

**James River Asset Management, LLC**  
**CRD #117917**

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## Item 2 Material Changes

Effective February 9, 2012, Brian T. Hennaman assumed 50% interest of James River Asset Management, LLC formerly held by Robert L. Fitch. Mr. Fitch will continue his involvement with James River Asset Management, LLC as an Investment Advisor Representative. Mr. Hennaman will be a principal of James River Asset Management, LLC.

The remaining 50% interest of James River Asset Management, LLC held by Alvin H. Miller, Jr., is unchanged.

For more information on the principals and representatives of the firm, please see Schedule B of this filing.

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#### Item 4 Advisory Business

James River Asset Management, LLC has been operating as a registered investment Adviser since June, 1995. James River Asset Management, LLC (JRAM or the firm) is owned by Alvin H. Miller, Jr. and Brian T. Hennaman, each holding an equal share.

The firm offers two primary services: financial planning and fee based investment management. As of March, 2012 the firm currently manages \$48,000,000 of client assets, all on a discretionary basis. Our investment management programs utilize an asset allocation process that allows for limited customization to accommodate individual client needs. Clients complete a financial fact finder and financial attitudes questionnaire. From this the advisors construct an asset allocation to guide the investment process. Investments utilized include no-load mutual funds, exchange-traded funds, and individual stocks and bonds. Client accounts are monitored for adherence to asset allocation guidelines and rebalanced when necessary.

Prospective and existing clients should be aware that investing involves risk, including permanent loss of capital. Furthermore, there is no assurance the client's objectives can be achieved.

## Item 5 Fees and Compensation

Our fees are negotiable. Fees are calculated on the basis of account balances at calendar quarter's end. Per required signed authorization by client, fees are then deducted from client accounts by the custodian and remitted to the firm. Our standard fee schedule follows:

### Individual security accounts -

First \$1,000,000.00 1%

Excess over \$1,000,000.0 .5%

### No load fund program –

First \$1,000,000.00 .85%

Excess over \$1,000,000.00 .5%

Clients are also charged transaction fees for some no-load funds and for ETFs used in the asset allocation programs. Clients in individual security programs pay trading commissions, but at a discounted rate. None of the fees or commissions go to the principals of the firm.

The firm does have a potential conflict of interest in its relationship with Virginia Investment Advisory. James River Asset Management, LLC subcontracts certain equity research and stock screening functions to Virginia Investment Advisory. In return for such services, Virginia Investment Advisory receives a share of the commissions charged by the clearing firm for order execution. The overall level of commissions charged due to this arrangement is no more than what would otherwise be charged in the absence of Virginia Investment Advisory.

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

The firm does not engage in these practices.

#### Item 7      Types of Clients

Our client base is primarily individuals. Retirement plan rollovers, profit sharing plans, inheritances, insurance proceeds, and sales of businesses account for the majority of our funds under management. Our account minimum is \$250,000.00

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

Our investments are mainly in exchange-listed securities, securities traded over-the-counter, ADRs, no-load mutual funds, exchange traded funds (ETFs) and bonds issued by the US government, corporations, and municipalities. We rely on fundamental analysis for individual securities, emphasizing earnings growth and balance sheet quality. Our investment time frame is usually long term, or greater than a year. We generally avoid margin and may use options to hedge risk and enhance income.

Despite our relatively simple investment strategies, there are material risks associated with their implementation. Investing in securities involves risk of loss that clients should be prepared to bear. Stocks and stock based mutual funds are volatile. Although mutual funds largely diversify away stock specific risk, individual stock based accounts are exposed to this risk. All bonds face varying degrees of interest rate risk, while non-government bonds also face credit risk. Income oriented accounts can be squeezed by low interest rate policies and fall short of their objectives. Even over ten year periods, returns from the markets can be negative. There can be no assurance that our strategies will be successful or that financial plan objectives will be met.

Item 9      Disciplinary Information

To date, no one associated with the firm has had any disciplinary action.



## Item 10 Other Financial Industry Activities and Affiliations

The applicant, James River Asset Management, LLC is involved in financial plan developments and fee based asset management. Where a client so chooses, the related persons of the applicant will also handle investment and insurance decisions made during plan implementation. The related persons are Registered Representatives for American Portfolios Financial Services, Inc., 4250 Veterans Memorial Hwy, Holbrook, NY 11741. As such, they conduct investment and insurance business on a commission basis separate from the financial planning and fee based asset management activities of James River Asset Management, LLC. The related persons of the applicant spend approximately 50% of their time in the areas of investment and insurance.

The Financial Plan involves an analysis of a client's overall financial situation. The client is under no obligation whatsoever to implement insurance, investment, or other financial instruments through our Broker/Dealer. We specifically communicate to the client that he is free to implement our recommendations wherever he or she chooses.

If, however, the client does wish to utilize our firm for investment transactions, we are representatives of American Portfolios Financial Services, Inc. FINRA approved Broker/Dealer. Investment products offered through American Portfolios Financial Services, Inc. are the following: mutual funds, variable annuities, variable life insurance, individual stocks and bonds, limited partnerships and unit investment trusts. The clearing agent for individual stock and bond transactions is Pershing Securities Corp.

The financial planning procedure begins with an introductory meeting to discuss our services and ask pertinent questions in order to determine whether the prospective client is a suitable candidate for a financial plan. We will then quote a fee based on the time we feel it will take to complete the work. The client signs a financial planning agreement specifying the responsibilities of both parties to the agreement. The agreement will specify the agreed upon fee for our services. Generally, there are two levels of planning services with different fees for each.

### A. The Mini-Plan includes:

1. Preparation of a financial statement
2. Crystallize specific financial objectives
3. An analysis (observations of potential problems)
4. A Capital Needs (Estate) analysis
5. When appropriate, a Hypothetical Probate (Estate Tax Analysis)
6. Retirement analysis
7. When appropriate, Education Funding analysis
8. Insurance (Life, Disability and Health Insurance) analysis
9. Investment analysis
10. Specific recommendations

The fee for the Mini-Plan is generally \$1,500 to \$3,000 with an average fee of \$2,000. This fee is determined prior to the signing of the Financial Advisory Agreement.

B. The Comprehensive Plan includes:

1. All of the above plus –
2. Cash Flow (budgeting) analysis
3. Income Tax Analysis
4. Mortgage Refinancing analysis

The fee for the Comprehensive Plan is generally between \$2,000 and \$5,000 with an average fee of \$3,500.

After gathering all of the data required to properly prepare the plan, we then formulate the reports using various assumptions. We look at numerous alternatives before making our recommendations, and we often show these alternatives to the client at a subsequent meeting. After that meeting we will normally make revisions, and a final plan is prepared. If the client wishes to use us to implement investment or insurance plans, we will transact the securities through American Portfolios Financial Services, Inc., FINRA Registered Broker/Dealer. Clients may also choose to use our investment management service, James River Asset Management, LLC fee-based programs. Commission and/or advisory fees are fully disclosed prior to implementation of any securities. The client may sign an agreement to retain our firm for annual updates at ½ the original fee. All fees are payable ½ at the signing of the agreement and ½ upon completion of the plan.

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

James River Asset Management, LLC recognizes the need for a strong code of ethics. As a small firm that is dependent on referrals and personal contacts, the advisor asserts that keeping the client's interests foremost in all our actions is essential to our survival. The following Code of Ethics expresses our intent and procedures to ensure our clients' best interests are our highest priority. The firm will provide a copy of its Code of Ethics to any client or prospect upon request.

Covered persons: all principals and employees fall under this code. Covered Securities: generally includes all public exchange-traded securities. Also included are options, futures, hedge funds and limited partnerships. Compliance with Laws and Regulations: the advisor requires covered persons to comply with all applicable federal securities laws. Furthermore, all covered persons are required to uphold the advisor's Prohibited Practices, incorporated by reference herein. The advisor particularly notes that covered persons must also comply with the anti-money laundering and privacy practices elsewhere enumerated in this manual. James River Asset Management, LLC, is an investment advisor, and as such, is a fiduciary and has a duty to act primarily for the benefit of our clients. All investment advisor representatives share this responsibility. While the nature and extent of this duty varies according to the nature of the relationship between an investment advisor and the client and the circumstances of each case, an investment advisor shall not engage in unethical practices, including the following: 1) Insider Trading - It is the policy of the advisor that the use of nonpublic or "inside information" is prohibited. Below follows the advisor's working definition of "inside information." "Inside information" is information that is not yet publicly available. That is, it has not been publicly disclosed. Its nature is such that it would influence a decision to buy or sell securities. Key elements to be used to determine if information is "inside information":

- Does the tipper owe a fiduciary duty (to the company, its shareholders, etc.) and has he breached it?
- Will the tipper gain personal benefits if he discloses the information?
- Does the tippee know or should he have known the information was inside or confidential?
- Is the information material?

Furthermore, it is also prohibited for the advisor and its principals to use knowledge of impending client orders in their trading i.e. front running the clients orders. In addition, it is the policy of the advisor to maintain personal securities reports for all advisor representatives.

Also prohibited:

2) Recommending to a client to whom investment supervisory or management services are provided, the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known or acquired by the investment advisor after reasonable examination of the client's financial records.

3) Placing an order to purchase or sell a security for the account of a client without written

authority to do so.

- 4) Placing an order to purchase or sell a security for the account of a client upon instruction of a third party without first having obtained a written third party authorization from the client.
- 5) Exercising any discretionary power in placing an order for the purchase or sale of securities for a client without obtaining written discretionary authority from the client within ten business days after the date of the first transaction placed pursuant to oral authority, unless the discretionary power relates solely to the price at which, or the time when, an order involving a definite amount of a specific security shall be executed, or both.
- 6) Inducing a trade in a client's account that is excessive in size or frequency in view of the financial resources, investment objectives and character of the account.
- 7) Borrowing money or securities from a client unless the client is a broker-dealer, an affiliate of the investment advisor, or a financial institution engaged in the business of loaning funds or securities.
- 8) Loaning money to a client unless the investment advisor is a financial institution engaged in the business of loaning funds or the client is an affiliate of the investment advisor.
- 9) Misrepresenting to any advisory client or prospect, the qualifications of the investment advisor, or misrepresenting the nature of the services offered or fees to be charged for such service, or the omission to state a material fact necessary to make the statements made regarding qualification, services, or fees, in light of the circumstances under which they are made, not misleading.
- 10) Providing a report of recommendation to any advisory client prepared by someone other than the investment advisor without disclosing this fact. This prohibition does not apply to a situation where the advisor uses published research reports or statistical analyses to render advice or where advisor orders such a report in the normal course of providing service.
- 11) Failing to disclose to clients in writing before any advice is rendered, any material conflict of interest relating to the investment advisor or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including:
  - Compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services, or
  - Charging a client an advisory fee for rendering advice when a commission for executing securities transactions pursuant to such advice will be received by the advisor or his employees.
- 12) Guaranteeing a client that a specific result will be achieved as a result of the advice which will be rendered.
- 13) Disclosing the identity, affairs, or investments of any client to any third party unless required by law or an order of a court or a regulatory agency to do so, or unless consented to by the client.

14) Publishing, circulating, or distributing any advertisement which does not comply with Rule 206(4) – 1 under the Investment Advisors Act of 1940.

15) Taking any action, directly or indirectly, with respect to those securities or funds in which any client has a beneficial interest, where the investment advisor has custody or possession of such securities or funds, when the investment advisor's action is subject to and does not comply with the safekeeping requirements of Rule 1200.

16) Entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the terms of the contract, the advisory fee, the formula for computing the fee, the amount of prepaid fee to be returned in the event of contract termination or nonperformance, whether the contract grants discretionary power to the investment advisor and that no assignment of such contract shall be made without the consent of the other party to the contract. The conduct set forth above is not exhaustive. Engaging in other conduct such as nondisclosure, incomplete disclosure, or deceptive practices may be deemed unethical, and therefore prohibited business practices. In summary, this code of ethics attempts to codify the basic principles by which the advisor operates; i.e. that the advisor has a fiduciary duty to place the clients interest first at all times. That the advisor must operate so as to avoid conflicts of interest with clients or taking advantage of its position. That the advisor must maintain the trust placed in it by keeping client information confidential, and that the advisor do nothing that might compromise its independence in investment decision making. Each investment advisor representative will be asked annually to certify that he/she understands the regulations regarding unethical practices and that he/she has not engaged in such by signing the representative review page in the compliance manual.

## Item 12 Brokerage Practices

The firm currently uses two custodians. Most individual securities accounts are held at Pershing LLC, a subsidiary of The Bank of New York-Mellon. Most of the no-load fund based asset allocation accounts are held at TD Ameritrade.

The related persons of the applicant are Registered Representatives of American Portfolios Financial Services, Inc.

Due to regulatory changes in the interpretation of “selling away” by investment advisors who are also registered representatives, the applicant must now direct general security advisory account through the clearing firm, Pershing Securities Corp., used by our broker/dealer or other similar broker/dealer providing supervisory service. All advisory accounts constitute a separate block of business and have significantly lower commissions than retail brokerage accounts, none of which are payable to the applicant or related persons.

1) However, commission rates at Pershing may be higher than those obtainable elsewhere, and are in fact higher than those at T. D. Ameritrade.

2) JRAM also may utilize Virginia Investment Advisory for building asset allocation strategies for some clients who end up electing the mutual fund program. For these clients, Virginia Investment Advisory is compensated by sharing in the management fee charged those accounts. The fee is assessed according to the previously disclosed schedule and no different for those accounts where Virginia Investment Advisory is not involved. To facilitate execution and insure fairness of price, each account may participate in aggregated order at the average share price when such accounts are concerned with the same security. Such aggregated trades have no effect on the commission charged to each account or on the broker selected. The firm does not get client referrals from either custodian and is not bound to direct trading activity in relation to referrals, research or products.

### Item 13    Review of Accounts

Portfolios of clients in fee based asset management receive monthly review due to the potentially volatile nature of individual equity and debt instrument investing. Financial Plans are reviewed when clients report a material change of circumstances or upon client request. Clients with managed accounts are contacted on a semi-annual basis, however, they are encouraged to contact us by telephone as often as desired.

Reviewers: Asset Management portfolios are reviewed by Alvin H. Miller, Jr., Chief Investment Officer and Brian T. Hennaman, President. Financial Plans are reviewed by the originating planner. Asset Management clients receive written quarterly reports along with billings. Reports show current positions, change of positions and summary of total value. Reports also include graphical illustrations of a client's asset allocation on both an aggregate as well as individual account basis. Finally, clients receive a notice of fees deducted detailing the amount deducted from their account, the period covered and how the fee was calculated.

As stated above, financial planning clients receive a review when a change of circumstances dictates. Where related persons of the applicant have implemented any part of the plan, those investments are reviewed quarterly. Regular statements are generated by the specific investments and custodians at least quarterly and sent to the clients. In addition, all custodians send clients trade confirmations for all transactions.



Item 14 Client Referrals and Other Compensation

The firm receives no compensation from non clients other than through activities related to insurance or American Portfolios. Neither does the firm pay for referrals.

## Item 15 Custody

Per regulatory definition, the firm does maintain custody of client assets. However, the only instance where the firm can access client funds is via invoice for quarterly management fees, in accordance with a signed authorization from the account owner. The clearing firms send monthly statements and trade confirmations for all purchases and sales directly to clients at their address of record. Clients should also be aware the firm cannot have funds sent anywhere but the address of record payable to the account owner unless we have specific written instructions.

## Item 16 Investment Discretion

The firm has limited trading authority in all accounts. That is, we may determine what to buy and sell and the timing for so doing. We do make allowances for certain client desires, eg. no tobacco or alcohol. As stated above, our discretionary authority does not extend to withdrawing client assets, with the sole exception of management fees.

Item 17 Voting Client Securities

The firm does not vote client securities

The firm has never been a party to bankruptcy proceedings. Neither does the firm have any indebtedness.

See the Brochure supplement, Part 2B immediately following.