L. Other (explain on Schedule F)                      |
| <input checked="" type="checkbox"/> (2) variable annuities                 |  |
| <input checked="" type="checkbox"/> (3) mutual fund shares                 |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.****A.** Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |

**B.** The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input type="checkbox"/> Corporate rating services                        | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

**C.** The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions   |
| (2) <input type="checkbox"/> Short term purchases<br>(securities sold within a year)             | (6) <input type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days)                            | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |  |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**FORM ADV****Part II - Page 4**

Applicant:

Townsend &amp; Associates, Inc.

SEC File Number:

801-66559

Date:

10/9/07

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? . . . . .

Yes No  
☒ ☐

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- |                 |  |
|-----------------|--|
| • name          | • formal education after high school               |
| • year of birth | • business background for the preceding five years |

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input checked="" type="checkbox"/> (9) insurance company or agency                |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? . . . . .

Yes No  
☐ ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**FORM ADV****Part II - Page 5**

Applicant:

Townsend &amp; Associates, Inc.

SEC File Number:

801- 66559

Date:

9/12/07

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☒ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.
- (For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Please see Schedule F.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Please see Schedule F.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**FORM ADV****Part II - Page 6**

Applicant:

Townsend &amp; Associates, Inc.

SEC File Number:

801-66559

Date:

9/12/07

**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold? . . . . .

Yes No

☒ ☐

(2) amount of the securities to be bought or sold ? . . . . .

Yes No

☒ ☐

(3) broker or dealer to be used ? . . . . .

Yes No

☐ ☒

(4) commission rates paid? . . . . .

Yes No

☒ ☐

B. Does applicant or a related person suggest brokers to clients? . . . . .

Yes No

☒ ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? . . . . .

Yes No

☒ ☐

B. directly or indirectly compensates any person for client referrals? . . . . .

Yes No

☒ ☐

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? . . . . .

Yes No

☐ ☒

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of****Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:

**Townsend & Associates, Inc.**

SEC File Number:

**801-66559**

Date:

**10/9/07**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of TRS exactly as stated in Item 1A of Part I of Form ADV: <b>Townsend &amp; Associates, Inc.</b>	IRS Empl. Ident. No.: <b>84-1170723</b>
Item of Form (identify)	Answer	
Part II-Page 2 #1D	<p>Townsend &amp; Associates, Inc. (hereinafter referred to as "TRS") has been registered as an investment advisor with the Securities and Exchange Commission (hereinafter referred to as "SEC") since April 2006. Prior to registration with the SEC, TRS was registered as an investment advisor with the State of Colorado from April 1999 to April 2006. TRS may also offer services under the trade name Townsend Retirement Specialists.</p> <p style="text-align: center;"><b>FINANCIAL PLANNING SERVICES</b></p> <p><b><u>Financial Plans, Financial Consultations, Asset Allocation Services</u></b></p> <p>The investment advisor representatives (hereinafter referred to as "IARs") of TRS offer financial planning services based on the client's specific needs and desires for future financial needs. The information gathered is presented in a format that does not make any promises or guarantees, rather using illustrations to show potential growth, all being hypothetical. Information is gathered using programs such as Financial Profiles, Morningstar and others. As part of this service, the IARs may also provide information and advice to clients regarding the insurance industry (i.e. life, health and long term care) for which they are licensed to sell.</p> <p>A fixed fee of \$265 is charged for completing a financial profile. In some instances, at the discretion of the IARs, the fee may be negotiable depending upon the complexity of the financial planning services and the client's financial situation. Fees will be due prior to services being provided.</p> <p>If clients contract for this service, TRS will provide a custom financial plan consisting of a written evaluation and analysis of the information provided by the client, regarding the client's financial goals, objectives and current situation within 90 days of the date of the executed agreement, provided the client furnishes TRS with all required information. TRS will provide clients specific recommendations which may include, but not be limited to the following: tax planning, risk management, investments, insurance, educational funding, retirement planning, employee benefits, estate planning, corporate or business coordination with personal situation, cash flow analysis, financing options and charitable donations.</p> <p>In addition, the IARs offer individual financial consultation services to clients who do not wish to contract with TRS for financial planning services or to clients who have established and maintain an account(s) for which the IARs will not act as registered representatives and will not implement transactions on behalf of the client. TRS will charge a fee of \$285 per hour for these services. This fee is non-negotiable. TRS will charge 50% of the fee, based on an estimated number of hours of service required by the client, in advance, with the remainder of the fee due and payable upon completion of the consultation service(s).</p> <p>After reviewing the plan with the client, if the client wishes to have the IARs implement the plan, they will implement the plan in their separate capacities as registered representatives. The IARs will then provide asset allocation services through on-going monitoring, recommendations and advice to accounts established with an outside custodian. At no time will TRS and/or its IARs act as custodian of any client account, nor will TRS and/or its IARs have direct access to a client's funds and/or securities. Mr. Townsend requires a minimum investment of \$2,000,000 or 50% of investable assets, whichever is greater. Mr. Fuller requires a minimum investment of \$1,000,000 or 50% of investable assets, whichever is greater. Ms. Ashton requires a minimum investment of</p>	

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of****Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Townsend & Associates, Inc.	801-66559	10/9/07

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of TRS exactly as stated in Item 1A of Part I of Form ADV: <b>Townsend &amp; Associates, Inc.</b>	IRS Empl. Ident. No.: <b>84-1170723</b>
Item of Form (identify)	Answer	
Part II-Page 2 #1D (continued)	<p>\$250,000 or 50% of investable assets, whichever is greater. Exceptions may be granted to these minimums at the discretion of TRS.</p> <p>Clients establishing accounts through the TRS IARs in their separate capacities as registered representatives and contracting for asset allocation services will be called on the phone quarterly, unless specific needs arise prior to the scheduled quarterly review. Items such as past transaction review, allocation changes and client satisfaction will be discussed with the client during the quarterly review. Following the interview, the IARs will make any allocation changes agreed upon by the client during the quarterly review. All asset allocation services will be provided on a non-discretionary basis; no transactions will be implemented by the IARs without them first obtaining prior consent from the client.</p> <p>An initial administration fee of up to \$150 will be charged for the initial plan development process for asset allocation services. Clients contracting for asset allocation services will also receive an updated profile on an annual basis. After the first year, if the client chooses to renew the services of TRS for an additional year, an annual fee of up to \$150 will be charged. Fees charged are not for trade implementation. Both the initial and annual fees are negotiable at the discretion of TRS and are based on the client's financial situation and circumstances. In addition, if the client chooses to implement the recommendations of the IARs, they will earn commissions in their separate capacities as registered representatives or independent insurance agents. Typically, fees for this service are due at the time the agreement is executed. However, TRS may choose to send a billing notice directly to the client. At the discretion of TRS, the annual fee may be negotiable based upon the client's financial situation and circumstances.</p> <p><b><u>Termination</u></b></p> <p>Services will terminate upon completion and presentation of a written plan or upon completion of the consultations. The agreement for asset allocation services will remain in effect for a period of one year from the date the agreement is executed. Either party may terminate services at any time by submitting written notice to all appropriate parties. Termination will be effective upon receipt of such notice. If services are terminated within five business days, services will be terminated without penalty. After the initial five business days, fees will be refunded on a prorated basis based on the time and effort expended by TRS and/or its IARs prior to receipt of notice of termination. If the client is not satisfied with the written plan presented by TRS and the plan cannot be rewritten to the client's satisfaction, the client may return all written documents prepared and presented to the client by TRS for a full refund of all fees paid in advance.</p> <p><b><u>Newsletters</u></b></p> <p>Monthly newsletters are available on the TRS web site. The newsletters are informational in nature and are available free of charge to both current and prospective clients.</p> <p style="text-align: center;"><b>ASSET MANAGEMENT</b></p> <p><b><u>Variable Annuity Management</u></b></p> <p>TRS offers investment management services, including giving advice to clients based on the client's</p>	

Complete amended pages in full, circle amended items and file with execution page (page 1).



**Schedule F of****Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Townsend &amp; Associates, Inc.</b>	<b>801-66559</b>	<b>10/9/07</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of TRS exactly as stated in Item 1A of Part I of Form ADV: <b>Townsend &amp; Associates, Inc.</b>	IRS Empl. Ident. No.: <b>84-1170723</b>
Item of Form (identify)	Answer	
Part II-Page 2 #1D (continued)	<p>individual needs, through accounts established and held directly at variable annuity companies. The TRS IARs, in their separate capacities as independent insurance agents and as registered representatives of Securities America, Inc. (SAI), will assist the client with the initial purchase of a variable annuity product. All transactions will be implemented by the IARs in their separate capacities as registered representatives of SAI. The variable annuity company or its outside custodian will maintain custody of the client's funds and securities at all times. At no time will TRS, its IARs or SAI act as custodian for any client account, nor will they have direct access to client funds and securities.</p> <p>The client has the option to have TRS IARs provide investment management services on a limited discretionary or non-discretionary basis. The type of discretionary authority authorized by the client will be reflected in the TRS Variable Annuity Management Services Agreement (Agreement). If discretionary authority is chosen, it will be limited to exchanges in variable annuity sub-accounts. It will also be limited in that at no time will the IAR have authority to withdraw funds and/or securities from the client's account. The TRS Agreement will specifically state which variable annuity policies are being managed.</p> <p>The TRS IARs will receive commissions for the purchase of variable annuity products in their capacities as registered representatives and/or independent insurance agents. In addition, IARs may receive commission payments from the insurance companies based on the value initially invested in the variable annuity policy and receive annualized trail commission payments on the invested variable annuity policy assets.</p> <p>Either party may terminate asset management services and limited discretionary authority by providing written notice to the appropriate parties.</p> <p><b><u>Financial Advisors Program</u></b></p> <p>TRS offers investment management services, including giving continuous advice to the client based on the individual needs of the client through Securities America Advisors, Inc.'s (SAA) Financial Advisors Program (FAP). SAA is an SEC registered investment advisor. SAA's FAP is a wrap-fee program providing investment advisory services and execution of client transactions for which the specified fee (or fees) is not based directly upon transactions in the client's account. Under FAP, the TRS IARs will assist the client in establishing an FAP Account (the Account) with SAA. All brokerage transactions in the Account will be processed by Securities America, Inc. (SAI), an affiliated broker/dealer of SAA. The brokerage transactions will then be cleared through National Financial Services, LLC (NFS) pursuant to a clearing arrangement established by SAI with NFS. SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts within SAA's FAP. NFS, insurance companies or other custodians will maintain custody of all funds and securities. At no time will SAA, SAI, TRS or its IARs act as custodian of the Account or have direct access to the client's funds and/or securities.</p> <p>Annual management fees will not exceed 1.5%, which includes all transaction fees. SAA retains up to 20 basis points (0.20%) of the annual management fee for FAP Accounts.</p> <p>A complete description of FAP and related fees and charges are described in SAA's Financial Advisor Program Schedule H Disclosure Brochure that will be given to all clients prior to or at the</p>	

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of****Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Townsend & Associates, Inc.	801-66559	10/9/07

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of TRS exactly as stated in Item 1A of Part I of Form ADV: <b>Townsend &amp; Associates, Inc.</b>	IRS Empl. Ident. No.: <b>84-1170723</b>
Item of Form (identify)	Answer	
Part II-Page 2 #1D (continued)	<p>time an FAP Account is established.</p> <p style="text-align: center;"><b>THIRD-PARTY MONEY MANAGER SERVICES</b></p> <p><b><u>Managed Opportunities Program</u></b></p> <p>TRS has established a relationship with Securities America Advisors, Inc. (SAA), a registered investment advisor, to participate in the Managed Opportunities Program (Managed Opportunities). Managed Opportunities is a wrap-fee program developed by SAA that provides clients with the opportunity to establish Mutual Fund Portfolios, Separate Account Portfolios and Multi Asset Class Portfolios developed by third party money managers that are registered as investment advisors (collectively referred to as Sub-Advisors). TRS IARs act as referral parties when referring clients into the Mutual Fund Portfolios, Separate Account Portfolios and Multi Asset Class Portfolios options in Managed Opportunities. The Sub-Advisors that SAA has established relationships with are not affiliates of SAA or TRS. In addition, Managed Opportunities offers Advisor Directed Portfolios through which TRS will work and advise clients in the selection of investments constituting a portion of Managed Opportunities.</p> <p>Client portfolios may be managed by SAA or other Sub-Advisors that SAA has established relationships with. The client will grant SAA and the Sub-Advisors limited discretionary authority with respect to the purchase and sale of securities in Mutual Fund Portfolios, Separate Account Portfolios and Multi Asset Class Portfolios and will grant TRS discretionary authority with respect to the initial Managed Opportunities Master Account and Advisor Directed Portfolios.</p> <p>TRS will solicit the services of SAA through Managed Opportunities. TRS will not refer the client to SAA unless SAA and the Sub-Advisors are registered or are exempt from registration as investment advisors in the client's state of residence. Administrative, website, transaction order entry services and other services are provided to SAA by outside service providers and Sub-Advisors. Clients will grant SAA the discretionary authority to select one or more Sub-Advisors to provide administrative, website, performance reporting, transaction order entry and other services to SAA and clients. SAA currently has a relationship with Oberon Financial Technology, Inc. (Oberon), a registered investment advisor, to provide these services. Clients establishing Managed Opportunities accounts will receive Oberon's Disclosure Brochure in addition to the SAA and TRS Disclosure Brochures.</p> <p>TRS IARs will be available to meet with clients on a continuous basis. Clients should be aware that TRS will be paid solicitor/referral fees by SAA for recommending Mutual Fund Portfolios, Separate Account Portfolios and Multi Asset Class Portfolios to clients. SAA will also share fees with the Sub-Advisors. The amount of compensation TRS receives for recommending one Managed Opportunities portfolio over another portfolio may vary. Therefore, a potential conflict of interest may exist because these circumstances may result in TRS having a financial incentive to recommend one portfolio over another. However, portfolios will be selected and recommended to clients based on each individual client's needs, goals and objectives.</p> <p>A complete description of Managed Opportunities and related fees and charges are described in SAA's Managed Opportunities Schedule H Disclosure Brochure that will be given to all clients prior to or at the time a Managed Opportunities Account is established.</p>	

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

## Schedule F of

## Form ADV

## Continuation Sheet for Form ADV Part II

Applicant:

Townsend &amp; Associates, Inc.

SEC File Number:

801-66559

Date:

10/9/07

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of TRS exactly as stated in Item 1A of Part I of Form ADV: <b>Townsend &amp; Associates, Inc.</b>	IRS Empl. Ident. No.: <b>84-1170723</b>
Item of Form (identify)	Answer
Part II-Page 2 #1D (continued)	<p style="text-align: center;"><b>SEMINARS</b></p> <p>TRS IARs may also offer general financial planning seminars for clients. A fee to cover the cost of seminar materials may be charged to clients attending seminars. If any cost is being charged for the seminars, such cost will be disclosed to the client at the time the client signs up to attend the seminar. Fees for the seminars will be due at the time the client signs up to attend the seminar.</p> <p>The clients will have five business days from the time they sign up for the seminar to cancel and receive a full refund of any fees paid in advance. After five business days, a refund will be given only if the client cancels at least 48 hours prior to the seminar. In addition, the client should be aware that should the client choose to contract with the TRS IARs for additional services because of the financial planning seminars, then the IARs may earn advisory fees in their capacities as investment advisor representatives and/or commissions in their separate capacities as registered representatives and/or insurance agents.</p> <p style="text-align: center;"><b>PUBLICATIONS</b></p> <p>The President of TRS has written and published two books on retirement planning: "<u>The Master Plan</u>" and "<u>Road to Retirement</u>." The books are available for purchase by clients and non-clients through the TRS web site, although purchase is limited to clients in those states where TRS is registered. The books can also be purchased at the client's favorite bookstore. Seminar attendees and current clients may purchase the books at a discounted price.</p>
Part II-Page 4 #5	<p>TRS prefers that any person involved in determining or giving investment advice to clients (1) have at least one year of experience in the securities industry or a related field, (2) have a Certified Financial Planner™ (CFP®) and/or Charter Retirement Planning Counselor (CRPC) designation, and/or a BA degree in Business or Finance and (3) have and maintain the minimum state and securities licenses. However, each person will be considered on a case-by-case basis.</p>
Part II-Page 4 #6	<p><b><u>Jeffery Townsend</u></b>. Born 1958. Jeff is the President and Chief Compliance Officer of Townsend &amp; Associates, Inc., a corporation that started in July 1991 as an insurance firm and remains a licensed insurance entity. Jeff is an insurance agent for this firm. Since March 1998, Jeff has also been acting as an investment advisor representative for the corporation. He has also been licensed with Securities America, Inc., a broker/dealer, as a registered representative since January 1995. Prior to this, he was a registered representative with Consolidated Investment Service, Inc. from January 1992 until February 1995. Since August 2004, Jeff has been a co-owner of rental property held under a family trust. He has also been the President of Townsend Capital, LLC since September 2006.</p> <p><b><u>Mark J. Fuller</u></b>. Born 1972. After graduating from high school, Mark attended Regis University. He then attended Metropolitan State College and obtained his Bachelors degree in Finance. Mark was an office assistant with Townsend &amp; Associates, Inc. from September 1997 to April 2000, when he became a Vice President of the company. In February 2002, Mark also became an investment advisor representative of Townsend &amp; Associates, Inc. Beginning in October 1999, Mark was a registered office assistant with Securities America, Inc.; in June 2000, he became a registered representative. Prior to this, he was an accountant with Luby Chevrolet, Inc. from January 1997 until August 1997.</p>

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## Schedule F of

## Form ADV

## Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Townsend & Associates, Inc.	801-66559	10/9/07

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

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Item of Form (identify)	Answer	
Part II-Page 4 #6 (continued)	<p><b><u>Theresa L. Ashton.</u></b> Born 1964. Terri joined Townsend &amp; Associates, Inc. as a Retirement Specialist in October 2006; in August 2007 she became an investment advisor representative. She has been a registered representative with Securities America, Inc. since December 2001. Terri has been the Vice President and a Mortgage Loan Officer with Ashton Financial Group, Inc. since February 2005. Terri was the President of and an insurance agent with Turning Point Financial Solutions, Inc. from April 2004 until October 2006. She was an insurance agent with Complete Spectrum Financial Services from October 2001 until March 2002, a mortgage consultant with Complete Spectrum Lending, LLC from December 2002 until March 2002 and a loan officer with Denver Mortgage from June 2004 until February 2005.</p>	
Part II-Page 4 #8C(9)	<p>TRS is a licensed insurance entity in several states. In addition, its IARS may be independently licensed as insurance agents through various insurance companies and may sell products through these companies as well as through TRS as a licensed insurance entity. In this separate capacity, the IARS can receive commissions for selling insurance products.</p>	
Part II-Page 5 #9B	<p>The TRS IARs are also registered representatives and sell securities to any client for commissions. This could present a potential conflict of interest since they could receive fees and commissions if the client chooses to implement recommendations of the IARs in their capacity as registered representatives. Clients are free to select any broker/dealer they wish to implement recommendations.</p>	
Part II-Page 5 #9E	<p>TRS or its IARs may buy or sell securities or have an interest or position in a security for their personal account that they also recommend to clients. TRS is and shall continue to be in compliance with <i>The Insider Trading and Securities Fraud Enforcement Act of 1988</i>. As these situations may represent a potential conflict of interest, it is a policy of TRS that no IARs shall prefer his or her own interest to that of the advisory client. No person employed by TRS may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account. IARs shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. TRS maintains a list of all securities holdings for it and all IARs which is reviewed on a regular basis by a principal of the firm.</p> <p>According to the <i>Investment Advisers Act of 1940</i>, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. TRS and its IARs have a fiduciary duty to all clients. TRS has established a Code of Ethics, which all employees must read and then execute an acknowledgement agreeing that they understand and agree to comply with the TRS Code of Ethics. The fiduciary duty of TRS and the IAR to clients is considered the core underlying principle for the TRS Code of Ethics and represents the expected basis for all IAR dealings with clients. TRS has the responsibility to make sure that the interests of clients are placed ahead of it or IARs' own investment interests. All IARs will conduct business in an honest, ethical and fair manner. All IARs will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All IARs have a responsibility to avoid circumstances that might negatively affect or appear to affect the IARs' duty of complete loyalty to their clients. This section is only intended to</p>	

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**Schedule F of****Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:

**Townsend & Associates, Inc.**

SEC File Number:

**801-66559**

Date:

**10/9/07**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of TRS exactly as stated in Item 1A of Part I of Form ADV: <b>Townsend &amp; Associates, Inc.</b>	IRS Empl. Ident. No.: <b>84-1170723</b>
Item of Form (identify)	Answer	
Part II-Page 5 #9E (continued)	provide current clients and potential clients with a description of the TRS Code of Ethics. If current clients or potential clients wish to review the TRS Code of Ethics in its entirety, a copy may be requested from any of the TRS IARs and a copy will be provided within 14 days of request.	
Part II-Page 5 #10	For clients contracting for asset allocation services, Mr. Townsend requires a minimum investment of \$2,000,000, Mr. Fuller requires a minimum investment of \$1,000,000 and Ms. Ashton requires a minimum investment of \$250,000 (or, for all IARs, 50% of investable assets, whichever is greater). Exceptions may be granted to these minimums at the discretion of TRS.  The minimum investment amount TRS requires for establishing and maintaining an FAP Account is \$250,000. Exceptions may be granted to this minimum upon request.  As a general rule, SAA requires a minimum of \$50,000 to establish and maintain Managed Opportunities Mutual Fund Portfolios, \$100,000 for Separate Account Portfolios, \$250,000 for Multi Asset Class Portfolios and \$50,000 for Advisor Directed Portfolios. All minimums are negotiable at the discretion of TRS and SAA.	
Part II, Page 5, #11A	All clients who have an investment account (variable annuity or life, or equity product) are called on the phone quarterly, unless specific needs arise (i.e. changes in client circumstances, unusual market activity or a specific client request). Asset managed accounts will be reviewed at least quarterly. The calendar is the triggering factor unless specific needs arise. Reviews include client satisfaction of account performance based on objectives, discussion of reallocating accounts to help reach objectives, past transaction review and public relations with clients.  The President of TRS and the IARs will each be responsible for reviewing their own client accounts.  SAA reviews the performance information in Managed Opportunities Accounts to determine its accuracy. Performance information provided by SAA is believed to be accurate but cannot be guaranteed. Fund and other securities values and other information are obtained from third parties. Managed Opportunities accounts are reviewed as needed by SAA supervisors, SAI principals and the TRS IARs. Triggering factors for reviews may include material market, economic or political events, changes in clients' personal or financial situations or performance of the accounts in general.	
Part II, Page 5, #11B	Clients will receive confirmations and statements from the investment company or broker/dealer at which the client's account is maintained at least quarterly, possibly monthly if activity occurs in the account according to company's discretion or policy procedure. In addition, clients may receive quarterly or on-demand reports showing the performance of their advisory accounts from TRS.  Clients participating in FAP may receive quarterly, monthly or on-demand reports showing the investment performance of their Accounts from Securities America Advisors, Inc. or TRS.  Clients participating in Managed Opportunities will be able to view daily and quarterly performance reports on a web site prepared on behalf of SAA by Oberon that will describe the performance, holdings and other activity in the clients' Managed Opportunities accounts. During any month in which there is activity in Managed Opportunities accounts, clients will receive monthly statements from the account custodian or clearing firm showing the activity in the clients' accounts as well as	

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**Schedule F of****Form ADV****Continuation Sheet for Form ADV Part II**

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<b>Townsend &amp; Associates, Inc.</b>	<b>801-66559</b>	<b>10/9/07</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

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Item of Form (identify)	Answer	
Part II, Page 5, #11B (continued)	positions held in the accounts at month end. Clients will also receive a confirmation of each purchase and sale transaction that occurs within Managed Opportunities accounts, unless clients provide SAA with written authorization to suppress confirm delivery. If there is no activity in the account, clients will receive statements no less than quarterly from the account custodian or clearing firm.	
Part II – Page 6 #12A(1), 12A(2) & 12A(4)	Upon receiving written authorization from the client, the TRS IARs may manage client's assets on a limited discretionary basis. When they do, discretionary authority is limited in that they will not have the authority to withdraw funds and/or securities from client accounts except when written authorization has been provided to have fees automatically deducted from the client's account and paid directly to TRS and/or its IARs.	
Part II-Page 6 #12B	The TRS IARs are registered representatives with Securities America, Inc. (SAI), a broker/dealer, member FINRA/SIPC. Mr. Townsend is also a registered principal and designated as an Office of Supervisory Jurisdiction with SAI. When placing securities transactions through SAI in their capacities as registered representatives, the IARs earn sales commissions.	
	Clients wishing to implement the advice of TRS IARs are free to select any broker they wish and are so informed. If the clients wish to have the IARs implement the advice in their capacities as registered representatives, their broker/dealer, SAI, will be used. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. The registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if these transactions were implemented through another broker/dealer.	
Part II-Page 6 #13A	TRS IARs sell securities products in their separate capacities as registered representatives. Some IARs may also sell insurance products in their separate capacities as independently licensed insurance agents. They earn sales commissions when selling securities and insurance products. Some of the advice offered by the IARs may involve investments in mutual fund products. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12(b)-1 fees. The IARs may receive a portion of these 12(b)-1 fees from some investment companies in their separate capacities as registered representatives. Clients should be aware that these 12(b)-1 fees come from fund assets, and thus, indirectly from client's assets. Receipt of these fees could represent an incentive for registered representatives to recommend funds with 12(b)-1 fees or higher 12(b)-1 fees over funds with no fees or lower fees, therefore creating a potential conflict of interest.	
	TRS from time to time may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.	
	TRS has established relationships with other investment advisors through which it will act as a solicitor referring clients to the other investment advisors management programs. When acting in	

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**Schedule F of****Form ADV****Continuation Sheet for Form ADV Part II**

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Item of Form (identify)	Answer	
Part II-Page 6 #13A (continued)	<p>this solicitor/referral capacity, TRS will receive a portion of the fee paid to the other investment advisors by the client.</p> <p>TRS may refer clients to SAA, a registered investment advisor firm, through Managed Opportunities. SAA will work with Oberon Financial Technology, Inc. (Oberon), a registered investment advisory firm, and other Sub-Advisors when managing client assets. TRS will not refer clients to SAA unless SAA, Oberon and other Sub-Advisors are registered or exempt from registration as investment advisors in each client's state of residence. SAA will pay TRS a portion of client fees for referrals. In addition, SAA will share fees with Oberon and other Sub-Advisors.</p>	
Part II-Page 6 #13B	<p>TRS enters into agreements with Solicitors (Referring Parties) to refer clients to TRS. If a referred client enters into an investment advisory agreement with TRS, a one time only cash referral fee is paid to the referring party. The referral agreements between any referring party and TRS will not result in any charges to clients in addition to the normal level of advisory fees charged. The referral agreements between TRS and referring parties are in compliance with regulations as set out in 17 CFR Section 275.206(4)-3.</p> <p style="text-align: center;"><b>OTHER BUSINESS ACTIVITIES AND MATERIAL ARRANGEMENTS</b></p> <p>The TRS IARs are engaged in professions other than giving investment advice. They are registered representatives and may also be independently licensed as insurance agents. Combined, the IARs spend approximately 47% of their time on securities matters and 5% on insurance activities. In addition, Jeff Townsend spends a small amount of time on various activities for rental properties owned by a family trust and Townsend Capital LLC.</p> <p>Terri Ashton is the Vice President and a mortgage loan officer with Ashton Financial Group, Inc. Clients needing assistance with mortgage services may be recommended to this firm but are under no obligations to use its services. Ms. Ashton spends about 1% of her time on mortgage activities for Ashton Financial Group, Inc.</p> <p>While TRS does not have a related person that is an investment advisor, it may use the services of unaffiliated investment advisors. TRS uses Securities America Advisors, Inc. (SAA), a registered investment advisor, through its FAP when managing assets and, when doing so, SAA will receive a portion of the fees.</p> <p>The TRS IARs will recommend the assistance of qualified attorneys (not affiliated with TRS) in the preparation of trusts if clients require this service. A list of the attorneys used will be provided to clients upon request. The client pays fees for these legal services directly to the attorneys. No solicitor or referral fees are paid by TRS to the attorneys for this service.</p> <p style="text-align: center;"><b>BLOCK TRADING</b></p> <p>TRS may occasionally engage in block trading on managed advisory accounts. Since the IARs have discretionary authority over the managed accounts, clients will not be consulted prior to these block trades being transacted. However, when establishing managed advisory accounts, the IARs will discuss with clients restrictions on account holdings and possible allocation changes. Block trades are initiated pursuant to the objective of the account (i.e., income, growth and income, etc.),</p>	

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Item of Form (identify)	Answer	
	<p>an analysis of the account performance and current market conditions. When performing block trades for managed account clients, all clients will receive equal treatment. In the event a block trade is not filled in its entirety, TRS will allocate the completed portion among the clients on an equal sharing. TRS will keep records of all block trades. Neither TRS nor its IARs will receive additional compensation as a result of block trades. Proprietary accounts of TRS or its IARs may be included in block trades made on behalf of clients.</p> <p style="text-align: center;"><b>PROXY VOTING</b></p> <p>TRS and its IARs do not perform proxy-voting services on a client's behalf. Clients are instructed to read through the information provided with the proxy-voting document and to make a determination based on the information provided. In some instances, upon request from the client, the IARs may give limited clarifications based on their understanding of issues presented in the proxy-voting materials. In all cases, clients will be solely responsible for implementing final proxy-voting decisions.</p> <p style="text-align: center;"><b>CUSTOMER PRIVACY NOTICE</b></p> <p>This Privacy Notice is from TRS, a registered investment advisor in the business of providing investment advisory services to customers.</p> <p>TRS is committed to safeguarding the confidential information of its clients. TRS holds all personal information provided by clients in the strictest confidence. TRS IARs may also be registered representatives of SAI, a registered broker/dealer that is not affiliated with TRS. TRS may also have relationships with other non-affiliated registered investment advisors, such as SAA, an affiliate of SAI, insurance companies, trust companies, custodians and other financial institution entities. Except as required or permitted by law, TRS does not share confidential information about clients with non-affiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of client confidential information, TRS will provide written notice to its clients, and clients will be given an opportunity to direct whether such disclosure is permissible.</p> <p style="text-align: center;"><b>AN IMPORTANT NOTICE CONCERNING CUSTOMER PRIVACY</b></p> <p><u>Customer Information Collected.</u> TRS collects and develops personal information about clients, and some of that information is non-public personal information (Customer Information). The essential purpose for collecting Customer Information is to provide and service the financial products and services clients obtain from TRS. The categories of Customer Information collected by TRS depend upon the scope of the engagement with the client and are generally described below. As an investment advisor, TRS collects and develops Customer Information about clients in order to provide investment advisory services. Customer Information TRS collects includes:</p> <ul style="list-style-type: none"><li>● Information received from clients on financial inventories through consultations. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning clients' financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts,</li></ul>	

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## Schedule F of

## Form ADV

## Continuation Sheet for Form ADV Part II

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	<p>mortgages and tax returns.</p> <ul style="list-style-type: none"> <li>Information developed as part of financial plans, analyses or investment advisory services.</li> <li>Information concerning investment advisory account transactions, such as wrap account transactions.</li> <li>Information about a client's financial products and services transactions with TRS.</li> </ul> <p><u>Data Security.</u> TRS restricts access to Customer Information to those IARs and employees who need the information to perform their job responsibilities. TRS maintains agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Customer Information about clients.</p> <p><u>Use and Disclosure of Customer Information to Provide Customer Service for Accounts.</u> To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for TRS to provide access to Customer Information within the firm and to non-affiliated companies such as SAI, SAA, other investment advisors, other broker/dealers, trust companies, custodians and insurance companies. TRS may also provide Customer Information outside of the firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.</p> <p><u>Former Clients.</u> When clients close an account with TRS, TRS will continue to operate in accordance with the principles stated in the Notice.</p> <p><u>Requirements of Federal Law.</u> In November of 1999, Congress enacted the <i>Gramm-Leach-Bliley Act</i> (GLBA). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to non-affiliated third parties, other than as permitted or required by law, customers must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that that TRS does not disclose Customer Information to non-affiliated third parties, except as permitted or required by law (e.g., disclosures to service a client's account or to respond to subpoenas).</p>	

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