DAVID WENDELL ASSOCIATES, INC.
Investment Counsel

FIRM BROCHURE - PART 2A OF FORM ADV
ANNUAL FILING MARCH 31, 2019

WENDELL DAVID ASSOCIATES, INC.
325 CORPORATE DRIVE, 2ND FLOOR
PORTSMOUTH NH 03801

NAME UNDER WHICH APPLICANT PRIMARILY CONDUCTS BUSINESS:
DAVID WENDELL ASSOCIATES, INC.

FIRM CONTACT: KAREN WENDELL, CHIEF EXECUTIVE OFFICER

WEBSITE: WWW.DAVIDWENDELL.COM

This Brochure provides information about the qualifications and business practices of David Wendell Associates, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 545-4791 and/or at karen.wendell@davidwendell.com.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about David Wendell Associates, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Please note that the use of the term "registered investment adviser" and description of David Wendell Associates, Inc. and/or our associates as "registered" does not imply a certain level of skill or training.

You are encouraged to review this Brochure and Brochure Supplements of the firm's associates who advise you for more information on the qualifications of the firm and its employees.

Item 2 -- Summary of Material Changes

On July 28, 2010, the United States Securities and Exchange Commission ("SEC") published "Amendments to Form ADV" which amends the disclosure document that is provided to clients as required by SEC rules.

This Item 2 discusses specific material changes that are made to the Brochure and provides a summary of such changes.

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 new SEC rules, we will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. In addition, we may provide other ongoing disclosure information about any material changes as necessary.

Annual Updating Amendment – March 31, 2019:

Our firm has no material changes to report at this time.

Item 3 -- Table of Contents

Item 4 -- Advisory Business

A. David Wendell Associates, Inc. is an independent investment advisory firm providing fee-only services to individuals and families, trusts, retirement accounts, charitable organizations, businesses and banks. We also provide investment advisory consulting services to a bank trust department, a private trustee firm, two law firms and an investment advisory firm.

We were established in 1979 and our principal place of business is in Portsmouth, New Hampshire. We are 100% owned by our employees:

NAME	TITLE	DATE TITLE ACQUIRED	OWNERSHIP	CONTROL PERSON
Karen Wendell	Chief Executive Officer	2017	86%	yes
	Treasurer	1998		
	Chief Compliance Officer	2004		
William H.L. Mitchell	Chairman	2017	<5%	yes
Peter J. Boland	President	2017	<5%	yes
Kathryn E. Shea	Senior Vice President	2017	6%	yes
Neil G. Bleicken	Vice President	2016	<5%	no
Anne F. Farris	Vice President - Operations	2017	<5%	no
	Secretary	2018		
Waverly A. Cotton	Client Services Administrator	2018	<5%	no
Lorrie L. Maker	Operations Assistant	2015	<5%	no
Laura A. Zabkar	Administrative Assistant	2016	0%	no

B. We provide continuous and regular investment supervisory or management services and/or investment advisory services to three types of clients.

Continuous and regular investment supervisory or management services means that we manage our clients' portfolios and give continuous investment advice based on the individual needs of each client. This part of our business is geared towards individuals and families, trusts, retirement accounts, charitable organizations, businesses and banks and constitutes 84% of our firm's 2018 revenue. Our fee schedule for these services is described below in Item 5.

We also provide investment advisory consulting services to a bank trust department, a law firm, and an investment advisory firm. These services are 13% of our firm's 2018 revenue and are described below:

Bath Savings Trust Company ("BSTC"), Bath, Maine

We review the client portfolios of BSTC and provide investment recommendations to BSTC's Trust Officers eleven times per year. These portfolios may be agency accounts, IRAs, 401Ks, trust and/or charitable accounts. Additionally, there are on-going telephone consultations during the month and occasional private meetings with BSTC's clients. Our fee for these services is negotiated annually and is based on the assets under management.

Ransmeier & Spellman ("R&S") (law firm), Concord, New Hampshire

We review the client portfolios of R&S and provide investment recommendations to R&S Trustees four times per year.

Additionally, there are on-going telephone consultations during the month and occasional private meetings with R&S's clients. Our fee for these services is based on the assets under management.

Nashua Capital Management ("NCM"), Nashua, New Hampshire
We review client portfolios of NCM and provide investment recommendations twelve times a year. Our fee for this service is based on the assets under management.

Lastly, we also provide investment advice through monthly meetings. These services represented 3% of our firm's 2018 revenue:

Loring, Wolcott & Coolidge Fiduciary Advisors ("LW&C"), Boston, MA
We meet with LW&C ten times per year to discuss the overall investment background, current economic and market trends, our current investment thinking, and our current stock selection recommendations. Our fee for these services is based on a negotiated rate.

Our work focuses primarily on equities and bonds. Item 8 below describes our method of analysis, investment strategy and the risks associated with our method and strategy. Even though we focus primarily on equities and bonds, clients frequently ask for our opinion and guidance on other types of investments. Thus, the types of securities for which we provide investment advice include:

- Equity securities (common and preferred), including those
  - -- traded on national exchanges,
  - -- traded over-the-counter and
  - -- of foreign issuers,
- American Depository Receipts ("ADRs"),
- U.S. government notes, bonds, and bills.
- Corporate bonds,
- Municipal bonds,
- U.S. government-sponsored entities, including
  - -- Federal Home Loan securities and
  - -- Federal National Mortgage Association securities,
- Treasury Inflation-Protected securities,
- Mutual funds (load and no-load),
- Exchange-Traded Funds ("ETFs") and Index Funds,
- Step-up Notes,
- Exchange-Traded Notes ("ETNs"),
- Certificates of Deposit ("CDs"),
- Warrants,
- Commercial paper,
- Commodities (primarily gold) and
- Insurance products such as annuities and long-term care insurance.

The risks associated with investing in these types of securities are described in Item 8 below.

C. Our services are tailored to the individual and specific needs of our clients.

For new clients who are individuals and families, trusts, retirement accounts, charitable organizations, businesses and banks, we first meet with the client (either by phone or in person) to review any existing holdings and to discuss the appropriate portfolio structure based on the client's investment goals, needs and desires. After analyzing the existing holdings, we recommend a suitable long-range plan and make initial recommendations.

For existing clients in this category, we review client accounts at least once per calendar quarter, as described in Item 13 below, and may or may not make investment recommendations, based on our current stock selections and/or the current market environment and investing background.

For our clients who are bank trust departments and law firms, our investment recommendations are tailored to the guidelines as provided by the client.

All of our clients may impose restrictions on investing in certain securities or types of securities.

D. We do not participate in any wrap fee program.

E. As of December 31, 2018, our assets under management are:

	U.S. Dollar Amount	Total Number of Accounts
Discretionary	$ 653,599,000	414
Non-Discretionary	$ 111,727,000	53
Total	$ 765,326,000	467

Item 5 -- Fees and Compensation

A. Our investment supervisory or management services to individuals and families, trusts, retirement accounts, charitable organizations, businesses and banks (described in Item 4B above) are fee-based and are calculated as a percentage of the assets under management. Under some circumstances, we also offer our services under fixed-fee arrangements.

Clients may be able to obtain services comparable to ours from another firm for lower fees.

Our fees are negotiable for accounts in excess of $3 million, and where there are other special considerations.

Our fee schedule is as follows:

ANNUAL FEE SCHEDULE
(rates per thousand dollars
of market value of assets under management)

On first $500,000	$8.00
On next $500,000	$7.00
Above $1,000,000	$6.00

As an example, the fee for the first year for a $1,400,000 portfolio would be $9,900, calculated as follows:

$8.00 x 500 = $4,000
$7.00 x 500 = $3,500
$6.00 x 400 = $2,400
$9,900

The fee in this example is equal to 0.71% (or 71 basis points) of the $1,400,000 in assets under management.

For our investment advisory services to bank trust departments, law firms and private trustees, described in Item 4B above, our fees are based on the assets under management or on a negotiated rate and may be negotiated annually.

B. Our management fees may be deducted from our client's assets or we may invoice the client directly. Clients may select which arrangement they prefer for invoicing.

For existing clients, annual fees are calculated based on the market value of the portfolio on the last business day of the preceding calendar year. Thus for the current year, our invoices are based on the market value of the portfolios as of the close of business on December 31 of the prior year.

For new clients, our fees for the first year are prorated and calculated based on the portfolio's market value as of an agreed-upon date, usually the prior end-of-quarter.

Our fees are payable after services have been rendered each quarter. Thus they are payable as of January 1, April 1, July 1 and October 1 of each year.

C. We do not provide custody of assets and are never in possession of client assets. Item 15 below discusses custody of client assets.

Our clients will pay separate brokerage trading, commissions and other fees to the brokerage firm where their assets are custodied as charged by the brokerage firm. Item 12 below discusses our brokerage arrangements.

If a client engages a bank trust department as custodian, he/she will pay custody and other fees as charged by the bank as well as separate brokerage trading fees and commissions.

In cases where we recommend mutual funds, money market funds, Exchange-Traded Funds ("ETFs"), or Index Funds, clients may pay our management fee as well as fees to the mutual fund, money market fund or Exchange-Traded Fund manager as calculated and charged by them.

D. We do not require or solicit prepayment of fees. We do not invoice our clients in advance of services rendered.

Our investment counsel agreement can be terminated upon written notice either by our client or by us. Upon termination, our fee for services rendered is prorated up to the date of termination.

E. We are an independent adviser and we do not participate in any commission or other compensation for the sale or purchase of any product. We do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

This item is not applicable to us.

We do not accept performance-based fees or engage in side-by-side management of accounts that are charged a performance fee and accounts that are charged another type of fee.

Item 7 -- Types of Clients

Our client groups are characterized as follows:

	% of Total Accounts
Individuals	62%
High net worth individuals	33
Charitable organizations	3
Pensions	1
Corporations/Businesses	<1
Banks	<1
Other Investment Advisors	<1
Consulting	<1

Our minimum portfolio size is $500,000. However, under certain circumstances, such as referrals, a family of portfolios or other special situations, our minimum portfolio size is negotiable.

As of the date of this filing, our clients are located in 32 states and three foreign countries.

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

A. The majority of our work focuses on the identification, analysis and selection of the publicly traded common shares of high-quality, growing companies for long-term investment. We recommend that our clients continue to hold these shares as long as their fundamental characteristics remain intact and as long as the companies' management teams are doing their jobs to increase shareholder value.

When fixed-income securities are desired within client portfolios, we focus on quality, liquidity, tax considerations, diversification, maturity spreads and valuation factors. We aim to take advantage of existing yields and/or to minimize the impact of future interest rate changes on the level of income. As of the date of this filing, our firm retains a bond consulting firm to assist us in our work with fixed-income securities. The bond consulting firm is W.B. Smith & Company of South Hamilton, Massachusetts.

In our equity work, we favor financially strong companies in expanding areas of the economy having demonstrated track records, above-average reinvestment, earnings and dividend growth rates, and offering superior growth potential in the years ahead.

We use a fundamental approach to identify and analyze companies for investment. This means that we evaluate a company based on the underlying characteristics of its business. These include the industry and market segment in which it operates as well as the long-range potential for growth, the company's products and services and its potential for growth, the company's financial condition, its management team and track record, the company's reinvestment rate (also known as the earnings retention rate) and the historical record of the company's growth in revenue, earnings per share and dividends per share as well as its estimated and projected growth rates.

As part of our analytical work, we write research reports on the companies we recommend. These reports contain our fundamental analysis of the company, its market segment(s) and our thoughts regarding its prospects for future growth. Other factors that we consider important may be included as well. These reports also contain our statistical analysis of the company's growth characteristics and a relative comparison of these characteristics to those of the Standard & Poor's 500 Index, a widely-followed index of the 500 largest companies in the United States.

We categorize the companies we follow into seven different growth categories, based on each company's reinvestment rate. The reinvestment rate is defined as a company's retained earnings as a percent of equity capital. The seven growth categories are as follows:

Top-Rated Growth. These are outstanding companies which we believe have fairly assured prospects of strong long-range earnings expansion and a reinvestment rate of 13% and upwards.

Seasoned Smaller Growth. These are top-notch firms with similar characteristics to Top-Rated Growth companies (reinvestment rates of 13% and upwards) but with greater competitive risks due to their smaller size (less than $350 million in annual net income).

Superior Growth. These are leading companies with the potential for above-average earnings growth and a reinvestment rate of around 10-12%.

Moderate Growth & Income. These are steadily growing companies with dividends that offer an average or better yield. Their Boards of Directors normally raise the dividend each year.

Natural Resources. These are producers of energy, timber and other resources with established reserves whose value should rise in an inflationary climate.

Large-Asset/Cyclical. These are capital-intensive companies operating in basic industries which are strongly influenced by the business cycle.

High Current Income. These are companies with modest growth prospects but stable trends and whose shares provide a high current dividend yield.

These classifications should not be viewed as precisely or permanently definitive. Each company's characteristics have to be judged independently and may change over time. We believe this procedure has several important advantages:

- It facilitates a comparison of "apples with apples" in choosing which stocks to own out of a broad range of alternatives.
- It relates each stock directly to the investment purpose for which it is held in a portfolio.
- It gives a meaningful picture of the extent to which our client's holdings are structured to meet his or her particular needs and goals.
- It supports an on-going examination of how well each company is measuring up in terms of fulfilling its expected long-range purpose.

We rely on a variety of sources of information. These include periodic reports that companies submit to the SEC, annual reports, quarterly reports and other information that companies publish, as well as information obtained from daily, weekly and monthly sources (including financial and other newspapers, financial and other magazines and financial and other internet websites, among others).

We maintain paid subscriptions to a number of analytical services to assist us in our analyses. As of the date of this filing, these include *Value Line Investment Survey*, *SRC Stock Charts*, *William Blair & Company* and *FactSet Research*.

We also receive research and commentary from a number of brokerage firms. As described in Item 12, our clients have their accounts custodied at a variety of brokerage firms and many of these firms provide us with their research and commentary on a periodic basis. Other brokerage firms may provide us with their research and commentary on a periodic basis as a courtesy. We also obtain research from Charles Schwab & Co. where we have an institutional relationship, as described in Item 12 below.

All of the research we obtain and use is for the benefit of all of our clients. Item 12 below describes our brokerage practices, any soft dollar benefits which we may receive from brokers, and any conflicts of interest that this may create between us and our clients.

We have a proprietary statistical screen which we developed and which we use on a monthly basis to evaluate the relative attractiveness of the companies we follow for current purchase. The screen compares the companies we follow to their peers in each of the seven different growth categories (see above) and the Standard & Poor's 500 Index. We use this screen to develop our written monthly Recommended Purchase and Supplemental Valuation Lists which guide our investment recommendations.

Our recommendations are based on our analyses and are tailored to our individual clients. This means that:

- We do not employ a "model portfolio" strategy in which all client portfolios conform to a standardized model irrespective of client desires, objectives or tax considerations.

- We do not automatically assign stocks to portfolios regardless of client objectives or preferences.

- We do not try to time the market and we do not use an "in and out" trading strategy.

- We do not structure our portfolios based on market indices or other passive strategies.

Investing in financial securities involves risk of loss that clients should be prepared to bear. Clients should understand that investing in any security, including those listed in Item 4B above, involves risk of loss of both income and principal.

B. The following lists what we believe are the material risks associated with our method of analyzing equities for investment and our strategy of holding equities over the long term. The risks of investing in fixed-income securities are discussed below in Item 8C. There may be other material risks as well as unforeseen risks, such as terrorist attacks and natural events, not listed below:

- **We could be wrong in our analysis as well as our judgment.** Although we have 40 years of experience in analyzing companies for long-term investment, we could be, and have been in the past, wrong. Our analysis is based on a combination of our judgment and experience and the analytical resources and tools that we use. Errors in judgment concerning a company's growth potential are certainly possible.

- **We could input erroneous data into our statistical screen.** As described above in Item 8A, we use a proprietary statistical screening tool in our analytical work. The screen relies on data that is manually entered by us. If we enter erroneous data, the results of the screening process would be misleading and wrong.

- **The analytical resources and tools we use could contain errors.** While we use a number of resources and tools in our analytical work, it is possible that these sources, including ones in which we maintain paid subscriptions, could contain errors. It is possible that these errors could be material to our analysis.

- **A company's fundamental characteristics could change.** Over time, companies evolve and mature and it is possible that the underlying characteristics of a company's business could change for the worse. This risk is heightened if a company's stock is held for a long period of time.

C. Clients should understand that investing involves a trade-off between risk and potential return. Risk is the chance that some or all of the money invested could be lost. Potential return is the money that could be made on an investment. The following lists what we believe are the material risks associated with the securities on which we may make recommendations, shown in Item 4B above, and our investment strategy of long-term ownership:

- **There are market risks associated with investing in equities, including equities traded on national exchanges, equities traded over-the-counter and equities of foreign issuers.** The value of a company's stock may fluctuate up or down as a result of the movement of the overall stock market. This risk may be heightened if an equity security is held over a long period of time.

- **There are risks associated with growth stocks.** Stocks considered to be growth stocks may be more volatile than other stocks as they may be more sensitive to investor perceptions of their growth potential. These risks may be heightened if a growth stock is held over a long period of time.

- **There are risks associated with value stocks.** Stocks considered to be value stocks may perform differently from the stock market as a whole and from other types of stocks. Value stocks may increase in value more quickly during periods of anticipated economic upturn and they may lose value more quickly in periods of anticipated economic downturn. These risks may be heightened if a value stock is held over a long period of time.

- **There are risks associated with small and medium-size companies.** Investing in the securities of small and medium capitalization companies may involve greater volatility than investing in larger and more established companies. This is because the shares of small and medium-size companies can be subject to more abrupt or erratic price changes than the shares of larger, more established companies. These risks may be heightened if the stock of a small or medium-size company is held over a long period of time. Also, the stock of some small or medium-size companies may be thinly traded or there may be few shares outstanding. This means that the shares may not be easily bought or sold without substantial changes in the share price. This risk may be heightened if thinly traded shares are held over long periods of time.

- **There are currency risks associated with investing in companies with global operations.** Changes in foreign currency exchange rates will affect the earnings of companies with foreign operations and this may affect the share price of a company's common stock. Devaluation of a currency by a country's government or banking authority also will have a significant impact on the value of any investment denominated in that currency. Currency markets in general are not as regulated as securities markets.

- **There are risks associated with investing in foreign and emerging market securities, including the American Depository Receipts ("ADRs") of foreign and emerging market issuers.** Foreign investments carry risks associated with investing outside of the United States. These risks include changes in currency exchange rates, economic or financial instability, political or social instability, lack of timely or reliable financial information, unfamiliar or different accounting rules or standards, additional taxes or penalties, unfavorable political or legal developments, seizure or nationalization of assets by a foreign government, reliance on foreign legal remedies, lack of liquidity in foreign financial markets and different market operations in foreign financial markets. These risks are increased when investing in emerging markets. These risks may be heightened if a stock in a foreign or emerging market company is held over a long period of time.

- **There are risks associated with investing in preferred securities.** Preferred stocks are a hybrid between common stocks and bonds. An investor in preferred stocks has ownership in the issuing company and receives dividend income, much like common stocks. However, the dividend income of a preferred stock is a fixed amount, similar to the interest income from a bond. Thus, preferred stocks face the risk of movements in interest rates affecting their value, as described below in the bullet on corporate debt or fixed-income securities (bonds). Preferred stocks face additional risks related to their place in a company's capital structure. Preferred stocks are subordinate to other types of a company's debt and senior to common stock. This means that if a company goes bankrupt, preferred shareholders receive repayment of their investment only after all of the company's secured creditors and bondholders have received payment. Another risk of preferred stocks is that the issuing company has the ability to stop paying the dividend in certain circumstances and how the missed dividends are treated depends on the type of preferred stock (cumulative or non-cumulative). Also, in recent years issuers of preferred stock have been concentrated within the financial sector of the economy, thus investors in preferred stock may be exposed to the risks associated with banks, insurance carriers and other finance-related companies.

- **There are risks associated with investing in U.S. Treasury notes and bonds.** Notes and bonds issued by the U.S. Treasury are backed by the full faith and credit of the U.S. government and therefore, as of the date of this filing, are considered to have no credit risk. However, Standard & Poor's or other rating entities could downgrade the credit rating for U.S. Treasury notes and bonds. The market for U.S. Treasury securities is, as of the date of this filing, the most liquid in the world. This means that there are always investors willing to buy U.S. Treasury securities and thus the yields of U.S. Treasury securities will almost always be lower than the yields of other fixed-income securities with comparable maturity dates. However, they are fixed-income securities and therefore have the risks associated with investing in fixed-income securities. These risks are described more fully below in the bullets on corporate debt and municipal debt.

- **There are risks associated with investing in corporate debt or fixed-income securities (bonds).** The movement of interest rates up or down will affect the value of a fixed-income security. If interest rates move up, the value of a fixed-income security may go down. Similarly, if interest rates move down, the value of a fixed-income security may go up. Other risks associated with fixed-income securities include the credit risk that an issuer will not make timely payments of principal and interest. Also, an issuer may "call" or repay its high-yielding bonds before their maturity dates. Fixed-income securities subject to the risk of prepayment can offer less potential for gains during a period of declining interest rates and similar or greater potential for loss during a period of rising interest rates. Limited trading opportunities for some fixed-income securities may make it more difficult to sell or buy a security at a favorable price or time. There is the credit risk that an issuer may not be able to make interest or principal payments when they are due and thus default on the fixed-income security. These risks may be heightened if a bond is held over a long period of time.

- **There are risks associated with investing in municipal debt (bonds).** In addition to the risks of investing in fixed-income securities described above, investing in municipal debt has other associated risks. There is the risk that changes in the tax code could affect the value of taxable or tax-exempt interest income. In periods of economic difficulty, there is the risk that the issuer of a municipal bond may not be able to make interest or principal payments and thus default on the debt.

- **There are risks associated with investing in government-sponsored entities such as Federal Home Loan securities and Federal National Mortgage Association securities.** Securities issued by government-sponsored entities may not be backed by the full faith and credit of the United States. This risk may be heightened if the security is held over a long period of time.

- **There are risks associated with investing in mutual funds, Exchange-Traded Funds ("ETFs") and Index funds.** The risk of owning an ETF, index fund or mutual fund generally reflects the risk of owning the underlying securities held in the fund. Thus, ETFs, index funds or mutual funds holding primarily foreign or emerging market securities will have the risks associated with those types of securities. Similarly, ETFs, index funds or mutual funds holding primarily commodities (such as gold) or a specific type of security (such as growth stocks or value stocks) will have the risks associated with the commodity or type of security. Inverse ETFs are subject to the risk that their performance will fall as the value of their benchmark indices rises. Some ETFs are highly leveraged and their risks may be amplified by price movements in either the underlying assets or in the stock markets as a whole. The recent phenomenon known as a "flash crash," in which market sentiment combined with high-frequency trading, computerized trading algorithms, a fragmented market structure as well as other factors, may affect ETFs more than other securities. In a "flash crash," such as that experienced in May 2010, the value of an ETF may change dramatically in a short period of time for no obvious or fundamental reason. Finally, mutual funds and ETFs face fund management risk. That is, if the managers of the funds do a poor job in managing the funds, it could adversely affect the value of the fund. All of these risks may be heightened if the ETF or mutual fund is held over a long period of time.

- **There are risks associated with investing in Exchange-Traded Notes ("ETNs").** ETNs, or exchange-traded notes, are senior unsecured, unsubordinated debt securities issued by an underwriting bank. They have a maturity date and are backed only by the credit of the underwriting bank. ETNs are linked to the performance of a particular market benchmark(s) or strategy and upon maturity, the underwriting bank promises to pay the amount reflected in the benchmark index minus fees. ETNs are only linked to the performance of a benchmark, they do not actually own the benchmark index. ETNs also face the risk that the credit rating of the underwriting bank may be reduced or the underwriting bank may go bankrupt, thus reducing the value of the ETN. Even though ETNs are not equities or index funds, they may face some of the risks of investing in equities or index funds.

- **There are risks associated with investing in Step-up Notes.** Step-up Notes are multi-coupon notes with each subsequent interest rate higher than the prior interest rate as stated on the coupon. Most are issued as callable bonds with the initial interest rate fixed until the first call date. At that time, if the note is not called, the interest rate increases or "steps up" to the next highest interest rate. Thus, there is the risk that the note will be called and that the investor will not attain the higher interest rates as expected. Step-up Notes also have the risks associated with other types of fixed-income securities, as described above in the bullet on corporate debt or fixed-income securities (bonds). These include the risk of interest rate changes, credit risk, and the risk of limited trading opportunities. These risks may be heightened if a Step-up Note is held over a long period of time.

- **There are risks associated with investing in Certificates of Deposit.** A Certificate of Deposit ("CD") is a Federal Deposit Insurance Corporation ("FDIC") insured time deposit, a promissory note issued by banks and brokerage firms. Because the CD is for a fixed period of time, there is the risk of inflation eroding the returns from the CD, particularly over long periods of time. Some CDs have a call feature, thus there is the risk that these CDs may be called by the issuing bank before maturity. Another risk associated with CDs is the risk of penalties for early withdrawal if the CD is cashed in before maturity. Brokered CDs may be more complex and carry more risks than CDs purchased from banks as they are purchased from an intermediary (the broker). One such risk is the risk of fraud. Another risk is that associated with the broker's record-keeping: a brokered CD may have several owners, each investor owning a portion of the brokered CD. Also, brokered CDs carry the risk of federal deposit insurance limitations being exceeded by an investor if the investor has CDs and other deposits at an issuing bank or thrift institution.

- **There are risks associated with investing in warrants.** Warrants are issued by companies and give the holder the right but not the obligation to purchase an underlying asset, usually equity, at a specified price, quantity and time. If the price of the underlying asset never exceeds the price specified in the warrant, the warrant may expire. Warrants do not pay dividends and have no rights in the event of liquidation and no voting rights. The risks associated with investing in warrants also include the fact that warrants have a limited life due to their date of expiration. There may be other risks associated with investing in warrants.

- **There are risks associated with investing in commercial paper.** Commercial paper is a money market instrument generally issued by large banks and corporations to finance working capital and other short-term needs. The risks of investing in commercial paper include the risk of default by the issuer, risks associated with changes in interest rates, the risks that an issuer may be unable to issue new commercial paper to replace existing commercial paper ("rollover risk"), and risks associated with changes in investor sentiment concerning the issuer's liquidity and/or the overall state of liquidity in the financial markets.

- **There are risks associated with investing in commodities, such as gold.** If the commodity is purchased in physical form, such as gold bars and coins, for example, there are risks associated with transporting it from the place of purchase and of storing it securely over time. There are also risks that the transaction costs of buying or selling the physical commodity may be high. Additionally, there may be liquidity risks (one-half of a gold coin cannot be sold, for example). If the commodity is purchased in non-physical form, such as unallocated gold accounts, ETFs or other unit and investment trusts, there are risks associated with the movement in gold prices and the ability of the fund or trust manager to respond or deal with those price movements. There also may be initial charges as well as annual management fees associated with the fund or trust.

- **There are risks associated with purchasing insurance products such as annuities and long-term care insurance.** Insurance products are basically contracts between the contract owner and the insurer, thus there is the risk that the insurer may not fulfill its obligations under the contract. Insurance products tend to be complex and unique, requiring careful reading and analysis to fully understand. There may be other risks associated with the specific features of the insurance product along with high commission rates, illiquidity and taxation. These and other risks may be heightened if the insurance product is held over long periods of time.

Item 9 -- Disciplinary Information

This item is not applicable to us.

As of the date of this filing, we do not have any disciplinary information to disclose.

Item 10 -- Other Financial Industry Activities and Affiliations

This item is not applicable to us.

We are an independent investment advisory firm and we have no other financial industry activities or affiliations.

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

A. Our firm maintains a Code of Ethics which applies to all of our employees. Our Code of Ethics is based, in part, on the Code of Ethics and Standards of Professional Conduct of the CFA Institute.

We require each employee to sign a statement that he/she has reviewed, understands, and will adhere to our firm's Code of Ethics. Failure to comply with our stated Code of Ethics will result in disciplinary action, up to and including termination of employment.

We will provide a copy of our Code of Ethics to any client or prospective client upon request. Our Code of Ethics is as follows:

Code of Ethics

- Give independent, non-biased investment advice, based on the firm's research, reasonably deemed to be in-line with clients' investment objectives. Put clients' best interest first.
- Act with integrity, loyalty, honesty, competence, dignity, and in an ethical manner when dealing with the public, clients, prospects, and fellow employees.
- Act and encourage others to act in a professional and ethical manner that will favorably reflect on the firm.
- Strive to maintain and improve competence and the competence of others in the firm.
- Comply with Securities and Exchange Commission and Investment Advisers Act rules as they pertain to investment advisers. Comply with all internal company rules.
- Safeguard material nonpublic information about the firm's securities recommendations, current and former client transactions, security holdings and personal information.
- Abstain from trading in securities where the decision to trade is based on inside information.
- Abstain from buying any security for at least 15 days following its initial addition to our Recommended Purchase List or selling any security for at least 15 days following its "sell" decision formalized in writing by the company. This includes the period during which the Recommended Purchase List is being constructed.
- Report personal securities transactions to the firm's Chief Compliance Officer ("CCO") within thirty days following the close of each calendar quarter. Provide the CCO year-end broker statements within 30 days following the end of the year. New employees must provide initial broker statements for the prior quarter-end within 30 days of hire.
- Obtain expressed prior approval from the Chief Compliance Officer before trading in any initial public offering or limited offering.

- Refrain from engaging in outside investment-related business activities including registering a rival investment counsel firm and dispensing investment advice for a fee.
- Report violations of the Code of Ethics or Securities and Exchange Commission rules to the Chief Compliance Officer or other control person.

Our firm maintains a Compliance Manual which is updated on an annual basis. As part of the annual update, we review our compliance procedures. This review includes trading errors, portfolio turnover, personal investment transactions, anti-money laundering policies, testing of our state registrations, information security and privacy policies and our computer systems backup and security policies.

B. None of our employees has a material financial interest in the companies we recommend to clients for purchase or for sale. Thus, we do not have a conflict of interest with our clients in this area.

C. We and our employees may purchase or sell securities in our personal accounts that we recommend, purchase or sell on behalf of our clients. This is a conflict of interest and is addressed in our Code of Ethics, shown above in Item 11A.

We address this conflict of interest in the following way. We and our employees are restricted from purchasing any common stock within 15 days of its initial addition to our monthly Recommended Purchase List, which represents stocks approved for purchase by clients. We and our employees are restricted from selling any common stock until 15 days has elapsed following its recommended sale by clients, formalized in writing by the company.

All employees are required to submit personal trading reports on a quarterly basis to our firm's Chief Compliance Officer. All employees also are required to submit year-end brokerage statements for which they and their immediate family members have beneficial interests.

D. Because of the 15-day restriction on purchases and sales described above in section C pertaining to our Recommended Purchase List, we and our employees may not first begin to purchase or sell securities for our own account(s) at or about the same time that we first begin to purchase or sell the same security for client account(s). Thus we do not have a conflict of interest with our clients.

We and our employees are restricted from purchasing any common stock within 15 days of its initial addition to our monthly Recommended Purchase List, which represents stocks approve for purchase by clients. We and our employees are restricted from selling any common stock until 15 days has elapsed following its recommended sale by clients, formalized in writing by the company.

Item 12 -- Brokerage Practices

A. We are not affiliated with any broker/dealer or financial institution. Our clients have their assets custodied at the broker/dealer or financial institution of their choice. Item 15 below discusses custody.

In general, new clients may come to our firm with or without existing brokerage relationships. We do not assign clients to brokers. If a client wishes to explore brokerage options and if we are asked, we will provide a list of appropriate brokers but it is the client's responsibility to make the final decision.

Each client has specific circumstances to consider that apply when evaluating broker and custody options. For example, some factors influencing the selection of a broker are the:

- number of shares expected to be traded,
- overall activity expected in the account,
- complexity of account activity, such as transfers in and out and gifting,
- ancillary or additional financial services desired,
- comfort and personal relationship with a broker,
- responsiveness of a broker,
- skill and experience level of a broker,
- financial strength, stability, business practices, insurance and reputation of the broker and/or brokerage firm,
- commissions, fees and other costs and
- other factors that may be important to the client.

First and foremost, the client should be satisfied and comfortable with the selected brokerage and custody option. From a transaction standpoint, we require brokers and custodians to exert the necessary effort in executing transactions in an accurate, diligent and consistent manner while providing timely order execution reports to us. The cost to the client should be reasonable in relation to each client's specific needs and circumstances.

Some of our clients have their assets at bank custodians which require an outside broker to execute transactions. In these cases, we discuss the available options with the client and assist the client in selecting a broker to execute transactions. Again, we require the broker to exert the necessary effort in executing transactions in an accurate, diligent and consistent manner while providing timely order execution reports to us. As above, the cost to the client should be reasonable in relation to each client's specific needs and circumstances.

As described below in Item 12A3, we have an institutional brokerage arrangement with Schwab Institutional Services, a division of Charles Schwab & Company, for clients desiring discount brokerage services.

Our firm's Trade Management Oversight Committee (TMOC) seeks regular feedback from our staff that interacts with the brokers and custodians to ensure that the quality of service required is being met. Our portfolio managers are encouraged to respond to client inquiries or complaints regarding their broker and custody relationships by reviewing available options with them.

Item 5C above discusses trading commissions and fees that clients may pay, in addition to our fees, to their brokerage firm or bank trust department.

For clients with pre-existing brokerage relationships at full-service brokerage firms, we may request from the broker a discount on trading fees and commissions. These discounts, if granted by the broker, may range from 10% to 50%. Most of our clients at full-service brokerage firms receive such discounts.

We review all client transactions on an annual basis to determine the reasonableness of the trading commissions and fees. The majority of our trades are executed at the market.

A1. Research and Other Soft Dollar Benefits.

Under federal and state law, our firm is a fiduciary and we must make full disclosure to our clients of all material facts that relate to our advisory relationship. As a fiduciary, we also must seek to avoid conflicts of interest with our clients and, at a minimum, make full disclosure of all material conflicts of interest between us and our clients that could affect the advisory relationship.

This requires us to provide our clients with sufficiently specific facts so that our clients are able to understand the conflicts of interest we have and the business practices in which we engage and can give informed consent to such conflicts or practices or reject them.

This section expands on our brokerage practices. It also describes areas in the financial services industry where conflicts of interest typically exist. It is important for clients to understand how conflicts of interest may occur and how it may affect them.

The conflicts of interest which we have or may have with our clients are specifically described below.

The term “soft dollars” refers to the broker/dealer practice of bundling services, such as research, with the execution of brokerage transactions. The commissions generated from client transactions essentially pay for the entire bundle of services. Allocating a portion of these commissions to pay for the research component of the bundle is called “softing” or “soft dollars.”

Under the rules and regulations of the SEC, investment advisers are required to disclose their soft dollar arrangements to their clients. This is because under traditional fiduciary principles, an investment adviser, who is a fiduciary, cannot use assets entrusted by its clients to benefit itself. It creates a conflict of interest between the investment adviser who is benefitting by receiving the research and its clients who are paying for the research through the commissions charged by the broker.

This is especially true when clients "pay-up" -- that is, when their transactions are executed at less than favorable commissions in order to pay for the research received by the investment adviser.

Research that aids the investment adviser in performing its investment decision-making responsibilities, however, falls within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934. This means that an investment adviser receiving research from a broker/dealer with whom client transactions are executed (i.e., whose clients pay commissions to the broker/dealer) is not deemed to have acted unlawfully or to have breached its fiduciary duty by having its clients pay more than the lowest available commission -- as long as the commission is reasonable in relation to the brokerage services and research received.

Additional problems arise when advisers are provided and receive non-research products and services through soft dollar arrangements with broker/dealers. Real world examples of soft dollars being used to pay for non-research products and services include: office rent and equipment, cell phones and personal expenses, employee salaries, client referrals, marketing and legal expenses, hotel and rental car expenses, phone systems, personal travel, entertainment, limousine, interior design and construction expenses.

In order to maintain their fiduciary duty to clients, and to avoid violating specific provisions of federal securities laws, investment advisers are required to disclose to their clients all soft dollar arrangements and any conflicts of interest these arrangements create between the investment adviser and the client.

We do not direct client business to brokerage firms on the basis of research products and services that we receive. Our brokerage practices are described above in Item 12A.

As described in Item 8A above, we maintain subscriptions for which we pay hard dollars to a number of companies for services to aid us in our research and analysis efforts. As of the date of this filing, these include *Value Line Investment Survey*, *SRC Stock Charts*, *William Blair & Company* and *FactSet Research*.

We do not receive any non-research products or services from any brokerage firm. Using the real-world examples cited above, our firm pays for its own rent and equipment, its own legal and marketing expenses, work-related hotel and rental car expenses, interior design and construction expenses, and employees' salaries. Our employees pay for their own cell phones, personal travel expenses, entertainment, and limousines or rental cars. As described in Item 14 below, we do not pay for client referrals.

We do receive proprietary research, that is research created or developed by a brokerage firm ("in-house" research), from various brokers where our clients have their assets custodied. We may also receive proprietary research from other brokers where we do not have client assets custodied. We also have access to some brokerage firms' websites that provide their proprietary research.

However, as described above in Item 12A, for clients with pre-existing brokerage relationships at full-service brokerage firms, we may request from the broker a discount on trading fees and commissions. These discounts, if granted by the broker, may range from 10% to 50%. Most of our clients at full-service brokerage firms receive such discounts. Full-service brokerage firms typically have research departments producing proprietary research.

In addition, our investment strategy, described in Item 8A, does not lend itself to frequent trading. That is, we do not execute frequent transactions with brokers in our clients' accounts, thus we do not tend to generate a lot of commissions for brokers. We believe that this fact and the fact that our clients typically receive discounts on their trading commissions are likely to affect the willingness of brokerage firms to provide us with all of the research, both proprietary and third party, at their disposal.

We may, on occasion and from time to time, receive "third party" research; that is, research created and developed by another firm and forwarded to us by a brokerage firm where our clients have their assets custodied. We may also receive invitations to investment conferences organized by a third party. However, there are no standing arrangements for providing such third-party research products and services on a regular basis.

Third-party research may be available to us through our access to some brokerage firms' websites. For example, Schwab Institutional Services' website provides third-party research that is available to us.

All of the research products and services that we receive or pay for are used by us to assist us in our investment decision-making responsibilities for the benefit of all of our clients.

A1a. When we obtain research products and services from brokerage firms where our clients have their assets custodied and where client brokerage commissions are used to obtain these research products and services, we receive a benefit because we do not have to produce or pay for the research, products or services.

A1b. Because of our interest in receiving research products and services, we may have an incentive to select or recommend a broker/dealer based on our interest rather than on our clients' interest in receiving most favorable execution. However, as described above we do not direct client business to brokerage firms on the basis of research products and services that we receive.

A1c. We do not cause clients to pay commissions higher than those charged by other broker/dealers in return for soft dollar benefits. This is known as "paying up" and we do not do this. As described above, most of our clients at full-service brokerage firms receive discounts on their brokerage commissions ranging from 10% to 50%.

A1d. As described above, all of the research products and services that we receive are used by us to assist us in our investment decision-making responsibilities for the benefit of all of our clients. We do not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

A1e. All of the research products and services that we received from brokerage firms within the last fiscal year assisted us in our investment decision-making for the benefit of all our clients. These include proprietary research reports on the companies we follow and proprietary reports on current trends and conditions in the economy and in the financial markets. As of the date of this filing, the brokerage firms providing us with these reports include Wells Fargo, Morgan Stanley, Ameriprise Financial, UBS, JP Morgan Chase, Bank of America Merrill Lynch, Fidelity and Schwab.

We also receive unsolicited research and commentary through our email addresses. We do not know how we got on the email lists for most of these firms. These firms include Oppenheimer & Company, Legg Mason, Deutsche Bank and many, many others.

A1f. As described above, we do not direct client transactions to a particular broker in return for soft dollar benefits.

A2. Brokerage for Client Referrals.

We do not consider whether we receive or will receive referrals from a broker/dealer or custodian when we recommend broker/dealers or custodians to our clients.

As described above in Item 12, on occasion clients may wish to discuss brokerage and custody options with us. First and foremost, the client should be satisfied and comfortable with the selected brokerage and custody option.

When clients ask us for a brokerage or custody referral, we seek to obtain competitive commission discounts for them in line with the discounts typically allocated to small institutional accounts. We keep in mind any added value a full-service firm might provide to our client and our clients' expected need and desire for such services.

A broker/dealer or custodian we recommend may refer clients to us. Thus, a potential conflict may exist between our clients' interests in obtaining best execution and our receiving future referrals from the financial service firm.

We may compensate brokers for client referrals indirectly. This would be by way of the commissions paid to the broker who may refer clients to us. In other words, a broker may refer a client to us for investment supervisory and management services and we may use that broker for brokerage transactions on that account. The broker would be compensated through the brokerage commissions generated through our investment recommendations.

A3. Directed Brokerage.

We are an independent advisory firm and we are not affiliated with any brokerage firm or financial institution. Most new clients have pre-existing brokerage relationships. Our clients have their assets custodied at the brokerage firm or financial institution of their choice. Thus, our clients essentially direct brokerage. Not all advisors require their clients to direct brokerage.

For clients with pre-existing brokerage relationships at full-service brokerage firms, we may request from the broker a discount on trading fees and commissions. These discounts, if granted by the broker, may range from 10% to 50%.

Clients who direct us to use a specific broker or registered representative of a brokerage firm may pay higher commission fees than might be attainable by us, or may receive less favorable execution of some transactions. In other words, their brokerage arrangements may cost them more money than other available arrangements. However, in some cases clients that direct us to use a broker with which the client has a long-term, pre-existing relationship may pay less in commissions than we are able to obtain.

As of the date of this filing, we have an execution arrangement for clients with Schwab Institutional Services, a division of Charles Schwab & Company. We have had this arrangement since February 2001. This arrangement provides for a negotiated commission rate; however, ancillary services that a full-service firm may provide at no charge may cost extra at Schwab Institutional. Thus, this arrangement may not be suitable for all clients.

For clients who have their assets at a bank custodian which requires an outside broker to execute transactions, we have “delivery versus payment” (“DVP”) agreements with the Waltham, Massachusetts office of Morgan Stanley, as well as with JP Morgan Chase and UBS.

We could obtain lower commission charges for all client transactions if we executed trades using the Internet. We permit online trading only under certain circumstances.

We do not typically batch or bunch transactions. Clients may forego any benefit from savings on execution costs that we could obtain for these clients through negotiating volume discounts on batched or bunched transactions.

A financial services firm’s custody of a client’s assets may limit our ability to trade through market makers in executing over-the-counter stock or bond transactions.

Item 13 -- Review of Accounts

A. For our individuals and families, trusts, retirement accounts, charitable organizations, businesses and banks, we review each client account at least once per calendar quarter. In the case of new clients, client accounts may be reviewed more frequently during the first year or so.

The reviews of these client accounts are conducted only by our portfolio managers: Karen Wendell, William H.L. Mitchell, Peter J. Boland, Kathryn E. Shea and Neil G. Bleicken. Only our portfolio managers formulate investment decisions.

The reviews of these client accounts include the current holdings in a portfolio, our current investment thinking and our stock selections for current purchase. The review may also include year-to-date capital gains and losses, current income needs, or other special needs or considerations as directed by the client. We may or may not make investment recommendations, based on our current stock selections and/or the current market environment and investing background.

Our reviews of other client accounts are conducted as follows. For our bank trust department client, we review client accounts on a monthly basis as provided by the bank trust department, or upon request. For our law firm client, we review client accounts on a quarterly basis as provided by the law firm or upon request.

These reviews are conducted only by our portfolio managers: Karen Wendell, William H.L. Mitchell, Peter J. Boland, Kathryn E. Shea and Neil G. Bleicken. Only our portfolio managers formulate investment decisions.

As of the date of this filing, we do not review the individual client accounts of our private trustee client.

B. Client accounts may be reviewed on a non-periodic basis as well as on a quarterly basis. Such cases may include a client requesting a review of their portfolio, we determining that we do not recommend our clients continue to own a specific security, or we deem an investment action is advisable for other reasons.

C. At the end of each quarter, we mail to clients appraisals of their portfolios, including the name of the security and the number of shares held, tax cost, current market price, current market value, dividend rates and current income yields.

With the quarterly appraisal, we also include a written quarterly letter discussing our current investment thinking as it relates to current market and economic trends as well as any other factors we believe will be of interest to our clients.

We also provide clients with written letters confirming our investment recommendations for their portfolios (for clients who place their own trades) and letters confirming the execution of trades (for clients where we place the trades). Depending on the client's wishes and instructions, we may contact clients, usually by telephone, to discuss our recommendations before placing the trades. For purchase recommendations, we normally include our written research report on the company we have recommended. These reports are described in Item 8A above.

Once a year, we mail to clients our reports of the capital gains and losses for their portfolios. Upon request, we also provide year-to-date reports of the capital gains and losses.

Item 14 -- Client Referrals and Other Compensation

Our brokerage practices are discussed in detail in Item 12 above.

We do not directly compensate anyone for client referrals.

We do not have any non-client providing us with an economic benefit for providing investment advice or other advisory services to our clients. Thus, we receive no economic benefit from any non-client for providing advice to clients.

If a broker, or registered representative, refers a client to us, that broker may be indirectly compensated by us via the trading commissions and other fees paid to him or her by the client as described above in Item 12A2.

Item 15 -- Custody

We do not have custody of client assets. We are never in possession of clients' securities or funds. Our clients custody their assets wherever they desire.

Our clients receive or have online access to account statements directly from the broker/dealer or bank custodian where their assets are custodied. Our clients also receive quarterly appraisals of their portfolios from us.

We urge clients to review and compare the appraisals they receive from us with the statements they receive from their broker/dealer or bank custodian.

Under SEC rules regarding the custody of client assets, we are deemed to have custody solely because we may take fees directly from some client accounts custodied with Schwab Institutional Services under our institutional arrangement. This arrangement is described in Item 12A3. We may take fees directly from other client accounts not custodied with Schwab Institutional but only when we are given the specific authority to do so by the client. This is the only reason we are deemed to have custody. Thus, we fall into an exception category under SEC rules and are not required to state in this brochure that we have custody of client assets.

Item 16 -- Investment Discretion

At the request of most clients, we have the authority to carry out transactions on their behalf directly with their broker or bank custodian.

Our authority is granted by the client via a limited power of attorney form provided by the client's broker. The client may also authorize us via our own limited power of attorney form.

We maintain paper records of our authority at all times. The authority limits us to directing purchases and sales of securities and, in some cases, to transfer funds or securities from one account to another account owned by the same client.

For example, we may direct securities or cash to be transferred from a client's Individual Retirement Account to the client's taxable account to satisfy the Required Minimum Distribution for a given year.

Where we do not have discretion, in most cases clients receive our recommendations (either by telephone or by letter), execute the transactions directly with their broker and make their own arrangements for the delivery and safekeeping of their securities, collection and disbursement of income, and related record-keeping activities.

Item 17 -- Voting Client Securities

A. We do not accept responsibility to vote client securities on behalf of clients. Our clients retain all proxy voting rights.

B. We do not have authority to vote client securities on behalf of our clients. Our clients retain all proxy voting rights.

Clients will receive their proxies directly from their custodian or transfer agent.

Clients are always welcome to contact us to discuss any questions they may have about any solicitation they may receive.

We may, upon request, discuss or offer our opinion regarding the pros and cons of an item up for vote by shareholders.

Item 18 -- Financial Information

This item is not applicable to us.

We do not require or solicit prepayment of fees and we do not have custody of client assets, thus we are not required to provide a balance sheet for our most recent fiscal year.

We have never been the subject of a bankruptcy petition.

Item 19 -- Requirements for State-Registered Advisers

This item is not applicable to us.

This item is for state-registered investment advisers. We are a federally registered investment advisory firm, thus this item concerning requirements for state-registered advisers does not apply to us.