

DISCLOSURE BROCHURE

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Contents

SEC Disclosure Statement	iii
Overview	iii
Investment Philosophy	iv
Company Executives	iv
What Clients Can Expect From Us	v
Privacy Policy	vi
Anti Money Laundering (AML) Policy and Guidelines	vii
Security of Client Data	viii
Disaster Recovery Assessment and Policy	viii-x

SEC DISCLOSURE STATEMENT

Anchor Investment Management, LLC, (Anchor) has met all requirements for a Registered Investment Advisor (RIA). The United States Securities & Exchange Commission (SEC) sets forth these requirements for the protection of individual investors. SEC regulations, in compliance with the Investment Advisors Act, require that we deliver a written statement or “disclosure brochure” to every client prior to signing a contract for investment advisory services. The purpose of the brochure is to protect clients by disclosing important information concerning the services provided by us. In some cases, Anchor Investment Management, LLC performs investment management services as a sub-advisor; “client” refers primarily to the individuals whom we serve directly but also to those other financial intermediaries who engage our services, *as well as their investor clients whose assets we manage*. In addition, Anchor Investment Management, LLC operates on a fee-only basis, and thus avoids the conflict of interest associated with commissions or rebates from securities transactions.

To fulfill the requirement for disclosure, we attach Part II of our application for Investment Advisor registration (form ADV). All thirteen of the required categories of information that we are required to disclose are contained in this document. We offer our Disclosure Document, including form ADV, to our clients annually.

OVERVIEW

Anchor Investment Management, LLC is a South Carolina Limited Liability Company:

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Anchor Investment Management, LLC, is an SEC registered investment advisory firm that provides professional and objective investment management services to individual clients and to a select group of independent advisors and financial institutions through the construction and management of Separately Managed Accounts.

Individually Managed Accounts are customized, tax managed portfolios. Comprised of individual securities and various fixed income instruments (individual bonds, closed end bond funds, exchange traded bond funds, or open end bond funds), each portfolio is tailored to the investor's specific financial circumstances and preferences.

INVESTMENT PHILOSOPHY

We follow an investment philosophy that is client centric. As opposed to index based investing, we focus on a core group of securities (with an optimum number of stocks typically ranging from 30-50) enhanced by additional investments as needed based on the client's investment policy statement. The objectives of our philosophy are to:

- Customize the portfolio to the investor's particular circumstances and preferences.
- Minimize investor tax liability through low portfolio turnover and awareness of individual client circumstances.
- Seek market returns and mitigate portfolio risk through diversification.
- Maximize portfolio after-tax return by focusing on long-term results with efficient management of costs.

We believe that the independent advisor is in the best position to serve investors who seek advice and help without conflict of interest. Accordingly, we provide our expertise primarily to individual clients but also to professional advisors who seek to attract, retain and serve that clientele. We provide our services as a discretionary, fully disclosed Separate Account Manager or as a select Sub-Advisor.

COMPANY EXECUTIVES

W. Patrick Dorn, Jr., CFA is Founder, Principal and co-Chief Investment Office of Anchor Investment Management, LLC. Prior to establishing Anchor, Pat served as Senior Vice President of Trust Operations for Wachovia Bank in Columbia, SC. Pat was graduated from Presbyterian College with a B.S. in Economics and Business Administration. He also was graduated from the Northwestern Graduate Trust School at Northwestern University, Chicago, Illinois.

John H. Moorman, Jr., also a Principal of Anchor Investment Management, LLC, serves as co-Chief Investment Officer and Director of Business Development. His career spans twenty-plus years in the industry; prior to joining Anchor, John was a Vice President at Merrill Lynch and then at UBS. John was graduated from The Citadel with a B.S. in Business Administration.

Margaret Ellen Pender is Chief Financial Officer, Chief Compliance Officer, and an Investment Advisor. Prior to joining Anchor, Margaret Ellen was a retail banking center manager for Wachovia Bank and then a project account for the LPA Group. Margaret Ellen was graduated from Presbyterian College with a B.S. in Business Administration.

WHAT CLIENTS CAN EXPECT FROM US

Professional Integrity, Code of Conduct and Ethics

We pride ourselves on high standards of excellence. We exhibit these standards in dealing with persons and entities both inside and outside the company. We strive to conduct all business dealings and relationships with integrity, honesty, and respect for others. We strive to serve these principles faithfully and always deal fairly and honestly with those with whom we do business. Relationships with clients, service providers, strategic partners, competitors, and employees are based on fair dealing, full disclosure, exemplary service, and on compliance with applicable laws and regulations.

Accurate and Complete Accounting

Company principals are responsible for accurate and timely record keeping for all company assets, liabilities, revenues, and expenses. The company complies with accepted accounting rules and controls. All books, records, and documents accurately and completely describe the transactions they represent.

Conflict of Interest and Confidentiality

No employee shall use his or her position with the company or information acquired during employment in a manner that may create a conflict, or the appearance of a conflict, between the employee's personal interests and those of the company and its clients. All activities conducted by an employee of the company should always place the lawful and legitimate interests of the company and its clients over personal gain.

Except as properly authorized by the company, it is the responsibility of all employees to maintain the confidentiality of proprietary information of the company and information entrusted to the company by principals or customers that is otherwise not available to the public. Anchor employees do not discuss confidential company business with anyone who does not have a legitimate need to know the information.

PRIVACY POLICY

The Securities and Exchange Commission issued its final rule regarding the obligation of registered investment advisors and other securities firms to protect the financial privacy of their customers. The rule, Regulation S-P, implements the privacy requirements of the financial modernization legislation entitled the Gramm-Leach-Bliley Act, and was signed into law on November 12, 1999.

Our relationships with individual investors and with Registered Investment Advisors and their clients are our most important asset. Our clients and the investment advisors that retain our services entrust us to manage their assets, and also entrust us with the personal and financial data. ("Client" includes current clients, former clients or prospective clients of Anchor Investment Management, LLC or the firms that engaged Anchor on behalf of said client.). Information that identifies clients or their investment accounts is "personal information." We consider client personal information to be private and confidential, and we hold ourselves to the highest standards of trust and fiduciary duty in the safekeeping and use of personal information. As part of our investment management business, we collect nonpublic personal financial information about a client from account applications or other forms and through client transactions with us or through a broker, which may include information about account balances, securities positions, or financial products purchased. We obtain information from third parties with respect to a client's account such as trade confirmations from brokerage firms and custodial statements.

We use information about clients and their accounts to help us serve their investment and financial needs and to administer our business. We restrict access to this information to authorized individuals within our firm who need to know this information to provide our services. We maintain physical, electronic, and procedural safeguards that protect personal, nonpublic information. Employees do not share this information outside the firm. We do not disclose or sell personal information to anyone.

We collect nonpublic personal information about clients from the following sources:

- *Account applications and other forms*, which may include the client's name, address, social security number, and information about his or her unique circumstances and investment preferences.
- *The client's financial advisor* and related advisory professionals (attorney or CPA) who may provide financial, investment history and tax information about a client.
- *The investment custodian*, which typically provides us with account history, transaction activity and account balances.
- *Correspondence*, between the client and us, or between the financial advisor and us.

We do not release information about clients or their accounts to any third party unless one of the following conditions is met:

- We receive the client's prior consent directly or through the client's financial advisor.
- The recipient is a broker, custodian or other service provider with whom we must share information in order to manage the client's account.
- We are required by law to release the information

We adhere to the policies and practices described in this policy whether a client is a current or former client of a financial advisor that has engaged our services. Our privacy policy may be revised in the future. If you would like a printed copy of this privacy policy, please contact us at 803-790-6654.

ANTI MONEY LAUNDERING (AML) Policy and Guidelines

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism ("Patriot Act") a.k.a. the Anti-Money Laundering and Anti-Terrorism Act of 2001 was enacted on October 26, 2001 in response to the September 11, 2001 terrorist attacks. It is also referred to as the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001. It requires compliance responsibilities and due diligence procedures for "covered financial institutions" (CFIs) which now include financial advisors. The PATRIOT Act was adopted by Congress to combat terrorism and contains anti-money laundering measures that apply to investment advisers and investment companies. The PATRIOT Act amends the Bank Secrecy Act to apply some of its provisions to a wider group of entities in the financial services industry. The goal of this new legislation is to enhance the US government's ability to counteract terrorist activity funding by extending existing bank anti-money laundering monitoring, reporting and record keeping requirements to covered financial institutions.

Investment advisors were not originally included within CFIs. The original requirement for all Investment Advisors was to report certain suspicious currency transactions in excess of \$10,000 to the IRS. Among other things, the act requires the development of a customer identification program (CIP) including enhanced customer identification and verification obligations, and heightened due diligence for accounts held by foreign banks and individuals.

Changes to Account Applications

To comply with the CIP requirements and to the extent it is applicable to the company's business, Anchor Investment Management, LLC has adopted the additional identity and verification data guidelines, provided by Charles Schwab Institutional, which can be used for new accounts. Implementation of the Patriot Act requires that this additional information be provided to the investment advisors and institutions that Anchor is retained to service.

Identification Requirements include, and all Account Holders must provide, the following:

Aliases: Are you known by another name?

All Countries of Citizenship

Account Holders who are Non U.S. Citizens: Passport/Alien Identification Number, Country of Issuance

For International Accounts: Are you related to or associated with, a senior foreign political figure?

Primary Source of Funding

Verification Notice to Customers

It is Anchor policy to work only with Registered Investment Advisors (RIAs) in good standing with regulatory agencies. For the majority of client accounts, however, Anchor relies exclusively on the custodian (e.g., Schwab, Wachovia) for any and all *Know Your Customer/Enhanced Due Diligence* and CIP investor information, including its accuracy. Anchor maintains that information for all client accounts. Note that:

- Anchor does not have custody of investor funds. The investor assets of Anchor's clients are maintained only at established, recognized custodial institutions.
- Anchor does not hold Full Power of Attorney (FPA) for investor accounts, but does hold a Limited Power of Attorney. Accordingly, Anchor does not have the authority to effect cash transactions to or from investor accounts other than to debit its management fees.
- Anchor applies a reasonable scrutiny to investor accounts which are opened (all or in part) with cash or cash equivalents as well as those investor accounts which have cash inflows or outflows greater than \$10,000.

Anchor's Compliance Officer is designated as the officer responsible for AML compliance.

SECURITY OF CLIENT DATA

Anchor's management team uses fixed desktop workstations and portable laptop computers. From time to time Anchor staff use the laptops to work remotely, away from the office. Laptops are protected with user codes and passwords to help prevent unauthorized or inappropriate access. Client social security numbers are never stored on any desktop or laptop workstation. The company's desktop server does contain records of client names and a database of account numbers and addresses but it is password and firewall protected. The company's laptop computers may, on occasion, contain client names and/or account numbers. On such occasions, the data is password and firewall protected. Theft of a company laptop computer, whether from inside or outside the office, could compromise the privacy of that client data. Employees are instructed to handle data on the laptop as highly confidential and not to leave laptops unattended when working away from the office.

See also *Disaster Recovery Assessment and Policy*, below.

DISASTER RECOVERY ASSESSMENT and POLICY

The primary objective of the company's disaster assessment and policy is to: (a) minimize the impact of any interruption to normal business activity; (b) sustain the lowest possible degree of service interruption should it occur; and (c) return to normal business activities as soon as possible.

Anchor Investment Management, LLC has attempted to contemplate disaster events of all types. In assessing potential disaster, certain obvious factors are understood: The Columbia, SC area is subject at times to the effects of hurricanes; computer networks and the internet's infrastructure are subject to failure, and so on.

Anchor's initial response to a disaster event follows seven general Emergency Steps:

- Assemble executive management team to ensure that all mission-critical decision makers are available and, if possible, together.
- Take steps to ensure the health and safety of Anchor personnel.
- Conduct a first-line risk analysis: ensure that critical data is stored safely and is available offsite. Determine how business operations will be affected by the event (e.g., closing of governments and financial markets).
- Determine what methods of communication are available and establish key communications.
- Protect mission-critical processes.
- Make a public declaration of the steps being taken to deal with the crisis.
- Block all external Internet access until it is determined that a wave of cyber terrorism attacks is not about to follow.

Anchor defines and groups potential disaster into four areas:

- 1) *Internal system(s) malfunction and/or data loss*
- 2) *Internet service disruption*
- 3) *Acts of nature or terror*
- 4) *Loss of key personnel*

1) Recovery from System Malfunction and/or Data Loss

Anchor maintains primary portfolio management data in house on a desktop server. Data resides on the network file server and is backed up on the server's external hard drive both at Data Deposit Box and on the server at IT One Solutions. The potential for disaster includes:

- Single computer failure: briefly down to destroyed
- a) Portfolio accounting data (on its workstation) and other unique c:/ files
- Server failure: briefly down to destroyed
- a) Email archive
- b) CRM files
- c) Portfolio accounting files
- d) Shared files

Backup for the off-site server is handled by IT One Solutions. Data can be restored onto any off-the-shelf PC. The server used for backup and the workstation(s) used for portfolio management are protected by UPS power supplies. In the event of power loss, each UPS automatically saves data, closes open applications and shuts down its machine.

Anchor uses several commercial computer software applications to manage client portfolios. Some software is accessed through Anchor's vendor(s) via the internet. Software is replaceable through their respective vendors.

Certain elements of portfolio management and historical market data are maintained within Anchor's data and backup storage, while other client account data is maintained by the custodian (e.g., Schwab, Wachovia). Schwab maintains its customer account data for continuous, rolling 18 month periods. In the worst case scenario of complete data loss, including loss of onsite server and backup data, client accounts can be substantially reconstructed from data maintained at the custodian. Otherwise, in the event of total desktop server failure, data is redundant on the off-site backup.

2) Internet / Telecommunications Service Disruption

Anchor maintains a single physical office with standard business telephone service. Disaster response considerations include:

- Phone & internet outages from Short to Long term
- a) Web access for portfolio management operations
- b) Model portfolio data updates
- c) Communications

Aside from the personal cell phones of its principals and staff, Anchor does not have a backup or alternate telephone service. Anchor can, however, instruct the local telephone service provider to forward incoming calls to a designated alternate location or number.

In the event of an interruption in internet service at Anchor's office or office building, Anchor has alternate and wireless internet connections via key personnel portable laptop workstations. Anchor maintains email accounts with its primary internet service provider (ISP), which are accessible from any computer via the internet (World Wide Web) from any location or computer with an internet connection.

A widespread internet disruption affecting custodial entities and market data providers is beyond Anchor's ability to respond. In addition to following its internal response procedures, however, and until recovery, Anchor's client portfolios would substantially maintain their integrity as a result of long-term structure that is focused on high quality stocks and investment grade bonds with minimal portfolio turnover.

3) Acts of Nature or Terror

Anchor maintains its only offices in a small two story brick building in the Columbia, SC. The building but does not have a fire suppression (sprinkler) system. Disaster considerations include:

- Office power outages from Short term (< day) to Long term (> day)
- Physical office damage/availability from briefly unavailable to uninhabitable but salvageable to no longer habitable and unsalvageable (e.g., fire)

In the event Anchor personnel are unable to access the building, or in the event the building is damaged to the extent Anchor's client data is destroyed or irretrievable, daily operations would be handled remotely using the backup means described above. That is, client data would be retrieved from data backup and/or reconstructed from custodian data as described. Anchor maintains usual and customary paper records. Essential paper records have been scanned and uploaded via Document Mall to its secure server; files are accessible via specific user name and password on www.documentmall.com .

Loss of Key Personnel

Anchor relies entirely on its principals to operate each facet of its business. The loss or incapacity of any one team member at any time would have an immediate, although temporary, effect on that portion of the business. Because of the principals' close working relationship and consistent portfolio management philosophy, Anchor's immediate succession plan is for the remaining principals to assume responsibility for the portfolios of the incapacitated or lost principal. For the long-term solution, Anchor maintains a list of local and regional investment professionals whom it would consider as a replacement of key personnel.