

John M. Smartt, Jr., CPA
Financial Counseling & Administration
Registered Investment Advisor

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Required Disclosure by Registered Investment Advisors

John is a Registered Investment Advisor (RIAs), registered with the Securities Division of the Department of Commerce and Insurance of the State of Tennessee ("State"). The RIA regulations require disclosure of the following information about the firm which will serve you, and how you will be served. A copy of FORM ADV ("Uniform Application for Investment Adviser Registration"), Part I, is available via the IARD system, an online repository under contract to the State.

1. Advisory services and fees:

Approximately 95% of the assistance provided is in the form of investment supervisory services. The rest is comprised of investment and other financial advice other than on a supervisory basis. One term for such assistance is "financial planning." See item #7 below for other services offered.

Investment advisory services are offered on the following bases:

A. (Supervisory) Management:

Percentage of assets under management:

Fee: 1/8% per quarter, negotiable, terminable at end of any quarter, billed at quarter end (also referred to as "Investment Management Service" or "IMS")

B. (Non-supervisory) Advice/Education:

Hourly charges:

Fee: \$150 per hour, billed and payable after services are performed

2. Types of clients:

Clients are primarily individuals. John serves a charitable remainder trust and manages investments for the endowment of a not-for-profit organization.

John stands ready to assist other entities.

3. Types of investments and

4. Methods of analysis, sources of information and investment strategies:

Using fundamental analysis, it is our belief that mutual funds serve most of the investment needs of most individuals. John also recommends variable annuities, exchange-listed securities (including closed-end mutual funds), and option contracts on securities (confined to selling covered call options).

Sources of information and recommendations include:

mutual fund and corporate rating services
financial newspapers and magazines and
research materials prepared by others.

Strategies used include long-term purchases (securities held at least one year) and option writing (selling covered calls).

5. Education and business background:

6. Standards of client service:

John has 40 years of experience managing his own investments in mutual funds, more than 20 years in common stocks and five years in writing covered call options on common stocks. By virtue of his 20 years of experience as a CPA/auditor, he has broad experience with the "nuts and bolts" business facts of companies in a wide variety of industries.

John is responsible for investment advice to clients. Asset allocation recommendations and specific investment changes recommended to clients originate with him.

7. Other business activities:

John provides services considered ancillary to investment advice: for example, general financial advice to individuals, trusts, and organizations. Other examples are: investor education, retirement projections, college cost projections, performing independent "smell tests" of other investment products, analysis of early retirement offers, financial mediation and arbitration, speeches and seminars, litigation support, reviews of insurance coverage and costs, and analysis of tax- deferred annuities.

8. Other financial industry activities or affiliations:

9. Participation or interest in client transactions:

We have no conflicts of interest with our clients. We are not partners or investors in any partnership or other investment in which clients are solicited to invest. We do not participate in any transaction with our clients other than, quarterly, after providing IMS clients with bills for investment management services rendered, their payments are made via deduction from their accounts at TD Ameritrade ("TDA") via a transfer to one of our accounts at TDA. We have no financial interest in TDA's management or other functions. With our clients, a significant percentage of our net worth is invested in Vanguard's mutual funds (currently over 75% of personal net worth).

As a Financial Industry Services Affiliate Member of the National Association of Personal Financial Advisors ("NAPFA"), John subscribes to the NAPFA Code of Ethics, including: acting in good faith and best interests of clients, advising clients of any conflicts of interest, and receiving compensation on a "fee-only" basis.

10. Conditions for Investment Management Service:

At present no minimum dollar account balance limit is imposed. We reserve the right to begin such minimum.

11. Review of accounts:

A. Suitability of investments:

Initial suitability of investments (generally Vanguard, no load, very low annual expense ratio mutual funds for sufficient diversification and cost minimization) is determined through review of the client's (1) financial goals, (2) ability to accept investment risk, and (3) previous investing experience. Continued suitability is determined through semi-annual visits offered each client. IMS clients can obtain such information at their convenience, at no additional charge, at any time.

B. Reports to clients:

Quarterly reports to IMS clients summarize performance for the quarter and for multi-year periods. Each principal fund owned by each client is compared with the other funds having similar objectives.

All clients receive, without cost, a quarterly client newsletter. The newsletter is available to non-clients.

12. Investment or brokerage discretion:

Without first consulting our client, we will not change his/her investments. Advance consent is obtained for each transaction, or each series of transactions.

John does not generally recommend individual stocks. In answer to such needs, we recommend "deep discount", "no advice" brokers such as TD Ameritrade Securities or deeper discount "on-line" firms. We use the custody services provided by TD Ameritrade.

13. Additional compensation:

We are not compensated in any way by any non-clients for the advice and assistance we provide to clients. We affiliate with CPA/tax preparors to assist their tax clients with investment management services. Part of client fees for this service are shared with the tax preparor/CPA. Note that this arrangement results in better client service at no additional cost to the IMS client.

14. We do not accept custody of clients funds, we do not accept prepayments, nor do we require prepayment of client fees.

In accordance with the regulations of the State of Tennessee, net worth is substantially in excess of the \$15,000 statutory limit for Registered Investment Advisers. These regulations include providing an annual personal balance sheet to the State.