

Schedule H “Brochure”

Dunham & Associates Investment Counsel Asset Allocation Program *2009*

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THIS BROCHURE PROVIDES CLIENTS WITH INFORMATION ABOUT THE DUNHAM & ASSOCIATES ASSET ALLOCATION PROGRAM AND DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC. THAT SHOULD BE CONSIDERED BEFORE BECOMING A CLIENT OF THE DUNHAM & ASSOCIATES ASSET ALLOCATION PROGRAM. THIS INFORMATION HAS NOT BEEN APPROVED OR VERIFIED BY ANY GOVERNMENTAL AUTHORITY.

TABLE OF CONTENTS

<u>INTRODUCTION</u>	1
<u>CLIENT ASSET ALLOCATION AGREEMENT</u>	2
<u>MINIMUM INVESTMENT REQUIREMENT</u>	2
<u>FEE SCHEDULE</u>	2
<u>TYPES OF INVESTMENTS</u>	3
<u>FINANCIAL ADVISER QUALIFICATIONS</u>	3
<u>THE SPONSOR</u>	3
<u>CUSTODY OF ASSETS</u>	3
<u>PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS</u>	3
<u>ADVISER SERVICES</u>	4
<u>REPORTS AND INFORMATION</u>	4
<u>ADVISER – CLIENT COMMUNICATIONS</u>	4

This brochure contains a description of the Dunham & Associates Asset Allocation Program (the “Program”), including its attendant fees and conflicts of interest associated with the Program. The Program is considered to be a “wrap fee” program because it provides a discretionary asset allocation and advisory program using shares of various mutual funds as the exclusive investment for a single fee.

INTRODUCTION

The Dunham & Associates Asset Allocation Program is a discretionary asset allocation and mutual fund wrap program that involves the allocation by your investment adviser (“Adviser”) of the assets of your account to and among shares of mutual funds chosen by the Program’s sponsor. Dunham & Associates Investment Counsel, Inc. (“Dunham & Associates”), an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, serves as the Program’s sponsor.

Clients engage in the Program through their Adviser who utilizes, either with or without the Adviser’s discretion, any combination of The Dunham Funds, as well as any other selected funds by the Sponsor (collectively, the “Eligible Funds”) representing 11 different asset classes to help clients diversify their portfolios and achieve their long-term investment objectives. In addition, a Core Fixed Income Allocation percentage and Core Equity Allocation percentage may be selected to create a custom blend of fixed income and equity funds for the account. As Sponsor, Dunham & Associates monitors and adjusts the Core Allocations as deemed necessary to reflect market conditions, performance and other factors. The client’s account can be set to automatically rebalance the Funds to the new percentage Allocations and the Core Allocation percentages back to the targets.

Dunham & Associates also serves as the investment adviser to and distributor of The Dunham Funds – Class N Shares (the “Funds”). As investment adviser to the Funds, Dunham & Associates is responsible for constructing and monitoring investment objectives and principal investment strategies for each Dunham Fund. Dunham & Associates believes that it is possible to enhance shareholder value by using sub-advisory firms to manage the assets of a Fund, rather than simply employing a single firm to manage the assets of all Funds. As such, each Dunham Fund has a third party sub-adviser that is responsible for the actual security selection to achieve the Fund’s investment objective. Dunham & Associates performs extensive due diligence in order to select, monitor and replace, as necessary, the Funds’ sub-advisers (subject to approval by the Board of Trustees of the Funds).

Clients may purchase shares of the Eligible Funds outside of the Program, and by doing so, would not incur the fees imposed under the Program, and accordingly, it may be to client’s advantage to do so.

The amount of compensation received under the program by the client’s individual financial advisor may be more than what the adviser would receive if the client paid separately for investment advice, brokerage, and other services, and that the adviser may therefore have a financial incentive to recommend the wrap fee program.

CLIENT ASSET ALLOCATION AGREEMENT

The Client must enter into a Client Asset Allocation Agreement with its Adviser to participate in the Program. The Adviser has, in turn, entered into a Master Asset Allocation Agreement with Dunham & Associates to participate in the Program. The contractual relationship between the client and the Adviser under the Client Asset Allocation Agreement shall continue until terminated by either party. The client may also terminate the agreement within 7 business days for IRA registrations and within 5 business days with all other types of account registrations upon written notice. The Adviser may terminate the Agreement with the client at any time by giving 30 days written notice to the client. *The client should carefully review the Client Asset Allocation Agreement, which includes a complete description of the fees, limitations, and risks involved in participating in the Program.*

MINIMUM INVESTMENT REQUIREMENT

Initial minimum investment in the Program is \$50,000 for IRAs and \$100,000 for all other accounts.

FEE SCHEDULE

The client may pay fees on either a performance-based or a flat total asset-based advisory fee basis. Clients who choose the performance-based fee option must be “qualified clients” (e.g., a natural person having a net worth together with assets held jointly with the person’s spouse in excess of \$1.5 million). The client should understand that a performance fee may create an incentive for Dunham & Associates, and the Adviser, to increase the level of risk that the Account may incur. The client should understand that a performance fee may result in higher advisory fees than an asset-based fee, and Dunham & Associates, and the Adviser, may receive increased compensation.

Under the performance-based fee option, the client is charged a fee equal to 10% of the net increase in the value of the client’s account for the preceding month using “highwater” marks. The fee is calculated monthly and charged quarterly. This performance-based fee is split equally between Dunham & Associates and the Adviser. Upon account termination, fees shall be charged based on the “highwater” mark for the applicable months prior to termination.

Under the total asset-based fee option, the client is charged a flat asset-based fee, which is negotiable, with a maximum annual rate of 2.25% of the average net asset value of the client’s account. This fee accrues daily and is charged quarterly in arrears. The Sponsor’s portion of this fee is .25 basis points or an annual fee of 0.25% of the average net asset value of the account. Fees shall be pro-rated and charged upon account termination.

The Funds-Class N Shares, which are available to fund all or part of the Client’s account in the Program, do not include up-front or deferred sales charges or 12b-1 fees. Other costs (“internal fund expenses”, such as legal fees, admin fees, prospectus printing costs, etc.) generally associated with mutual funds do apply.

In addition to the advisory fees received by Dunham & Associates described herein, as the investment adviser to the Funds, Dunham & Associates receives compensation from the Funds as described within the Funds' prospectuses and such fees are borne by the shareholders of the Funds (including participants in the Program). In addition, as distributor of the Funds, Dunham & Associates receives distribution fees described within the Funds' prospectuses that are borne by the Funds' shareholders (including participants in the Program). Further, the Custodian is an affiliate of the Sponsor and charges a \$25/year fee which is waived for IRA accounts over \$50,000 and non-IRA accounts over \$100,000.

TYPES OF INVESTMENTS

Client accounts that participate in the Program must invest exclusively in the Eligible Funds. The Program shall include only no-load classes of shares of each Eligible Fund.

FINANCIAL ADVISER QUALIFICATIONS

Each Adviser selected to enter into a Master Asset Allocation Agreement with the Sponsor must be a registered investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940 or exempted from such registration and qualified to provide investment advisory services under the securities law of the state in which the Client resides.

THE SPONSOR

Dunham & Associates, in addition to being registered as an investment adviser under the Investment Advisers Act of 1940, is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("FINRA"). Dunham & Associates is the distributor of The Dunham Funds.

CUSTODY OF ASSETS

In executing the Client Asset Allocation Agreement, the Client agrees to the maintenance and custody of the Client's account assets at Dunham Trust Company (the "Custodian"), an affiliate of the Sponsor. The Client is responsible for paying all fees or charges of the Custodian, including all transaction fees and trading costs.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

In addition to the advisory fees received by Dunham & Associates described herein, as the investment adviser to the Funds, Dunham & Associates receives compensation from the Funds as described within the Funds' prospectuses and such fees are borne by the shareholders of the Funds (including participants in the Program). In addition, as distributor of the Funds, Dunham & Associates receives distribution fees described within the Funds' prospectuses that are borne by the Funds' shareholders (including participants in the Program). Further, the Custodian is an affiliate of the Sponsor and any fees charged by the Custodian are in addition to fees that the Sponsor receives.

ADVISER SERVICES

The Adviser will utilize the Program to provide asset allocation services to the Client on an individualized basis pursuant to the Client Asset Allocation Agreement. In accordance with the Master Allocation Agreement, the Adviser will either use the Eligible Funds and allocation strategies in the Program to implement the Adviser's individualized asset allocation recommendations for the Client on a discretionary basis, or the Adviser will submit orders to purchase, redeem or exchange shares of Eligible Funds in accordance with instructions received from the Client on a non-discretionary basis. While account-level performance information is calculated on a uniform and consistent basis, the Adviser shall provide on-going monitoring and evaluation of the performance of the Eligible Funds, allocation strategies and make such changes, from time to time, as appropriate. Dunham & Associates makes no investment decisions for the account and has no oversight or supervisory responsibility with respect to the Client's account or with respect to the Adviser, or its associated persons.

If re-balancing is elected, the Client acknowledges and agrees that the Program Sponsor is authorized to automatically rebalance the Funds in the Account. For Account Owners utilizing a Core Allocation Strategy, the Account Owner acknowledges that the Program Sponsor is authorized to make changes to the Allocation Percentages within a Core Allocation Strategy from time to time at its discretion. Such a change to a Core Allocation Strategy may cause the Account Owner to automatically reallocate Funds to match their selected Core Allocation.

REPORTS AND INFORMATION

At least quarterly, the Advisor and Client will receive a statement showing all transactions occurring in the Client's account during each quarter, all contributions and withdrawals made during the period, the securities and other property in the account at the end of the period, all fees and expenses charged to the account including all advisory fees paid to Dunham & Associates and the Adviser and the value of the account at the end of the quarter. In addition, the Advisor and Client will receive a copy of all trade confirmations reflecting all transactions in securities, periodic statements, and other reports for the account generated by the Custodian.

ADVISER – CLIENT COMMUNICATIONS

Dunham & Associates does not place any restrictions on the ability of Clients to contact and consult with the Adviser.