

Fried Asset Management, Inc.

15415 Sunset Blvd, Suite 200D
Pacific Palisades, CA 90272
(310) 459-9196

ddcoast@aol.com

www.friedassetmanagement.com

January 29, 2012

This brochure provides information about the qualifications and business practices of Fried Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Fried Asset Management, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the advisor.

Additional information about Fried Asset Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Fried Asset Management, Inc.

Our last annual updating amendment dated was January 19, 2012.

The amendment dated January 29, 2012, to convert to state registration contained the following material changes:

Item 4 was updated to reflect that our fees are negotiable on amounts over \$5 million.

Item 18 was updated to add the follow disclosure: We do not charge or solicit pre-payment of more than \$500 in fees per client six months or more in advance.

Item 19 was added in its entirety as follows:

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Principal Executive Officers and Management Persons

Our principal executive officers are David Fried and Deborah Fried. Additional information regarding Mr. Fried's education and business background is provided on Part 2B.

Deborah Fried acts solely as the Secretary of the corporation and is not involved in the day-to-day running of the business or providing investment advice.

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ITEM 4: ADVISORY BUSINESS

Who we are

Fried Asset Management, Inc. (referred to as “we,” “our,” “us,” or “Fried”), has been registered as an investment advisor since July 1996. Our principals are David Fried, President and Portfolio Manager and Deborah Fried, Corporate Secretary.

Services we offer

Our main service is fee based Portfolio Management. We offer general consultation about the clients overall financial situation when appropriate but do not sell any financial products. Our sole source of income is derived from the client portfolio. Thus we are always on the same side of the trade as the client.

We do not tailor our advisory services to the individual needs of the client. However, client may impose restrictions on investments in specific securities or industries to an extent. We typically avoid tobacco stocks as many clients have objections to them. However, if a client needs to impose widespread restrictions we are unable to implement our investment strategy fully.

We do not provide portfolio management services to a wrap fee program.

Assets under management

As of December 31, 2011, we manage assets of \$42.5 million on a discretionary basis and \$1.6 million on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

Advisory Fees & Billing Practices

Fees for investment management are generally 2% per year of the assets under management. These fees are billed at the end of each quarter, based on the assets under management as of the last day of the calendar quarter.

Our fees are based on a sliding scale that goes down with an increased account size above a certain level, typically \$5 million.

We generally request that you provide authorization for us to deduct our fees directly from your investment account. Important information about the deduction of management fees:

- You must provide authorization for us to deduct our fees from your account by initialing the appropriate section of our contract.
- You will receive a detailed invoice each quarter which outlines our fees and how they are calculated at the same time we request payment from the custodian.
- You will receive a statement from your custodian which shows your holdings.

- You are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

You may elect to pay by check rather than having payment deducted directly from your account.

If you would like to end our advisory relationship, you may do so by providing 30 days written notice. We will prorate the advisory fees received through the termination date and send you an invoice for the advisory fees due.

Other Costs Involved

In addition to our advisory fee shown above, you are responsible for paying fees associated with investing for your account. These fees include:

- mutual fund loads (if applicable). These charges are paid to brokers as a form of commission.
- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.
- brokerage costs and transaction fees for any securities or fixed income trades. These are generally charged by your custodian and/or executing broker.

Additional information about brokerage costs and services is provided in “Item 12: Brokerage Practices.”

We believe the fees mentioned above are competitive; however you may be able to obtain similar services from other sources at a lower price.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not receive performance fees for managing accounts.

ITEM 7: TYPES OF CLIENTS

We serve individuals (taxable and non-taxable), trusts, pension plans, corporate and just about any other type of account that would be serviced at a major brokerage house.

Generally we require that you maintain \$50,000 under management with us. However, we may waive that minimum at our sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

We use a combination of quantitative & qualitative analysis in choosing the securities that are purchased and sold in the client portfolios.

Our portfolios are subject to general domestic & global economic risks, geopolitical risks, individual company performance risks, inflation risk and interest rate risk. Generally our portfolios are subject to

market risks and individual company performance risks. We do not take exceptional high risks in comparison to the general stock market. Our portfolios are not leveraged.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

David R. Fried, President of Fried, is also the sole shareholder of David Fried Enterprises, Inc. ("Fried Enterprises"), which publishes *The Buyback Letter*, an investment newsletter (the "Newsletter"). At times there may be a conflict of interest arising from trading securities on behalf of our clients and recommendations made in the Newsletter. Although the securities traded for each entity may overlap, this is not always the case. Also, different criteria are used to review and provide recommendations for our clients vs. those presented in the Newsletter.

Newsletter portfolios are reviewed by Fried Enterprises on a monthly, quarterly or annual basis, depending on the portfolio. At that time, a screen of the securities in the portfolio is performed, and if a sell is warranted, it will be released via the Newsletter, with a buy order for a new security.

Our client portfolios are reviewed on a monthly basis, using different criteria than those used for the Newsletter. At the time of review, any necessary transactions are executed.

If we obtain negative information regarding a company, typically the position will be sold in both client accounts and an alert will be sent out by Fried Enterprises via the Newsletter. In these cases, typically client trades are executed, then Newsletter alerts are sent out, generally within one business day.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by Fried and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or

- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

Personal Trading for Associated Persons

We may buy or sell some of the same securities for you that we already hold in our personal account. We may also buy for our personal account some of the same securities that you already hold in your account. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by your transactions.

We may restrict trading for a particular security for our accounts or those of our associated person if there is a pending trade in that security in a client account. Trades for our accounts (and those of our associated persons) will be placed as part of a block trade with client trades, or individually after client trades have been completed. Additional information about block trades is provided in the Aggregation of Orders section of “Item 12: Brokerage Practices.” When our trades are placed after our client trades, we may receive a better or worse price than that received by the client.

Fried and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

ITEM 12: BROKERAGE PRACTICES

Selection of Brokers

In selecting brokers to execute portfolio transactions, we make a good faith judgment of about which broker would be appropriate. We take into consideration not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (without limitation):

- the execution capabilities of the broker/dealer,
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis),
- custodial and other services provided by the broker/dealer that are expected to enhance our general portfolio management capabilities,
- the size of the transaction,
- the difficulty of execution,
- the operational facilities of the broker-dealers involved,
- the risk in positioning a block of securities, and
- the quality of the overall brokerage and research services provided by the broker/dealer.

When we select the broker/dealer for a transaction, we may cause you to pay a higher commission for effecting a transaction than another broker/dealer would have charged for effecting that transaction. We

do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the broker/dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities to you.

Fried participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”). TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program. Please see Item 14: Client Referral and Other Compensation” for additional information.

We do not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see “Item 15: Custody”). Your assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank. We require that our clients use TD Ameritrade as the qualified custodian. We are independently owned and operated and are not affiliated with TD Ameritrade. TD Ameritrade will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we require that you use TD Ameritrade as custodian/broker, you will decide whether to do so and will open your account with TD Ameritrade by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with TD Ameritrade, then we cannot manage your account.

Accounts that we manage for third party investment advisors are usually held at the custodians selected by those third party investment advisors.

Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at TD Ameritrade, we can still use other brokers to execute trades for your account.

Aggregation of Orders

There are occasions on which portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for another client or one or more of our associated persons.

We may choose to block (aggregate) trades for your account with those of other client accounts and personal accounts of persons associated with Fried. When we place a block trade, all participants included in the block receive the same price per share on the trade. The price is calculated by averaging the price of all of the shares traded. Due to the averaging of price over all of the participating accounts, aggregated trades could be either advantageous or disadvantageous. Commission costs are not averaged. You will pay the same commission whether your trade is placed as part of a block or on an individual basis. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

Soft Dollars

“Soft dollars” are typically generated when an investment advisor enters into an agreement with an executing broker to receive a portion of the commissions generated by the advisor’s client trades. The soft dollars are allocated to the investment advisor and can then be used to purchase items or services.

The investment advisor has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to clients could be seen as “soft dollars.” The additional services we receive from TD Ameritrade, as disclosed in Item 14 below, would fall under this description of soft dollars.

ITEM 13: REVIEW OF ACCOUNTS

All portfolio holdings are monitored on a continuous basis for changes in an investments financial situation, business situation, competitive situation and other factors that may be pertinent. The holdings are reviewed to make sure that they are still within the quantitative & qualitative parameters of the discipline of investing followed by the firm. All reviews are performed by David Fried, President.

We provide performance reports, income reports and expense reports. The client is also given a report comparing the investment current value to the cumulative net investment in the account. These reports are provided by Fried on a quarterly basis. We also provide year end tax reporting reports.

TD Ameritrade provides monthly reports on the holdings and transactions and clients have on-line access to the account at any time.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Other Compensation

As disclosed in “Item 12: Brokerage Practices,” we participate in TD Ameritrade’s institutional customer program and we may require that clients use TD Ameritrade for custody and brokerage services. There is no direct link between our participation in the program and the investment advice it gives to you, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- receipt of duplicate client statements and confirmations;
- research related products and tools;
- consulting services;
- access to a trading desk serving investment advisor participants;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- the ability to have advisory fees deducted directly from client accounts;
- access to an electronic communications network for client order entry and account information;
- access to mutual funds with no transaction fees and to certain institutional money managers; and
- discounts on compliance, marketing, research, technology, and practice management products or services provided to Fried by third party vendors.

Some of the products and services made available by TD Ameritrade through the program may benefit Fried but may not benefit its client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Fried manage and further develop its business enterprise. The benefits received by Fried or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of economic benefits in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

We also receive certain additional economic benefits from TD Ameritrade (“Additional Services”) that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include the payment of fees for ThinkPipes, (\$2,200 annually), Investnet (\$12,000 annually) and Economic Cycle Research Institute (\$7,800 annually).

TD Ameritrade provides the Additional Services to us in its sole discretion and at its own expense, and we do not pay any fees to TD Ameritrade for the Additional Services. Fried and TD Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

Our receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to us, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with us, in its sole discretion, provided certain conditions are met. In order to continue to obtain the Additional Services from TD Ameritrade, we may have an incentive to recommend to our Clients that the assets under management by us be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. Fried’s receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

Client Referrals

Fried may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Fried may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Fried and has no responsibility for Fried’s management of client portfolios or Fried’s other advice or services. We pay TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to us (“Solicitation Fee”). Fried will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by us from any of a referred client’s family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Fried on the recommendation of such referred client. Fried will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to

its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Our participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, we may have an incentive to recommend to clients that the assets under management by Fried be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require doing so. Our participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

We may also engage additional solicitors to provide client or investor referrals. We pay these solicitors a portion of the fees we earn for managing the client or investor that was referred. If you are referred by a solicitor, this practice will be disclosed in writing and we will comply with the requirements of Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended, and any similar state rule or statute.

ITEM 15: CUSTODY

If you give us authority to deduct our fees directly from your separately managed account, we have custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in “Item 5: Fees and Compensation.” You will also receive quarterly statements directly from custodian of the account that details all transactions in the account.

ITEM 16: INVESTMENT DISCRETION

As one of the conditions of managing your account, you are required to provide discretionary authority for us to manage your assets. Discretionary authority means that you are giving us a limited power of attorney to place trades on your behalf. This limited power of attorney does not allow us to withdraw money from your account, other than advisory fees if you agree to give us that authority.

You grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on your behalf. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for your account(s).

Clients may place limitation on certain companies (such as tobacco etc).

ITEM 17: VOTING CLIENT SECURITIES

As a matter of policy and as a fiduciary to our clients, we have responsibility for voting proxies for your portfolio securities consistent with your best economic interests. We maintain written policies and procedures as to the handling, research, voting and reporting of proxy voting and make appropriate disclosures about our proxy policies and practices. Our policy and practice includes the responsibility to

monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. You may not provide direction regarding any particular proxy solicitation.

You may elect to retain the authority to vote the proxies yourself. In this case, no guidance will be given regarding the vote of proxy solicitations received.

You may request a copy of our Proxy Policies and Procedures and/or information about how a proxy was voted at any time.

ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment of more than \$500 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Principal Executive Officers and Management Persons

Our principal executive officers are David Fried and Deborah Fried. Additional information regarding Mr. Fried's education and business background is provided on Part 2B.

Deborah Fried acts solely as the Secretary of the corporation and is not involved in the day-to-day running of the business or providing investment advice.

BROCHURE SUPPLEMENT
ITEM 1: COVER SHEET

David R. Fried

Fried Asset Management, Inc.
15415 Sunset Boulevard, Suite 200D
Pacific Palisades, CA 90272
(310) 459-9196

January 29, 2012

This Brochure Supplement provides information about David R. Fried that supplements the Fried Asset Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact David R. Fried, President at (310) 459-9196 or ddcoast@aol.com if you did not receive Fried Asset Management, Inc.'s Brochure or if you have any questions about the content of this supplement.

Additional information about David R. Fried is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

David R. Fried was born in 1956. He received a BS in Human Development from Cornell University in 1978.

Employment Background

Employment Dates: 7/1996 - Present
Firm Name: Fried Asset Management, Inc.
Type of Business: Investment Advisor
Job Title & Duties: President - portfolio manager and head of research

Employment Dates: 3/1995 - Present
Firm Name: David Fried Enterprises, Inc.
Type of Business: Investment Newsletter
Job Title & Duties: President - Publisher/Research

ITEM 3: DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

ITEM 4: OTHER BUSINESS ACTIVITIES

Mr. Fried is also the President of David Fried Enterprises, Inc., which publishes *The Buyback Letter*, an investment newsletter (the “Newsletter”). Additional information regarding this relationship and the associated conflicts of interest is contained in Item 10 of our Part 2A.

ITEM 5: ADDITIONAL COMPENSATION

Mr. Fried does not receive any economic benefit from any non-client for providing advisory services.

ITEM 6: SUPERVISION

Mr. Fried, President, is the sole person responsible for managing investment personnel on our behalf. His telephone number is (310) 459-9196.

ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Investment advisors who are registered with a state regulatory agency rather than the SEC are required to provide information about a wider range of disciplinary information than that described above. Mr. Fried has no disciplinary information to report.