

Item 1 – Cover Page

Salem Asset Management, LLC

338 Hawthorne Avenue NE

Salem, OR 97301

(503) 585-1040

March 29, 2012

This Brochure provides information about the qualifications and business practices of Salem Asset Management, LLC (“SAM”). If you have any questions about the contents of this Brochure, please contact us at (503) 585-1040. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SAM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SAM also is available on the SEC’s website at www.adviserinfo.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for SAM is 126077.

Item 2 – Material Changes

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. The last update of our Brochure was March 23, 2011.

The current update of our Brochure includes the following material change:

We deleted the inadvertently included statement that read: “SAM does not block affiliated trades with any client trades.”

Please note the following additional changes to the Brochure:

We have updated the Assets Under Management information in Item 4 in accordance with the filing of our Annual Updating Amendment dated 03/29/2012.

We have added Item 19-Requirements for State-Registered Advisers.

(Brochure Date: 03/29/2012)

(Date of Most Recent Annual Updating Amendment: 03/29/2012)

Currently, our Brochure may be requested by contacting Joanne Humphrey, Member & Chief Compliance Officer at (503) 585-1040.

Additional information about SAM is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with SAM who are registered, or are required to be registered, as investment adviser representatives of SAM.

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Item 4 – Advisory Business

SAM is owned by Joanne Humphrey and Robert Creamer and has been providing advisory services since 2003.

As of December 31, 2011, SAM managed \$48,047,828 on a discretionary basis and \$800,201 on a nondiscretionary basis.

Investment Management Services:

SAM manages investment portfolios for individuals, qualified retirement plans, trusts, corporations and small businesses. SAM will work with a client to determine the client's investment objectives and investor risk profile and will design a written investment policy statement. SAM uses investment and portfolio allocation software to evaluate alternative portfolio designs. SAM evaluates the client's existing investments with respect to the client's investment policy statement. SAM works with new clients to develop a plan to transition from the client's existing portfolio to the portfolio recommended by SAM. SAM will then continuously monitor the client's portfolio holdings and the overall asset allocation strategy and hold review meetings with the client regarding the account as necessary.

SAM will typically create a portfolio of no-load mutual funds, and may use model portfolios if the models match the client's investment policy. SAM will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. SAM primarily recommends portfolios consisting of passively managed asset class and index mutual funds. SAM primarily recommends mutual funds offered by Dimensional Fund Advisors (DFA). DFA sponsored mutual funds follow a passive asset class investment philosophy with low holdings turnover. Client portfolios may also include some individual equity securities in situations where disposition of these securities would present an overriding tax implication or the client specifically requests they be retained for a personal reason. These situations will be specifically identified in the client's Investment Policy Statement (IPS).

SAM manages mutual fund and equity portfolios on a discretionary or nondiscretionary basis. SAM may impose any reasonable restrictions on SAM's discretionary authority, including restrictions on the types of securities in which SAM may invest client's assets and on specific securities, which the client may believe to be appropriate.

SAM may also recommend fixed income portfolios to investment management clients, which consist of managed accounts of individual bonds. SAM will request discretionary authority from investment management clients to manage fixed income portfolios, including the discretion to retain a third party fixed income manager. SAM will prepare a Fixed Income Investment Policy Statement for any client qualifying for separate fixed income portfolio services.

Pursuant to its discretionary authority, SAM will retain a fixed income securities manager. The fixed income securities manager will be provided with the discretionary authority to invest client assets in fixed income securities consistent with the client's Fixed Income Investment Policy Statement. The manager will also monitor the account for changes in credit ratings, security call provisions, and tax loss harvesting opportunities (to the extent that the manager is provided with cost basis information). The manager will obtain SAM's consent prior to the sale of any client securities.

On an ongoing basis, SAM will answer clients' inquiries regarding their accounts and review periodically with clients the performance of their accounts. SAM will periodically, and at least annually, review clients' investment policy, risk profile and discuss the re-balancing of each client's accounts to the extent appropriate. SAM will provide to investment manager any updated client financial information or account restrictions necessary for investment manager to provide sub-advisory services.

In addition to managing the client's investment portfolio, SAM may consult with clients on various financial areas including income and estate tax planning, business sale structures, college financial planning, retirement planning, insurance analysis, personal cash flow analysis, establishment and design of retirement plans and trust designs, among other things.

Employee Benefit Plan Services:

SAM also provides advisory services to participant-directed employee retirement benefit plans. SAM will analyze the plan's current investment platform, and assist the plan in creating an investment policy statement defining the types of investments to be offered and the restrictions that may be imposed. SAM will recommend investment options to achieve the plan's objectives, provide participant education meetings, and monitor the performance of the plan's investment vehicles.

SAM will recommend changes in the plan's investment vehicles as may be appropriate from time to time. SAM generally will review the plan's investment vehicles and investment policy as necessary.

Financial Planning Services:

SAM also provides advice in the form of a Financial Plan. Clients purchasing this service will receive a written financial plan, providing the client with a detailed financial plan designed to achieve their stated financial goals and objectives.

In general, the financial plan will address any or all of the following areas of concern:

- PERSONAL: Family records, budgeting, personal liability, estate information and financial goals.
- EDUCATION: Education IRAs, financial aid, state savings plans, grants and general assistance in preparing to meet dependent's continuing educational needs through development of an education plan.
- TAX & CASH FLOW: Income tax and spending analysis and planning for past, current and future years. SAM may illustrate the impact of various investments on a client's current income tax and future tax liability.
- DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- RETIREMENT: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- INVESTMENTS: Analysis of investment alternatives and their effect on a client's portfolio.

SAM gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared. Should a client choose to implement the recommendations in the plan, SAM suggests the client work closely with his/her attorney, accountant or insurance agent. Implementation of financial plan recommendations is entirely at the client's discretion.

Item 5 – Fees and Compensation

In certain circumstances, all fees, account minimums and their applications to family circumstances may be negotiable.

SAM has contracted with BAM Advisor Services, LLC (BAM), for services including trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. SAM pays a fee for BAM services based on

management fees paid to SAM on accounts that use BAM Advisor Services. The fee paid by SAM to BAM consists of a portion of the fee paid by clients to SAM and varies based on the total client assets participating in BAM Advisor Services through SAM. These fees are not separately charged to advisory clients.

The specific manner in which fees are charged by SAM is established in a client's written agreement with SAM. Investment Management and Employee Benefit Plan clients will be invoiced in advance at the beginning of each calendar quarter based upon the value (market value based on independent third party sources or fair market value in the absence of market value; client account balances on which SAM calculates fees may vary from account custodial statements based on independent valuations and other accounting variances, including mechanisms for including accrued interest in account statements) of the client's account at the end of the previous quarter. New accounts are charged a prorated fee for the remainder of the quarter in which the account is incepted (date of first trade).

For Investment Management and Employee Benefit Plan Services, SAM will request authority from the client to receive quarterly payments directly from the client's account held by an independent custodian. Clients may provide written limited authorization to SAM or its designated service provider, BAM, to withdraw fees from the account. Clients will receive custodial statements showing the advisory fees debited from their account(s). Certain third party administrators will calculate and debit SAM's fee and remit such fee to SAM.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

SAM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These fees will generally include a management fee and other fund expenses. All fees paid to SAM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders.

Such charges, fees and commissions are exclusive of and in addition to SAM's fee, and SAM shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that SAM considers in recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Advisory Fees

Investment Management Services:

The annual fee for investment management services will be charged as a percentage of assets under management, according to the schedule below:

Assets under management	Annual Fee (%)
Up to \$499,999	1.25%
\$500,000 - \$999,999	1.00%
\$1,000,000 - \$1,999,999	0.90%
\$2,000,000 - \$2,999,999	0.80%
\$3,000,000 or greater	0.70%

All accounts for members of the client's family (husband, wife and dependent children) or related businesses may be assessed fees based on the total balance of all accounts.

Employee Benefit Plan Services:

The annual fee for employee benefit retirement plan services will be charged as a percentage of assets within the plan. Typically, the annual fee will be 75 percent of the above quoted fees for investment management services.

Financial Planning Services:

Financial planning fees will be charged in one or both of two ways:

1. As a fixed fee, typically ranging from \$500 to \$5,000, depending on the nature and complexity of each client's circumstances.
2. On an hourly basis, ranging from \$100 to \$250 per hour, depending on the nature and complexity of each client's circumstances. An estimate for total hours will be determined at the start of the advisory relationship.

Financial planning fees shall be due at the completion of the project. SAM will never hold client funds greater than \$1200 for more than six months in advance of completion of the financial plan.

Typically the financial plan will be presented to the client within 90 days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided by the client.

Financial planning fee may be waived or reduced at SAM's discretion if a financial planning client chooses to engage SAM for its portfolio management services.

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

SAM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

Item 7 – Types of Clients

SAM provides services to individuals, qualified retirement plans, trusts, corporations and small businesses.

Generally, minimum of \$100,000 of assets under management is required for Investment Management Services (including bond funds). A minimum of \$400,000 is generally required for management services of portfolios of individual fixed income securities. Minimum account sizes may be negotiable under certain circumstances.

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

Methods of Analysis and Investment Strategy

SAM's services are based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. SAM's investment approach is firmly rooted in the belief that markets are "efficient" over periods of time and that investors' long-term returns are determined principally by asset allocation decisions, rather than market timing or stock picking. SAM recommends diversified portfolios, principally through the use of passively managed, asset class mutual funds. SAM selects or recommends to clients portfolios of

securities, principally broadly-traded open end mutual funds or conservative fixed income securities to implement this investment strategy.

Although all investments involve risk, SAM's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients the investment directly in conservative fixed income securities to represent the fixed income class. SAM's investment philosophy is designed for investors who desire a buy and hold strategy. Frequent trading of securities increases brokerage and other transaction costs that SAM's strategy seeks to minimize.

In the implementation of investment plans, SAM therefore primarily uses mutual funds and, as appropriate, portfolios of conservative fixed income securities. SAM may also utilize Exchange Traded Funds (ETFs) to represent a market sector.

Clients may hold or retain other types of assets as well, and SAM may offer advice regarding those various assets as part of its services. Advice regarding such assets will generally not involve asset management services but may help to more generally assist the client.

SAM's strategies do not utilize securities that we believe would be classified as having any unusual risks, and we do not recommend frequent trading, which can increase brokerage and other costs and taxes.

SAM receives supporting research from BAM Advisor Services and from other consultants, including economists affiliated with Dimensional Fund Advisors ("DFA"). SAM utilizes DFA mutual funds in client portfolios. DFA mutual funds follow a passive asset class investment philosophy with low holdings turnover. DFA provides historical market analysis, risk/return analysis, and continuing education to SAM.

Analysis of a Client's Financial Situation

In the development of investment plans for clients, including the recommendation of an appropriate asset allocation, SAM relies on an analysis of the client's financial objectives, current and estimated future resources, and tolerance for risk. To derive a recommended asset allocation, SAM may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include:

- The risk that expected future cash flows will not match those used in the analysis

- The risk that future rates of return will fall short of the estimates used in the simulation
- The risk that inflation will exceed the estimates used in the simulation
- For taxable clients, the risk that tax rates will be higher than was assumed in the analysis

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs utilized by SAM may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in SAM's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by SAM may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SAM or the integrity of SAM's management. SAM has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Affiliated Accounting Firm

SAM is a SEC-registered investment adviser. However, the Members and investment adviser representatives of SAM may also be officers and/or employees with the accounting firm, Creamer & Associates, PC (f/k/a Creamer, Green & Associates, PC). Creamer & Associates, PC (hereinafter "C&A") may recommend SAM to accounting clients in need of advisory services. SAM may recommend C&A to advisory clients in need of accounting services. Accounting services provided by C&A are separate and distinct from the advisory services of SAM, and are provided for separate and typical compensation. There are no referral fee arrangements between SAM and C&A for these recommendations. No SAM client is obligated to use C&A for any accounting services.

BAM Advisor Services, LLC

As described above in Item 4, SAM may exercise discretionary authority provided by a client to select an independent third party investment manager for the management of portfolios of individual fixed income securities. SAM selects BAM Advisors Services, LLC for such fixed income management. SAM also contracts with BAM Advisor Services, LLC for back office services and assistance with portfolio modeling. SAM has a fiduciary duty to select qualified and appropriate managers in the client's best interest, and believes that BAM Advisor Services, LLC effectively provides both the back office services that assist with its overall investment advisory practice and fixed income portfolio management services. The management of SAM continuously makes this assessment. While SAM has a contract with BAM Advisor Services, LLC governing a time period for back office services, SAM has no such fixed commitment to the selection of BAM Advisor Services, LLC for fixed income management services and may select another investment manager for clients upon reasonable notice to BAM Advisor Services, LLC.

Item 11 – Code of Ethics

SAM has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. SAM's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth SAM's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with SAM may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of SAM that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, SAM requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm's principal. SAM also requires such access persons to receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

SAM's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. SAM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

SAM will provide a complete copy of its Code of Ethics to any client or prospective upon request.

It is SAM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. SAM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

SAM arranges for the execution of securities transactions with the assistance of BAM Advisor Services. Through BAM, SAM may participate in the Schwab Advisor Services (SAS) program offered to independent investment advisers by Charles Schwab & Company, Inc., member FINRA/SIPC, and the Fidelity Institutional Wealth Services (FIWS) program offered to independent investment advisers, sponsored by Fidelity Brokerage Services, LLC ("Fidelity"), member FINRA/SIPC. Schwab and Fidelity are unaffiliated SEC-registered broker dealers and FINRA member broker dealers.

The Schwab and Fidelity brokerage programs will generally be recommended to advisory clients for the execution of mutual fund and equity securities transactions. SAM regularly reviews these programs to ensure that its recommendations are consistent with its fiduciary duty. These trading platforms are essential to SAM's service arrangements and capabilities, and SAM may not accept clients who direct the use of other brokers. As part of these programs, SAM receives benefits that it would not receive if it did not offer investment advice (See the disclosure under Item 14 of this Brochure).

As SAM will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for mutual fund and equity securities transactions, clients must direct SAM as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that SAM will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers.

SAM will not exercise authority to arrange client transactions in fixed income securities. Clients will provide this authority to a fixed income manager retained by SAM on client's behalf by designating the portfolio manager with trading authority over client's brokerage account. Clients will be provided with the Disclosure Brochure (Form ADV Part 2) of portfolio manager.

SAS and FIWS do not generally charge clients a custody fee and are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the broker or that settle into the clients' accounts at the brokers. Trading client accounts through other brokers may result in fees (including mark-ups and mark-downs) being charged by the custodial broker and an additional broker. While SAM will not arrange transactions through other brokers, the authority of the fixed

income portfolio manager includes the ability to trade client fixed income assets through other brokers.

SAM does not have any arrangements to compensate any broker dealer for client referrals.

SAM does not maintain any client trade error gains. SAM makes client whole with respect to any trade error losses incurred by client caused by SAM.

SAM generally does not aggregate any client transactions in mutual fund or other securities. Client accounts are individually reviewed and managed, and transaction costs are not saved by aggregating orders in almost all circumstances in which SAM arranges transactions. BAM Advisor Services, LLC, in the management of fixed income portfolios, will aggregate certain transactions among client accounts that it manages, in which case an SAM client's orders may be aggregated with an order for another client of BAM Advisor Services, LLC who is not an SAM client. See BAM Advisor Services, LLC Form ADV Part 2.

Employee Benefit Plan Services:

SAM does not arrange for the execution of securities transactions for plans as a part of this service. Transactions are executed directly through employee plan participation.

Financial Planning Services:

SAM's financial planning practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. Clients will be required to select their own broker dealers and insurance companies for the implementation of financial planning recommendations. SAM may recommend any one of several brokers. SAM clients must independently evaluate these brokers before opening an account. The factors considered by SAM when making this recommendation are the broker's ability to provide professional services, SAM's experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. SAM's financial planning clients may use any broker or dealer of their choice.

Item 13 – Review of Accounts

Reviews:

Investment Management Services:

Account assets are supervised continuously and formally reviewed quarterly by the Members or Investment Advisor Representatives of SAM. The review process contains each of the following elements:

- a. assessing client goals and objectives;
- b. evaluating the employed strategy(ies);
- c. monitoring the portfolio(s); and
- d. addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- a. a specific client request;
- b. a change in client goals and objectives;
- c. an imbalance in a portfolio asset allocation; and
- d. market/economic conditions.

For fixed income portfolios, certain account review responsibilities are delegated to a third party investment manager as described above in Item 4.

Employee Benefit Retirement Plan Services:

Retirement plan assets are reviewed no more than quarterly, and according to the standards and situations described above for investment management accounts.

Financial Planning Services:

Financial Planning accounts will be reviewed as contracted for at the inception of the advisory relationship.

Reports:

All clients will receive quarterly performance reports, prepared by BAM and reviewed by SAM, that summarize the client's account and asset allocation. Clients will also receive monthly statements from their account custodian, which will outline the client's current positions and current market value.

Financial Planning clients will receive reports as contracted for at the inception of the advisory relationship. Additional reports will not typically be provided unless otherwise contracted for.

Item 14 – Client Referrals and Other Compensation

As indicated under the disclosure for Item 12, SAS and FIWS each respectively provide SAM with access to services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them.

These services benefit SAM but may not benefit its clients' accounts. Many of the products and services assist SAM in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SAM's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of SAM's accounts. Recommended brokers also make available to SAM other services intended to help SAM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. SAM does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers. While as a fiduciary, SAM endeavors to act in its clients' best interests, SAM's requirement that clients maintain their assets in accounts at Schwab or FIWS may be based in part on the benefit to SAM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.

SAM also receives software from DFA, which SAM utilizes in forming asset allocation strategies and producing performance reports. DFA also provides continuing education for SAM personnel. These services are designed to assist SAM plan and design its services for business growth.

Item 15 – Custody

Investment Management and Employee Benefit Plan Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SAM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

SAM requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. For fixed income securities, this authority will include the discretion to retain a third party money manager for fixed income accounts. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

When selecting securities and determining amounts, SAM observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to SAM in writing.

Item 17 – Voting Client Securities

Proxy Voting: As a matter of firm policy and practice, SAM does not accept the authority to and does not vote proxies on behalf of advisory client. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive applicable proxies directly from the issuer of securities held in clients' investment portfolios. SAM, however, may provide advice to clients regarding the clients' voting of proxies.

Class Actions, Bankruptcies and Other Legal Proceedings: Clients should note that SAM will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct SAM to transmit copies of class action notices to the client or a third party. Upon such direction, SAM will make commercially reasonable efforts to forward such notices in a timely manner.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SAM's financial condition. SAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

Please see Part 2B for information about the education and business background of SAM's principal, Joanne Humphrey. There is no other applicable information about management persons of SAM to be reported here.

Joanne E. Humphrey
Salem Asset Management, LLC

338 Hawthorne Avenue NE

Salem, OR 97301-3414

(503) 585-1040

March 29, 2012

This Brochure Supplement provides information about Joanne E. Humphrey that supplements the Salem Asset Management, LLC ("SAM") Brochure. You should have received a copy of that Brochure. Please contact Joanne E. Humphrey, Member & Chief Compliance Officer, if you did not receive SAM's Brochure or if you have any questions about the contents of this supplement.

Additional information about Joanne Humphrey is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Joanne E. Humphrey, CPA/PFS

Born: 1959

Education:

Grace College

Attended from 1977-1979

Northwest Nazarene College

Graduated in 1981 with a B.S. in Accounting and Business

Employment:

Salem Asset Management, LLC

Member and Chief Compliance Officer

December, 2002-Present

Creamer & Associates, PC (f/k/a Creamer, Green & Associates, PC)
Shareholder
January 2002-Present.

Creamer & Associates, PC (f/k/a Creamer, Green & Associates, PC)
CPA
June 1982-Present.

Cornerstone Risk Management, LLC
Secretary / Treasurer
April 2005-December 2007

Additional Information about the CPA designation

Certified Public Accountant (CPA) is the title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA.

Additional Information about the PFS designation

Issued by: The American Institute of Certified Public Accountants (AICPA)

Prerequisites/Experience Required: Candidate must meet all of the following requirements:

- Be a member of the AICPA;
- Hold an unrevoked CPA certificate issued by a state authority;
- Earn at least 100 points under the PFS point system. For example, 30 points are awarded for each year of 1,200 hours of experience; up to 40 points are awarded for passing various exams; one point is awarded for three CPE credits, etc. (See the PFS Credential Handbook for more on earning PFS points);
- Substantiate business experience in personal financial planning-related services

Educational Requirements: CPA plus personal financial planning specific education (See the PFS Credential Handbook)

Examination Type: Final Certification Exam

Continuing Education/Experience Requirements: A combined total of 60 PFS points in personal financial planning business experience and qualified "life-long learning" activities every 3 years. The PFS point system is described in the PFS Credential Handbook.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item for Ms. Joanne Humphrey.

Item 4- Other Business Activities

Ms. Joanne Humphrey is an officer and/or employee with the accounting firm, Creamer & Associates, PC (f/k/a Creamer, Green & Associates, PC). Creamer & Associates, PC (hereinafter "C&A") may recommend SAM to accounting clients in need of advisory services. SAM may recommend C&A to advisory clients in need of accounting services. Accounting services provided by C&A are separate and distinct from the advisory services of SAM, and are provided for separate and typical compensation. There are no referral fee arrangements between SAM and C&A for these recommendations. No SAM client is obligated to use C&A for any accounting services.

Item 5- Additional Compensation

Ms. Joanne E. Humphrey is compensated as an employee and/or owner of SAM and Creamer & Associates, PC.

Item 6 - Supervision

Mr. Robert Creamer and Ms. Joanne E. Humphrey are the sole owners and officers of SAM. There are no other officers or supervised persons at SAM. As such, Ms. Humphrey and Mr. Creamer are responsible for supervision of all advisory activities. They may be reached at 338 Hawthorne Avenue NE, Salem, OR 97301-3414 or by phone at (503) 585-1040.

Item 7- Requirements for State-Registered Advisers

State registered advisers are required to disclose all material facts regarding certain arbitration events, proceedings, or bankruptcy petitions. No information is applicable to this Item for Ms. Humphrey.