

Part 2A of Form ADV: Firm Brochure

John Smartt, CPA
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DBA Financial Counseling & Administration

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Item 1 Cover Page

Introduction:

Major financial reform was passed by the Congress and signed by the President in 2010. Beginning in early 2011, the firm brochure replaces certain other information (e.g. the “required disclosure”) required to be provided to all new clients as they become clients and required to be provided to each existing client. After being provided the clients initially, the new brochure will be offered to clients annually and any material changes in the business will be disclosed separately to clients as they occur.

I, John Smartt, CPA, registered as a Registered Investment Advisor (“RIA”) and regulated by the Securities Division of the Department of Commerce and Insurance of the State of Tennessee, conduct business as a sole proprietorship under the firm name: Financial Counseling & Administration.

Further information about the firm is available via the IARD system, an online repository under contract to the State.

Item 2 Material Changes

There have been no material changes in the way that I conduct business in 2010 or in any subsequent year until the filing and offer of distribution of a “material changes notice.” No such changes are anticipated

The change in format, from a “required disclosure” to this firm brochure is not considered to be a material change.

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Item 4 Advisory Businesses

Approximately 95% of the assistance I provide is in the form of investment supervisory services (called Investment Management Services, "IMS"). The rest is comprised of investment and other financial advice and other financial advice other than on a supervisory basis. One term for such assistance is "financial planning."

Item 5 Fees and Compensation

- A. Supervisory Management: This service is offered on a continuing basis, (subject to cancellation by John Smartt or by the client at the end of any calendar quarter with 30 days written notice) at a fee which is based on the fair market value of investments being managed. The fee is 1/8% per quarter, billed at quarter end.
- B. Non-supervisory Advice/Education: This service is offered on a per hour basis, currently at \$150 per hour billed and payable after the service is performed.

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

As noted in Item 5, above, supervisory management fees are based on the fair market value of investments managed, not on the relative performance of such investments. I alone am responsible for such management.

Item 7 Types of Clients

My clients are primarily individuals. I also serve a charitable remainder trust and I manage the investments for the endowment of a not-for-profit organization. I stand ready to assist other entities.

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

I have more than 40 years of experience managing my 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 20 years of experience as a CPA/auditor, I have broad experience with the "nuts and bolts" business facts of companies in a wide variety of industries.

I am responsible for investment advice to clients. Asset allocation recommendations and specific investment changes recommended to clients originate with me.

All investments entail some risk of loss of value, both in terms of value in dollars and due to the erosion of the value of the dollar by inflation.

I have determined through study that (1) broad diversification (among mutual funds and exchange traded funds ("ETFs")) owning stocks, bonds, and money market instruments), (2) owning investments within the proper "site" (e.g. Individual Retirement Account, 401(k) account, or regular, currently taxed brokerage account), and (3) minimization of investment costs is a reasonable, long term investment strategy.

Accordingly, I use primarily the ETFs and mutual funds offered by The Vanguard Group. Vanguard is one of the largest firms offering financial products and is one of only a few true mutuals. That is, Vanguard is owned by its shareholders. Vanguard has a history of keeping the costs of its investment funds low. Vanguard is believed to be the largest provider of investments with no sales commissions ("no-load").

I recommend "buy and hold" investing, the selection of a mix of stock, bond, and money market investments which suits the objectives and time horizon of each client, and making no material changes in such investments unless there is a change in client financial circumstances and/or need for cash from the investments. I do not attempt to "beat the market" but, primarily, by using ETFs and index funds to capture the investment return of various stock, bond, and money market markets for clients, minus only the costs of the ETF/mutual funds, my management fee, and any income taxes assessed on client investments.

Item 9 Disciplinary Information

I am regulated by the Securities Division of the State of Tennessee Department of Commerce and Insurance. In 2007 the Division began a field audit program. I understand that the RIAs are to be audited approximately every three years. I was audited in June, 2009. I believe that I continue to be in substantial compliance with the applicable laws and regulations for an RIA.

I have not been disciplined by the Division, or by any other applicable regulatory body.

Item 10 Other Financial Industry Activities and Affiliations

I am a member of the National Association of Personal Financial Advisors, the "fee-only association" and sign and subscribe to its fiduciary oath annually.

I am a member of the Tennessee Society of CPAs and continue to active it its Personal Financial Planning Committee. I have been the chairman of the Committees annual continuing education conference and have been a speaker at several of these annual conferences.

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

As a member of the National Association of Personal Financial Advisors, I subscribe to its Code of Ethics, including: acting in good faith and best interest of clients, advising clients of any conflicts of interest, and receiving compensation on a “fee-only” basis.

I have no conflicts of interest with clients. I am not a partner or investor in any partnership or other investment in which clients are solicited to invest. I do not participate in any transaction with 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 my accounts at TDA. I have no financial interest in TDA's management or other functions. With my clients, a significant percentage of my net worth is invested in Vanguard's mutual funds (currently over 75% of personal net worth).

As I recommend to my clients, I am a “buy and hold” investor. I make few significant changes to my personal investments. My personal investments are custodied at TDA.

Item 12 Brokerage Practices

RIAs in Tennessee, and most other states, are prohibited from accepting custody of client investment assets. Accordingly, I have chosen TDAmeritrade as the principal custodian for client investment assets. Clients receive monthly statements of each account directly from TDA. Although TDA is not the lowest cost brokerage firm, I believe its services to clients are reasonably priced. Clients are responsible for brokerage fees.

Item 13 Review of Accounts

A. Suitability of investments:

Initial suitability of investments (generally Vanguard, no load, very low annual expense ratio mutual funds (or ETFs) 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 (but not required of) 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.

Item 14 Client Referrals and Other Compensation

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

From time to time I provide compensation to others, occasionally to clients, for referral of new clients. The new client is informed of this arrangement as the client relationship begins.

Item 15 Custody

I do not maintain custody of any client assets. See Item 12 for principal use of TD Ameritrade for independent custody and reporting on client investment assets. I do not accept prepayments, nor do I require prepayment of client fees.

Item 16 Investment Discretion

Without first consulting the client, I will not change his/her investments. Advance consent is obtained for each transaction, or each series of transactions. In order to obtain collection of IMS fees, occasionally, very small proportions of client investments are sold without first consulting the client.

I do not generally recommend individual stocks. In answer to such needs, I recommend "deep discount", "no advice" brokers such as TD Ameritrade Securities or deeper discount "on-line" firms.

Item 17 Voting Client Securities

I encourage clients to exercise their shareholder rights via periodic voting, exercising proxies. In response to client request, I will exercise proxies, but only to vote on each item within the proxy in accordance with the advice of management. I do not submit shareholder proposals on behalf of clients.

Item 18 Financial Information

In accordance with the regulations of the State of Tennessee, my personal 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.

Item 19 Requirements for State-Registered Advisers

My clients are located primarily within the State of Tennessee and I am registered in Tennessee, as noted in other sections of this brochure.

In addition to the personal balance sheet, noted in Item 18, above, provided annually to the State of Tennessee, my firm brochure is made available to clients annually. Other information, including the annually updated edition of this firm brochure, is available on the online IARD system and through the SEC Investment Advisor Public Disclosure website. My CRD number is 112292.