

**Firm Brochure for**

**Hummer Financial Advisory Services, Inc.  
c/o M. Hummer  
680 N Lake Shore Drive Apt 906  
Chicago, IL 60611-4477**

**312.787.2114 voice  
312.275.8190 fax  
312.835.8512 cell #1  
312.213.4449 cell #2**

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This brochure provides information about the qualifications and business practices of Hummer Financial Advisory Services, Inc.(HFAS). If you have any questions about the contents of this brochure, please contact us at [mshummer@hummerfas.com](mailto:mshummer@hummerfas.com). 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.

Additional information about Hummer Financial Advisory Services, Inc. is also available on the SEC's website at <https://adviserinfo.sec.gov>.

The previous version of this narrative firm brochure was dated June 15, 2020.

Material changes from the previous version of Part 2 of Form ADV are as follows:

1. The amount of Assets Under Management (AUM) total in Item 4 "Advisory Business" on page 4 was updated to December 31, 2020, asset amounts.
2. Additional Assets Under Advisement as of December 31, 2020, are disclosed on page 6.

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Hummer Financial Advisory Services, Inc. (HFAS) was established in 1999 by Melanie S. Hummer, President and owner.

#### INVESTMENT SUPERVISORY SERVICES

Hummer Financial Advisory Services, Inc. provides investment supervisory services and provides investment advice through consultations not deemed to be investment supervisory services, including financial planning consultations. On an occasional basis, HFAS furnishes advice to Clients on matters not involving securities such as "lease versus buy" decisions, personal budgeting, refinancing of home mortgages, and other financial planning topics. The types of investments for which advice is offered by HFAS include:

- Equity securities, including exchange-listed securities, over-the-counter securities, and foreign issues
- Stock warrants and stock rights
- Corporate debt securities
- Certificates of deposit
- Master limited partnerships (publicly-traded)
- Municipal securities
- Investment companies securities including life insurance, annuities, and mutual funds
- United States government securities
- Real estate

Each Client's account is separately managed in accordance with their liquidity needs, investment horizon, risk tolerance, income needs, and personal preferences. Clients may restrict investments in particular stocks, sectors, or types of securities.

Hummer Financial Advisory Services, Inc. does not participate in any wrap fee programs. Hummer Financial Advisory Services, Inc. Assets Under Management (AUM) were **\$147,131,823** on a discretionary basis and zero on a non-discretionary basis, as of **December 31, 2020**.

#### BRIEF PERSONAL FINANCIAL PLANNING SERVICES

As part of the investment supervisory and counseling process, brief financial planning services may be offered such as investor education, budgeting assistance, income tax planning, IRA distribution planning, optimal asset allocation among taxable, tax-exempt, and tax-deferred accounts, etc. This type of service is offered only to existing investment supervisory clients.

#### LIMITED PERSONAL FINANCIAL PLANNING SERVICES

Individuals who are not investment supervisory clients may receive limited financial planning services on specific, isolated areas of concern such as estate planning, retirement income analysis, insurance needs analysis, or other specific financial planning topics. Consultation and administrative services are provided on investment and financial concerns of the client. Advice can also encompass non-securities matters, such as buying a new home, lease vs. purchases decisions for automobiles or other major items, selection of mortgage options, budgeting, divorce planning, etc.

There is no pre-set menu of limited financial planning service choices. Each limited financial planning engagement is based on the particular needs and questions of the client. Previous limited financial planning engagements have looked at questions ranging from "Can I afford to go on a cruise?" to "What should I ask for in a divorce?" Forensic investigation of marital assets has also been a limited financial planning activity.

Clients who are current investment supervisory clients may also receive limited financial planning services that require more extensive research and analysis than the brief financial planning services included in the investment supervisory fee. Examples of this might be analysis of generation skipping trusts, review of complex life insurance proposals, incentive stock option planning, etc.

## COMPREHENSIVE PERSONAL FINANCIAL PLANNING SERVICES

Clients who are currently enrolled for investment supervisory services may, upon request, receive comprehensive financial planning services consisting of a full written financial plan, providing the client with a financial blueprint designed to achieve their stated financial goals and objectives. Comprehensive financial planning services are not offered to clients who are not under asset management. Comprehensive personal financial planning services are offered only to individuals (and their related trusts and estates) and not to trustees of pension and profit-sharing plans, charitable organizations, corporations, or other business entities.

In general, a comprehensive written financial plan prepared by HFAS will usually address the following areas of concern as they apply to a particular client:

- **Personal:** A compilation is made of family records, professional advisors, budgets, personal liabilities, estate information, college funding needs, current net worth, estate planning documents, account registrations and titles, and financial goals.
- **Tax and Cash Flow:** Past tax returns are reviewed for possible asset productivity gains and tax savings. Income tax and spending are analyzed and planned for current and future years. The plan will illustrate the impact of various investments on the client's income tax liability.
- **Estate Plans and Disability:** Estimated estate taxes are calculated, as well as cash needs at the time of the estate, income needs of surviving dependents, college funding requirements, retirement and disability income needs. Recommendations are developed in consultation with the client's estate attorney if possible restructuring of the asset is warranted. The proper allocation of assets is reviewed to take full advantage of the estate plan in place.
- **Retirement:** An analysis of current strategies and investment plans is prepared to assist the client in achieving their retirement goals. A review of current or projected social security and defined benefit pension plan benefits is completed, including a review of whether social security is being claimed on the correct spouse's earnings record.
- **Insurance:** A review is made of all insurance coverages (life, medical, disability, homeowners, personal property, long-term care, FDIC, SIPC, investment account, and auto) to determine appropriateness and adequacy of current coverage, financial ratings of companies providing coverage, and recommendations for any changes in coverage.
- **Gifting:** Gift planning is reviewed, including both programs for transfers of assets to family members and other donees as well as tax-efficient charitable gifting strategies.
- **Investments:** Current investment assets are analyzed as to asset allocation, projected annual income, likely volatility, cost basis, and unrealized gain or loss. An analysis of comparative investment strategies and alternatives and their effect on the client's portfolio and projected annual income is prepared. A review of annuity products for correct cost basis and for strength of insurance provider is made.
- **Liabilities:** A review is performed on outstanding liabilities such as mortgages to ascertain if refinancing is advisable or available, what the break-even period would be for the refinancing costs, and whether a fixed or variable rate mortgage should be used. Reverse mortgages are also considered if the client situation warrants it.

Required information is gathered through in-depth personal interviews and review of documents. Information procured includes current financial status, future goals, and attitudes towards risk. A risk assessment questionnaire completed by the client may be utilized to assist in the gathering of data.

A written report is prepared based on a comprehensive review of the information obtained.

Implementation of any recommendation requires close cooperation with the client's estate planning attorney, accountant, insurance agent, and/or stockbroker. Implementation is entirely at the client's discretion.

#### LIMITED INVESTMENT SUPERVISION NOT CONTINUOUS

Discretionary limited supervision services that do not encompass continuous supervision or management are offered for accounts that fall beneath required investment minimums or at the discretion of the portfolio manager. These services do not include the normal quarterly investment management reports from the adviser or the computation of investment performance statistics. The client receives a monthly account statement of all assets and activity direct from the broker/dealer/custodian holding their assets. These assets under limited not continuous supervision are not included in total "Assets Under Management" but are classified as additional "Assets Under Advisement" and total **\$1,603,527** at **December 31, 2020**.

#### Item 5 Fees and Compensation

#### INVESTMENT SUPERVISORY SERVICES FEE SCHEDULE

No commissions are charged by HFAS and commissions charged by others are not shared with HFAS. No 12(b)(1) fees are accepted from mutual fund sponsors. An annual management fee is charged based on a percentage of the amount of assets under supervision. Fee levels may be discounted from the standard fee at the discretion of the investment portfolio manager.

**Discretionary Management:** Discretionary investment management entails an in-depth understanding of the Client's risk tolerance, investment diversification, and need for liquidity. Based on this understanding, trading instructions can be given to the broker/dealer by HFAS without obtaining specific approval from the Client before placing the trade. Because of the time savings inherent in this approach, a standard fee level has been established as follows:

Amount of Assets Under Management	Annual Percentage Fee
First \$1 million	0.8% (0.008)
Next \$2 million	0.6% (0.006)
Over \$3 million	0.4% (0.004)

For instance, an account with \$1 million under management would be charged \$2,000 per quarter (\$8,000 per year).

**Accounting Set-Up Fees:** In addition, a one-time setup fee of 0.25% (.0025) of assets may be charged for the research and assembly of initial cost basis records to establish the beginning tax basis for all investments in a new account if the information is not readily available. This fee is negotiable based on the difficulty of obtaining the records and research time required. An account which is initially 100% in cash would not be assessed a setup fee, since no cost basis research would be necessary. Accounts that have complete cost basis and purchase date records easily accessible for each tax lot also would not be charged a setup fee.

**Accounts Combined for Fee Calculations:** Accounts for spouses are combined in order to attain the most economical billing tier.

**Minimums:** Minimum annual fee levels are \$8,000 for discretionary accounts. The minimum account size is \$1,000,000. These minimums may be waived at the discretion of the portfolio manager.

When the minimum account size requirement has been waived, the standard fee schedule is increased by 0.40% annual percentage fee (40 basis points per year) in addition to the normal fee level.

**Limited Investment Supervision Not Continuous:** A flat fee may be charged for such services in an amount agreed upon with the client. At the discretion of the investment portfolio manager a fee might not be charged at all.

**Billing:** Invoices for investment supervisory services are submitted to the custodian and/or Client on a quarterly basis for one-fourth of the annual percentage amount applied to the assets under management on the last day of the quarter. Fees are never billed or paid in advance. The Custodian/broker/dealer automatically deducts the quarterly fee from the Client's account upon presentation of the fee invoice if the Client has provided prior authorization to do so.

#### BRIEF FINANCIAL PLANNING SERVICES FEE SCHEDULE

These services are included in investment supervisory services and no separate fees are charged.

#### LIMITED FINANCIAL PLANNING SERVICES FEE SCHEDULE

No complimentary introductory planning sessions are offered. HFAS charges an hourly fee of \$295 for all types of limited financial planning services provided to Clients. The hourly fee is negotiable with each Client based on the planning needs of the Client. Each Client project will have a specific hourly fee and estimated total fee determined and agreed upon by both parties in advance. These services are typically provided on an hourly fee basis. Verbal advice or a simple written report may be provided. This level of service usually entails about two hours of time with fees in the range of \$600. A retainer for limited financial planning services is not required. Fee are never billed or paid in advance. Fees for limited financial planning services rendered are due and payable within thirty (30) days after the invoice is presented.

#### COMPREHENSIVE FINANCIAL PLANNING SERVICES FEE SCHEDULE

No fixed fee schedule applies for comprehensive financial planning. Each Client's individual situation is evaluated as to complexity and research needs. A written contract including an estimate of the fee required to prepare a comprehensive written financial plan will be entered into with the Client prior to the commencement of the planning engagement. The estimated fee will be based upon an hourly rate of \$295 times the estimated number of hours required to prepare the written plan. Fees are negotiable based upon the planning needs of the Client, and a specific maximum fee will be determined and agreed upon by both parties in advance. If the time required to gather and analyze data and prepare a written plan is substantially greater than the time estimate used to determine the fee, the Client will be apprised of the reasons and extent of the additional time; a new fee estimate will be given with no obligation on the part of the Client to continue further or to pay for the time already incurred.

#### CANCELLATIONS AND REFUNDS

For all types of services, an investment advisory Client has the right to terminate the contract without penalty within five (5) business days after entering into the contract.

A Client agreement for investment supervisory services may be canceled at any time, by either party, for any reason, upon receipt of 30 days written notice. If either party terminates the contract, fees will be prorated. A Client may request termination of brief personal financial planning services at any time and no fee will be owed for this service.

A Client agreement for limited personal financial planning services may be canceled at any time by either party and no fee will be owed.

An agreement for comprehensive financial planning services may be cancelled at any time, by either party, for any reason, upon receipt of written notice. All documents provided by the Client will be promptly returned. All documents prepared by HFAS personnel shall remain in the possession of HFAS, and no incomplete plans or partial work shall be provided to the Client. In the event that an agreement for comprehensive financial planning services is cancelled prior to the receipt by the Client of the written financial plan, no bill shall be presented for professional time spent up to the time of cancellation.

#### OTHER FEES AND COMMISSIONS

A Client will incur commissions and any mutual fund loads, mutual fund operating expenses, custodial fees, reorganization/corporate action fees, and handling fees charged by the custodian or broker/dealer that the Client selects to hold his or her securities portfolio and execute trades. Mutual funds recommended by HFAS are generally exchange-traded funds or no-load. HFAS does not receive any revenue from these types of charges. HFAS does not charge or share in commissions of any investment products.

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

Hummer Financial Advisory Services, Inc. does not charge *performance-based fees* (i.e. fees based on a share of capital gains or capital appreciation of the assets of the Client.) All accounts are charged an asset-based fee. There is no "*side-by-side management*" of accounts with different types of fee arrangements.

#### Item 7 *Types of Clients*

Hummer Financial Advisory Services, Inc. provides investment advice to individuals, grantor trusts, charitable remainder trusts, charitable organizations, irrevocable trusts, Individual Retirement Accounts, participants in self-directed 401(k) and profit-sharing plans, and corporations. The minimum Account size for all Accounts is \$1 million, but this requirement may be waived at the discretion of the portfolio manager.



Hummer Financial Advisory Services, Inc. utilizes fundamental and cyclical security analysis methods to evaluate securities.

The primary sources of information utilized by HFAS are financial newspapers, financial industry magazines and periodicals, professional trade journals, corporate rating services, corporate annual reports, prospectuses, filings with the Securities and Exchange Commission, corporate press releases, Morningstar and Thomson research and data services.

Investment strategies used by HFAS to implement investment advice include long term purchases to be held at least a year and short term purchases. No short sales, margin trading, or options are utilized to implement investment strategies.

Investing in securities involves inherent risk of loss that *Clients* should be prepared to bear.

HFAS primarily recommends low risk securities intended for a "buy-and-hold" style of investing. HFAS does not engage in frequent trading of securities.

Recommendations are tailored to the individual (or the beneficiaries of a trust) considering the risk tolerance, income needs, investing horizon, current and prospective marginal income and estate tax brackets, investment experience, and need for inflation protection based on general health and genetic longevity. A risk assessment questionnaire may be utilized to ascertain the risk tolerance and level of financial knowledge of a Client.

Balanced portfolios consisting primarily of directly-held stocks and bonds are designed by HFAS based on economic and market conditions, the factors noted above, and diversification standards.

A compatible Client fit for HFAS would be individuals comfortable with the following investment philosophy, approach, and concepts:

- investments in tobacco, liquor, or gambling are discouraged.
- HFAS utilizes primarily direct investing in individual stocks, rather than mutual funds, for the following reasons:
  - (1) Directly-owned stocks can be tailored to the Client's individual risk tolerance, income needs, and values. For instance, S&P 500 index funds include tobacco, gambling, and liquor companies.
  - (2) Directly-owned stocks allow for tighter control over the timing and recognition of capital gains. For instance, S&P 500 index funds generate capital gains when the index changes. This approach avoids large unexpected year-end capital gain distributions from mutual funds which were not anticipated during tax planning.
  - (3) Directly-owned stocks can be tailored to the Client's lifestyle, investing in companies which provide the goods and services the Client uses in his or her daily life. The personal connection with each company's products leads to increased risk tolerance for volatility during market disruptions.
  - (4) Directly-owned stocks are less expensive to hold than mutual funds because many of the costs embedded in the mutual fund operating expense ratio are avoided. The costs of servicing many small accountholders, printing prospectuses, paying trustee and audit fees, etc. do not have to be incurred for directly held stocks.
  - (5) Mutual funds are sometimes utilized in certain instances, such as international equity investing, small-cap stocks, special sector, and index funds to modulate asset allocation to equities.

(6) Directly-owned stocks avoid the double layer of management fees that would otherwise be incurred in mutual fund investing through an adviser.

- HFAS utilizes primarily direct investing in individual high-quality bonds with staggered maturity dates, rather than mutual funds, for the following reasons:

(1) Bond funds are perpetual, with no fixed maturity date when a Client will receive the return of the par value of the investment. The Client's recovery of principal is dependent on the bond market price on the day of sale. If the general level of interest rates has risen since the date of purchase, the Client will most likely not be able to sell the bond fund without incurring a loss.

(2) With a series of directly-owned bonds, laddered by increasing maturity dates, the return of 100% of par value can be anticipated (barring credit risk.) Liquidity can be planned for major purchases and life events. This approach also allows HFAS to control the volatility attributable to interest-rate risk by maintaining an average bond portfolio duration within the individual risk tolerance of the Client.

(3) With directly-owned bonds, the income flowing from tax-exempt bonds subject to the alternative minimum tax can be controlled. Tax-exempt bond funds often surprise the investor with AMT income declarations on the year-end Form 1099 that were not anticipated.

(4) With directly-owned bonds, the state tax benefits of certain tax-exempt bonds are fully available to be claimed by the individual investor. If the same bond is held within a mutual fund, the state tax benefits are not available. An example of this would be interest on double-exempt bonds in the State of Illinois which are excludible from Illinois adjusted gross income if held directly but not if held through a mutual fund intermediary.

- HFAS integrates investment strategy with the Client's estate plan in order to maximize net worth and minimize estate and income taxes. HFAS investment strategy places high growth assets in accounts such as generation-skipping trusts and bypass trusts to maximize assets available to be passed to heirs. Fixed-income investments subject to ordinary income tax anyway are placed in IRA accounts to the extent that liquidity is available. Equity investments are primarily placed in taxable accounts so that the tax benefits of qualified dividends and long-term capital gains will be available to be claimed.

- HFAS works with the Client's tax preparer or CPA to ensure that he or she has all the information needed to report correctly the investment-related items on the Client's tax return. After the Form 1099's are issued at year-end, HFAS prepares a capital gain/loss schedule and supplementary tax information report for each Client which lists the deductible purchased accrued interest, investment management fees, investment management fees attributable to tax-exempt assets, Federal agency bond interest exempt from state income taxes, double-tax-exempt municipal bond interest, tax-exempt income subject to alternative minimum tax, oil royalty depletion calculations, and foreign gross income information needed to claim the foreign tax credit.

- HFAS emphasizes a long-term approach rather than focusing on short-term outperformance compared to market indices. Attempting to exceed Index returns often involves high turnover to rotate to the industry sector most in favor that quarter; rotation generates short-term capital gains taxes which reduce investment capital, as well as additional transaction costs. HFAS instead works towards long-term appreciation in the Client's holdings in order to increase risk tolerance, since market corrections are less psychologically stressful if the market price stays above the original cost.

- HFAS has avoided auction-rate securities, private limited real estate partnerships, structured certificates of deposit, structured investment products, highly leveraged ETFs, and collateralized debt obligations. HFAS stresses liquidity and accessibility of capital, transparency of expected returns, and low transaction costs in selecting investments.

- In general, insurance investment products such as tax-deferred variable annuities are not recommended by HFAS due to the high commission structure on these types of investments and the fact that all income is taxed at ordinary income tax rates when distributions are taken. The insurance vehicle turns capital gain and qualified dividend income into ordinary income.
- HFAS does not encourage the use of insurance contracts to build estate assets. Insurance contracts can drain liquidity that might be needed in later retirement years and can concentrate assets in a receivable from one insurance company.
- HFAS asks each Client to complete a risk assessment questionnaire to enhance understanding of the Client's individual risk tolerance, knowledge, and experience with different types of investments and market conditions.
- HFAS asks each Client to list any companies or industry sectors that they prefer to avoid or to which they have personal objections.
- HFAS asks each Client to sign a statement regarding their overall investment objectives.

Investment performance is optimized (relative to risk tolerance) on an after-tax basis, with "buy-and-hold" strategies emphasized in taxable accounts in order to minimize realized capital gains. The benefits of achieving a "step-up" in basis at the time of the estate are emphasized where practicable.

Education of individual investor Clients is undertaken throughout market cycles in order to increase their understanding and tolerance for the risks and rewards inherent in equity investing. Emphasis is placed on maintenance of a steady income stream during retirement. HFAS Clients are counseled on sustainable withdrawal rates and projected drawdown periods (how long their funds will last.)

Maintenance of adjusted cost basis records is included in investment supervisory services. This service includes cost basis adjustments for spin-offs, split-ups, split-offs, stock splits, cash in lieu payments, return of capital payments, long-term OID adjustments, market rate adjustments, royalty depletion deductions, master limited partnership basis adjustments, cash to boot mergers, etc.

Item 9 Disciplinary Information

Hummer Financial Advisory Services, Inc. does not have any legal or disciplinary event information to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Hummer Financial Advisory Services, Inc. is not engaged in any other businesses. HFAS is not a partner in any partnership for which Clients are solicited to invest.

The President of HFAS operates a separate sole proprietorship CPA practice (Illinois CPA License # 065-012525) specializing in the preparation of income tax returns and/or accounting for individuals, trusts, partnerships, and corporations, primarily but not exclusively for Clients of

HFAS.

The President of HFAS also operates a separate business entity S-Corporation registered as costbasis.com, Inc. consisting of the website [www.costbasis.com](http://www.costbasis.com). This website provides free tax accounting information and free calculators to compute tax cost basis amounts when corporate reorganizations occur such as stock mergers, cash to boot mergers, stock splits, spinoffs, split-offs, split-ups, corporate domicile changes, liquidations, bankruptcies, return of capital, redemptions, etc. The only source of revenue for costbasis.com is advertising revenue and user donations. There is no business affiliation or revenue sharing of any kind with HFAS. HFAS has no affiliation with any broker/dealer or qualified custodian.

#### COMPENSATION FROM SECURITIES TRANSACTIONS

HFAS has no financial interest or participation in any broker/dealer that may be used to execute securities transactions.

#### SELECTION OF CUSTODIANS OR BROKERAGE FIRMS

HFAS does not select custodians or broker/dealers for Clients.

HFAS has adopted the CFA Institute Code of Ethics and Standards of Professional Conduct. A copy of this Code is available to any Client or prospective Client upon request. A copy can also be downloaded here: <https://www.cfainstitute.org/-/media/documents/code/code-ethics-standards/code-of-ethics-standards-professional-conduct.ashx>

The President of HFAS may buy the same security that is recommended to Clients in order to monitor the investment better and to receive copies of corporate reorganization communications. Personal trades for purchase or sale of a security will not be placed on the same day as a Client trade until all purchase or sale orders have been executed that day for Clients for whom the investment is appropriate, considering the Client's individual risk tolerance, personal preferences, liquidity needs, tax status, and available fund balance. In addition, it is the expressed policy of HFAS that no person associated with this advisory practice may purchase or sell any security prior to a transaction in that security being implemented for an advisory account that day.

The following restrictions have been established by HFAS in order to meet fiduciary standards regarding any possible conflicts of interest:

1. No person associated with this advisory practice shall place a trade for his or her personal portfolio on any trading day until trades in that security have been executed in Client portfolios for which the trade is appropriate considering the funds available, risk tolerance, personal preferences, liquidity needs, tax status, and available funds of the individual Client. Where same day trades are made, time stamp documentation will be maintained as evidence that Client trades were placed in advance of personal trades in the same security on the same day.
2. No person associated with this advisory practice shall buy or sell securities for their personal portfolio where the investment decision is derived, in whole or in part, from information which is not generally available to the investing public upon reasonable inquiry.
3. HFAS maintains a list of all securities holdings for itself and for all persons associated with the advisory practice. These holdings are reviewed regularly by the President of HFAS for conflicts of interest and trading practice restrictions.
4. Clients of HFAS have the unrestricted right to decline to implement any of the advice provided to them by HFAS.
5. Clients of HFAS have the unrestricted right to select any broker/dealer, custodian, or insurance company of their choice.
6. HFAS requires that all individuals associated with the advisory practice must act in accordance with all applicable Federal and State regulations concerning registered investment advisory practices.
7. Any individual not acting in accordance with the above will be subject to immediate termination.

Hummer Financial Advisory Services, Inc. does not select brokerage firms for Clients. HFAS can manage Client accounts at any broker/dealer chosen by the Client. HFAS does not receive any research or "soft dollar" benefits other than trade execution from any broker/dealer. HFAS does not receive Client referrals from broker/dealers.

Trades are executed through the broker/dealer that the Client has chosen as account custodian and no "directed brokerage" practices are utilized. No block trading or order aggregation is utilized. All trades are placed on specific Client accounts in clearly identified amounts for each Client and each trade.

Reviews:

Reviews of investment accounts under supervision are performed continuously as part of the process of monitoring the account. The monthly account statement from the broker/dealer or custodian holding the securities is reviewed each month, and additional reviews are performed at the time the quarterly reports are prepared by the investment adviser.

Reviews consisting of updates of written financial plans are provided only upon request by the Client, for an additional hourly fee. Reviews other than periodic may also be performed when triggered by news of mergers and acquisitions, major company events, or economic or political events having an impact on certain securities.

Reviewers:

All investment account activity, positions, reports and written financial plans are reviewed by the President.

Reports:

Daily: Clients receive trade confirmations daily directly from the qualified custodian for any trade placed on their Account.

Monthly: Clients receive a monthly account statement directly from the qualified custodian holding their securities.

Quarterly: Following the end of each quarter, a report is issued to each Client showing the total combined market value (including accrued interest and dividends) of assets under management, the cost basis of each asset, the unrealized gain or loss, the weighted-average yield, and the estimated annual income. ERISA Clients (pension and profit-sharing plans) receive performance statistics with each quarterly report. Other Clients receive performance statistics upon request.

Annually: At the end of each calendar year, a report is issued to each Client listing information necessary for the preparation of their individual or fiduciary income tax return. This report includes realized gains/losses for Schedule D, miscellaneous deductions for Schedule A, foreign tax credit data for Form 1116, purchased accrued interest for Schedule B, and tax-exempt bond interest. In addition, the cost basis of securities is maintained for Clients by recording return of capital, spinoffs, and taxable merger values. Income reported on the Client's Form 1099 at year-end is reconciled to actual income received.

Item 14      *Client Referrals and Other Compensation*

HFAS does not pay any compensation for Client referrals or use solicitors of any kind and has no plans to do so. If at any time in the future this should change, any future solicitors utilized by HFAS shall be registered with the State of Illinois Securities Department as an investment adviser or HFAS representative. HFAS obtains new Clients solely through personal referrals.

Item 15      *Custody*

Hummer Financial Advisory Services, Inc. does not take custody of Client assets. The monthly account statement from the broker/dealer/custodian holding the Client's account is the official record of all account activity and positions. Clients should review their monthly account statement carefully and compare it to the quarterly reports that HFAS provides.

Item 16      *Investment Discretion*

Hummer Financial Advisory Services, Inc. (HFAS), accepts investment discretionary authority when Clients choose Discretionary Management for their investment supervisory services and sign a Discretionary Investment Management Contract.

When granted investment discretion by Clients who have signed Discretionary Investment Management Contracts, HFAS has authority to determine, without obtaining specific Client consent, the securities to be bought and sold and the amount thereof. HFAS does not have authority to select the broker or dealer to be used or the commission rates paid.

Clients may grant investment discretion but still place trading restrictions on the account for HFAS to follow, such as avoidance of certain sectors or particular stocks.

Before investment discretion is exercised, a Limited Power of Attorney for Trading will be signed by the Client or such other documentation will be provided as required by the broker/dealer selected by the Client to hold custody of their assets.

Item 17      *Voting Client Securities*

Hummer Financial Advisory Services does not vote or generally advise Clients about how to vote proxies for securities held in their account. The broker/dealer/custodian sends all proxies and related shareholder communications directly to the Client for the securities held in Client's account.

When proxy statements, tender offers, or merger consideration elections are solicited for corporate reorganizations, mergers, or acquisition proposals, HFAS will evaluate the proposal and communicate a decision to the Client's broker/dealer/custodian as part of the exercise of discretionary authority in the supervision of investments in the account.

For ordinary corporate matters and social responsibility proposals, HFAS does not advise Clients about how to vote proxies. These are personal value choices for Clients to make.

Item 18 Financial Information

HFAS is not required to provide financial information in this brochure because: (1) we do not require the prepayment of fees; (2) we do not maintain custody of Client assets; (3) we do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to Clients; and (4) we have never been the subject of a bankruptcy proceeding.

Item 19 Requirements for State-Registered Advisers

Not applicable to SEC-registered advisers.