

Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page

Sumner Financial Advisors, Inc.
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March 12, 2012

This brochure provides information about the qualifications and business practices of Sumner Financial Advisors Inc. If you have any questions about the contents of this brochure, please contact us at (301) 767-6900. 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.

Sumner Financial Advisors Inc. 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 Sumner Financial Advisors Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC rules. This Brochure dated March 12, 2012 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to the new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without a charge.

Currently, our Brochure may be requested by contacting John Lauroesch, President at 301 767-6900 or sumnerfin@gmail.com.

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Item 4 Advisory Business

Sumner Financial Advisors, Inc. is a Maryland Corporation which has been in business for fifteen (15) year. Formed in February 1996. John G. Lauroesch , President is the sole stockholder.

Sumner Financial Advisors, Inc. primarily provides discretionary portfolio management services and asset allocation advice. Additional services include investment transaction management an structuring, investment banking activity and other financial consulting.

In managing investment portfolios, Sumner Financial Advisors, Inc., focuses on creating portfolios designed to meet the investment goals and objectives of the individual clients. Clients may impose restrictions on investing in certain securities or types of securities.

As of 12/31/2011 Sumner Financial Advisors, Inc. was responsible for the management of \$ 48,200,135 of client assets on a discretionary basis and \$ 1,152,064of client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Sumner Financial Advisors, Inc. is compensated for providing investment advisory services based on a percentage of assets under management. The fee schedule based on a percentage of assets under management is as follows: 1% of assets up to \$ 1,000,000, .75 % of assets in excess of \$ 1,000,000 up to \$ 2,500,000. For portfolios over \$ 2,500,000 fees are negotiated.

Sumner Financial Advisors, Inc. reserves the right to negotiate fees. Some clients will pay more or less than others depending on certain factors, including but not limited to, the type and size of the account and the investment mix. The fees charged to a client are detailed in a written agreement between each client and Sumner Financial Advisors, Inc.

Investment advisory fees will be billed in quarterly installments. Each quarterly fee will be based on the formal portfolio valuation prepared at the beginning of a quarter and will be billed shortly thereafter. Clients may choose to be billed directly or they may have fees deducted directly from their account. If deducted from their account, clients receive a copy of the invoice which was sent to the client's brokerage firm. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Sumner Financial Advisors, Inc.'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, deferred sales charges, 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. Such charges, fees and commissions are exclusive of and in addition to Sumner Financial Advisors, Inc.'s fee, and Sumner Financial Advisors, Inc. shall not receive any portion of these commissions, fees and costs.

Item 12 further describes the factors that Sumner Financial Advisors, Inc. considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

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

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Sumner Financial Advisors, Inc. does not manage any account on a performance based fee.

Item 7 Types of *Clients*

Sumner Financial Advisors, Inc. provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, trusts and estates.

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

The majority of the accounts managed by Sumner Financial Advisors, Inc. are balanced accounts with a combination of stocks, bonds and cash instruments utilized to meet the goals and investment objectives of the individual clients. In the stock or equity portion of the accounts Sumner Financial Advisors, Inc. utilizes exchange-listed securities, securities traded over the counter and foreign securities. Additionally Sumner Financial Advisors, Inc. will utilize warrants, exchange traded funds, master limited partnerships, real estate investment trusts and mutual funds as part of the equity approach. Stock options are also utilized in some accounts with the primary strategies utilized being selling covered call options to generate income and hedge portfolio risk and selling put options to generate income. As with all securities investing, Sumner Financial Advisors, Inc.'s approach to equity investing involves risk of loss that clients should be prepared to bear.

The fixed income portion of investment portfolios varies by the type of account and particular circumstances of the client. Sumner Financial Advisors, Inc. utilizes a variety of fixed income instruments including United States government securities, corporate debt securities including convertible debt, municipal securities certificates of deposits and mutual funds including a variety of money market mutual funds. The factors that determine which instruments will be utilized include the type of account, taxable versus non-taxable, the effective tax rate of the client and the investment time frame. As with all investments, investing in fixed income securities involves risk of loss that clients should be prepared to bear.

Sumner Financial Advisors, Inc. utilizes a fundamental approach in the management of investment portfolios. Securities valuation is an important factor in securities selection. For equities this includes reviewing price earnings ratios, book value and cash flow analysis to determine the potential for either capital gains, income or both when selecting specific securities. Fixed income analysis includes a review of the balance sheet, coverage ratios, and prospects for payment of interest and principal. Additionally Sumner Financial Advisors, Inc. considers the level of interest rates and the likelihood of interest rates either rising or declining. In making investment decisions Sumner Financial Advisors, Inc. relies primarily on outside research and reports. This material includes subscriptions to publications such as financial newspapers and magazines and investment advisory services as well as utilizing research prepared by others. Sumner Financial Advisors, Inc. also utilizes corporate rating services along with annual reports, press releases and filings with the Securities and Exchange Commission.

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 Sumner Financial Advisors, Inc. or the integrity of Sumner Financial Advisors, Inc.'s management. Sumner Financial Advisors, Inc. has no information applicable to this Item.

Item 10 Other Financial Industry Activities and Affiliations

Sumner Financial Advisors, Inc, and it's principal, John G. Lauroesch, do not have any other financial industry activities or outside affiliations.

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

Sumner Financial Advisors, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading and personal securities trading procedures, among other things. All supervised persons at Sumner Financial Advisors, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

Sumner Financial Advisors, Inc. anticipates that, in appropriate circumstances, it will cause accounts over which Sumner Financial Advisors, Inc. has management authority to effect, the purchase or sale of securities in which Sumner Financial Advisors, Inc. its personnel or related parties, directly or indirectly, have a position of interest. Sumner Financial Advisors, Inc.'s employees and persons associated with Sumner Financial Advisors, Inc. are required to follow Sumner Financial Advisors, Inc. Code of Ethics. Subject to satisfying this policy and applicable laws, officers and employees of Sumner Financial Advisors, Inc. may trade for their own accounts in securities which are purchased for Sumner Financial Advisors, Inc.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Sumner Financial Advisors, Inc. will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Because the Code of Ethics would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, in order to reasonably prevent conflicts of interest between Sumner Financial Advisors, Inc. and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Sumner Financial Advisors, Inc.'s obligation of best execution. In such circumstances, the affiliated and clients accounts will receive securities at the same total average price.

Sumner Financial Advisors, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting John Lauroesch.

Item 12 Brokerage Practices

Sumner Financial Advisors, Inc. does not maintain custody of your assets we manage, 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. If clients have not chosen a broker-dealer or bank, we recommend that they use Charles Schwab & Co. Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold the assets in a brokerage account and buy and sell securities when we instruct them to. While we may recommend that you use Schwab as custodian broker, you will decide whether to do so and will open your account with Schwab 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. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account. When consistent with best execution, Sumner Financial Advisors, Inc. may place securities orders through other broker-dealers in recognition of valuable ideas, which may include research reports provided to us.

If you choose to use a custodian other than Schwab we will generally attempt to negotiate a more favorable commission rate for you than you would otherwise receive from the custodian.

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others items: whether there is a separate fee for custody, capability to execute and settle trades, breadth of available investment products, availability of investment research and tools that assist us in making investment decisions, competitiveness of the price of services, financial strength and reputation and availability of products and services that benefit us.

For our clients’ accounts that Schwab maintains, Schwab does not charge you separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into your Schwab account.

Schwab Advisor Services is Schwab’s business serving independent advisory firms like us. They provide us and our clients with access to its institutional brokerage, trading, custody, reporting and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of these services help us manage or administer our clients’ accounts, while others help us manage our business. Schwab support services are generally available on an unsolicited basis and at no charge as long as our clients collectively maintain a total of at least \$ 10 million in assets at Schwab

The availability of these services from Schwab benefits us because we do not have to produce or purchase them so long as our clients keep a total of at least \$ 10 million of their assets in accounts at Schwab. The \$ 10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab’s services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab’s services and not Schwab’s services that benefit only us.

The primary objective in placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution. Sumner will execute its transactions through an unaffiliated broker-dealer selected by the client. Sumner will typically aggregate orders in a block trade or trades when securities are purchased or sold through the same broker-dealer for multiple accounts. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular Client accounts.

Item 13 Review of Accounts

Portfolio management accounts are reviewed by John G. Lauroesch, President. All accounts are reviewed at least monthly. More frequent reviews may occur as the result of certain business, financial, economic or political events.

Sumner Financial Advisors, Inc. provides investment portfolio reports on a quarterly basis. Portfolio management clients also receive monthly or quarterly statements from the brokerage firm or trust company that custodies the client's account. Sumner Financial Advisors, Inc.'s quarterly reports include a statement of securities positions and market values.

Item 14 *Client* Referrals and Other Compensation

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described in Item 12 – Brokerage Practices. The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Sumner Financial Advisors, Inc. does not participate in any formal referral programs nor does it compensate any firms or individuals for providing client referrals.

Item 15 Custody

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct your brokerage firm or trust company to deduct our advisory fees directly from your account. Your brokerage firm or trust company maintains actual custody of your assets. You will receive account statements directly from your brokerage firm or trust company at least quarterly. They will be sent to the email or postal mailing address you provided. You should carefully review those statements promptly when you receive them. We also urge you to compare these statements to the portfolio reports you will receive from us.

Item 16 Investment Discretion

Sumner Financial Advisors, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. As part of our investment management agreement, we include a limited power of attorney section which authorizes us to buy and sell securities on your behalf. Clients may list any restrictions they wish to place on their account such as securities or industries they do not want to invest in. In addition clients typically complete an account application with the brokerage firm or trust company which includes a section that gives Sumner Financial Advisors, Inc. a limited power of attorney authorizing us to buy and sell securities on your behalf.

Item 17 Voting *Client* Securities

As a matter of firm policy and practice, Sumner Financial Advisors, Inc. does not have authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Sumner Financial Advisors, Inc. may provide advice to clients regarding the clients' voting of proxies.

Item 18 Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sumner Financial Advisors, Inc.'s financial condition. Sumner Financial Advisors, Inc. has no financial commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 Requirements for State-Registered Advisers

John G Lauroesch Age 62 Born in 1949

Graduated from Union College in Schenectady, New York in 1975 with a B.A. in American Studies

John G. Lauroesch earned the CFA designation in 1992.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate level investment credential established in 1962 and awarded by CFA Institute – the largest global association of investment professionals.

Since 1996 John G. Lauroesch has been the President of Sumner Financial Advisors, Inc. In this position he has been the Chief Investment Officer for the firm.

Prior to forming Sumner Financial Advisors, Inc. John G. Lauroesch was a Vice-President and Senior Portfolio Manager for Nye, Parnell and Emerson in Alexandria, Virginia from 1992 to 1996.

John G. Lauroesch does not have any other financial industry activities or outside affiliations.

Sumner Financial Advisors, Inc. and John G. Lauroesch do not receive any compensation in the form of performance-based fees.

John G. Lauroesch does not have any legal or disciplinary events material to a client's or prospective client's evaluation. He has neither been charged with or found guilty of any criminal or civil action. Additionally there have not been any proceedings before the SEC, self-regulatory (SRO) or any federal or state regulatory agency.

John G. Lauroesch does not have any relationship or arrangement with any issuer of securities.