

# **Form ADV: Part II**

Uniform Application for Investment Advisor Registration

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This part of Form ADV gives information about the Investment Advisor and its business. The information has not been approved or verified by any government authority.

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## Uniform Application for Investment Adviser Registration

## Part II - Page 1

<b>Name of Investment Adviser:</b> <b>Dunham &amp; Associates Investment Counsel, Inc.</b>				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code: Telephone number:
<b>10251 Vista Sorrento Parkway, Suite 200</b>	<b>San Diego</b>	<b>CA</b>	<b>92121</b>	<b>(858) 964-0500</b>

This part of Form ADV gives information about the Investment Adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.

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Applicant:

Dunham &amp; Associates Investment Counsel, Inc.

SEC File Number:

801-25803

Date:

07/30/2010

1. **A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate  
% of total advisory billings from that service.  
(See instructions below.)

**Applicant:**

<input checked="" type="checkbox"/>	(1)	Provides investment supervisory services . . . . .	<u>100</u> %
<input type="checkbox"/>	(2)	Manages investment advisory accounts not involving investment supervisory services . . . . .	_____ %
<input type="checkbox"/>	(3)	Furnishes investment advice through consultations not included in either service described above . . . . .	_____ %
<input type="checkbox"/>	(4)	Issues periodicals about securities by subscription . . . . .	_____ %
<input type="checkbox"/>	(5)	Issues special reports about securities not included in any service described above . . . . .	_____ %
<input type="checkbox"/>	(6)	Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities . . . . .	_____ %
<input type="checkbox"/>	(7)	On more than an occasional basis, furnishes advice to clients on matters not involving securities . . . . .	_____ %
<input type="checkbox"/>	(8)	Provides a timing service . . . . .	_____ %
<input type="checkbox"/>	(9)	Furnishes advice about securities in any manner not described above . . . . .	_____ %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? . . . . .

Yes No  
☐ ☒

C. Applicant offers investment advisory services for: (check all that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed Fees (not including subscription fees)       | <input checked="" type="checkbox"/> (6) Other  |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the Adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals                      | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions                | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input checked="" type="checkbox"/> C. Investment companies             | <input checked="" type="checkbox"/> G. Other (describe on Schedule F)                                  |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans |  |

3. **Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity securities                                       | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                             | <input type="checkbox"/> I. Options contracts on:                          |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter                     | <input type="checkbox"/> (1) securities                                    |
| <input checked="" type="checkbox"/> (3) foreign issuers  | <input type="checkbox"/> (2) commodities                                   |
| <input checked="" type="checkbox"/> B. Warrants  | <input type="checkbox"/> J. Futures contracts on:                          |
| <input checked="" type="checkbox"/> C. Corporate debt securities (other than commercial paper) | <input type="checkbox"/> (1) tangibles                                     |
| <input checked="" type="checkbox"/> D. Commercial paper  | <input type="checkbox"/> (2) intangibles                                   |
| <input checked="" type="checkbox"/> E. Certificates of deposit                                 | <input type="checkbox"/> K. Interests in partnerships investing in:        |
| <input checked="" type="checkbox"/> F. Municipal securities                                    | <input checked="" type="checkbox"/> (1) real estate                        |
| <input type="checkbox"/> G. Investment company securities:                                     | <input type="checkbox"/> (2) oil and gas interests                         |
| <input type="checkbox"/> (1) variable life insurance   | <input checked="" type="checkbox"/> (3) other (explain on Schedule F)      |
| <input type="checkbox"/> (2) variable annuities  | <input checked="" type="checkbox"/> L. Other (explain on Schedule F)       |
| <input checked="" type="checkbox"/> (3) mutual fund shares                                     |  |

4. **Methods of Analysis, Sources of Information, and Investment Strategies.**

## A. Applicant's security analysis methods include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input checked="" type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |   |

## B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input type="checkbox"/> Corporate rating services                        | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F)   |

## C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions   |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |  |

Applicant:

Dunham &amp; Associates Investment Counsel, Inc.

SEC File Number:

801-25803

Date:

07/16/2010

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? . . . . .

Yes



No



(If yes, describe these standards on Schedule F.)

**6. Education and Business Background**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- Each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- |                 |  |
|-----------------|--|
| • name          | • formal education after high school               |
| • year of birth | • business background for the preceding five years |

**7. Other Business Activities.** (check those that apply)

- ☒ A. Applicant is actively engaged in a business other than giving investment advice.
- ☒ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☒ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or Commodity Trading Adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |   |
|--|---|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm  |
| <input checked="" type="checkbox"/> (2) investment company   | <input type="checkbox"/> (8) law firm   |
| <input type="checkbox"/> (3) other Investment Adviser  | <input type="checkbox"/> (9) insurance company or agency                                      |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant  |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading advisor or futures commission merchant | <input checked="" type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input checked="" type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked in box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? . . . . .

Yes



No



(If yes, describe on Schedule F the partnerships and what they invest in.)

Applicant:

Dunham &amp; Associates Investment Counsel, Inc.

SEC File Number:

801-25803

Date:

07/30/2010

9. **Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☒ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

10. **Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes No  
☒ ☐

(If yes, describe on Schedule F)

11. **Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

**REVIEWS AND REVIEWERS:**

**SEE SCHEDULE F.**

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

**REPORTS:**

**SEE SCHEDULE F.**

## 12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  | Yes                                 | No                       |
|--|-------------------------------------|--------------------------|
| (1) securities to be bought or sold? .....               | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? ..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used? .....                   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (4) commission rates paid? .....                         | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? .....

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and Services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.

## 13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   | Yes                                 | No                                  |
|---|-------------------------------------|-------------------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? .....  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

(For each yes, describe the arrangements on Schedule F.)

## 14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? .....

Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:

**Dunham & Associates Investment Counsel, Inc.**

SEC File Number:

**801-25803**

Date:

**07/30/2010**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

**Dunham & Associates Investment Counsel, Inc.**

IRS Empl. Ident. No.:

**33-0118651**

**Background**

Dunham & Associates Investment Counsel, Inc., (**DAIC**) is both a registered broker-dealer and investment advisory firm. **DAIC** is a securities broker-dealer, registered with both the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC). **DAIC**'s primary Broker/Dealer activity is serving as distributor of the **Dunham Funds**, a registered investment company, for which it also serves as Investment Adviser. **DAIC** is also registered with the Municipal Securities Rulemaking Board and is a member of the Securities Investors Protection Corporation (SIPC).

**DAIC** does not directly hold client funds or securities.

**DAIC**'s primary business is that of a Registered Investment Adviser with the SEC. This Form ADV Part II generally describes the business of **DAIC** as an Investment Adviser, the services provided, fee schedules and conflicts of interests (both direct and indirect) a client may face in receiving advisory services from **DAIC**.

Individuals who provide advisory services on behalf of **DAIC** are licensed, qualified or registered in all states, as required, as Investment Advisor representatives (IARs) unless they are exempt from such requirement. These IAR's may also be registered with FINRA and registered under applicable state securities laws (unless exempt from state licensing requirements) to sell securities as registered representatives on behalf of **DAIC**.

All affiliated entities, including **DAIC**, are subsidiaries of Dunham & Associates Holdings, Inc., (**Dunham Holdings**), a general business holding company.

Note: For the purposes of this form the term:

"**Financial Advisor**" will refer to the individual

The term "**Adviser**" will refer to the Investment Firm.

The term "**Dunham Holdings**" will refer to Dunham & Associates Holdings, Inc.

The term "**DAIC**" will refer to Dunham & Associates Investment Counsel, Inc. (B/D, RIA)

The term "**DTC**" will refer to the Dunham Trust Company.

The term "**Dunham Funds**" will refer to our family of Public Mutual Funds.

The term "**Mortgage Funds**" will refer to our previously available series of limited partnerships.

The term "**AAP**" shall refer to the Dunham Asset Allocation (WRAP) Program.

The term "**SMA**" shall refer to the Dunham Investment Management Account (Separately Managed Account).

The term "**General Partner**" will refer to the General Partner of the Mortgage Fund Limited Partnerships.



**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:

**Dunham & Associates Investment Counsel, Inc.**

SEC File Number:

**801-25803**

Date:

**07/30/2010**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

**Dunham & Associates Investment Counsel, Inc.**

IRS Empl. Ident. No.:

**33-0118651**

**Item 1C(6) AND 1D**

**Advisory Services and Fees**

***ADVISORY SERVICES***

**DAIC's** advisory services are generally provided to the following client types:

- Participants within the Dunham Asset Allocation Program (**AAP**); and
- Participants in the Investment Management Program ("**SMA**")
- Affiliated investment partnerships; **Mortgage Funds**
- A registered investment company; **DAIC – Dunham Funds**

In addition, **DAIC** serves as Adviser to the **Dunham Funds** and **DAIC** provides investment advice to clients based on each client's individual needs. **DAIC** is generally guided by each client's written statement describing his/her investment profile/objectives. A client may request **DAIC's** assistance in the preparation of his/her investment profile.

**DAIC** is primarily a manager of managers. **DAIC** recommends and monitors Sub-Advisers ("Sub-Advisers") for the **Dunham Funds**. **DAIC** does not have direct trading discretion over these funds for which it advises. Each Sub-Adviser for the **Dunham Funds** (subject to the approval of the Board of Trustees) is given investment discretion based on a stated objective for each respective fund as discussed in the Prospectus.

**Services to Affiliated Investment Partnerships**

**DAIC** provides advisory services to three proprietary limited partnerships, managed by an affiliate Asset Managers, Inc. (Asset Managers).

The following is a list of these **Mortgage Funds** as managed by Asset Managers.

D&A Daily Mortgage Fund III, L.P.

D&A Semi-Annual Mortgage Fund III, L.P.

D&A Intermediate-Term Mortgage Fund III, L.P.

**Effective April 2009, the Mortgage Funds are no longer being offered. In April 2009, each of the Mortgage Funds filed a Certificate of Dissolution with the California Secretary of State to affect the dissolution of the Funds pursuant to the affirmative consent of a majority of the limited partners of each Fund. The Funds are conducting an orderly liquidation of the Funds assets over a period of several years and are making return of capital distributions to all limited partners as cash becomes available.**

**Services to Affiliated Trust Company**

**DAIC** has entered into an agreement with its affiliate, **DTC** to provide investment advisory services for clients for which **DTC** serves as Trustee. **DTC** may receive advisory services directly from **DAIC** as do clients. As Adviser, **DAIC** services to **DTC** also include a number of strategic asset allocations ("Strategic Allocations"), which parallel modern portfolio theory for risk and return characteristics (such as 100% fixed income as compared to 100% equity allocations). Clients using the **SMA** program receive investment advisory services from **DAIC** by Registered Investment Advisor representatives ("IARs") of **DAIC** who are employees of **DTC**. The **SMA** Advisory Agreement is with **DAIC**. **DAIC** has a Professional Services Agreement with **DTC** to compensate **DTC** for their employees' assistance with providing advisory services to clients.

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:

**Dunham & Associates Investment Counsel, Inc.**

SEC File Number:

**801-25803**

Date:

**07/30/2010**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

**Dunham & Associates Investment Counsel, Inc.**

IRS Empl. Ident. No.:

**33-0118651**

**Services with respect to Registered Investment Company**

DAIC serves as Investment Adviser and distributor for the Dunham Funds. As Adviser for the Dunham Funds, it is responsible for constructing and monitoring the investment objectives and principal investment strategies for each Dunham Fund. DAIC believes that it is possible to enhance shareholder value by using Sub-Advisers to manage the assets of the Funds. As such, DAIC and the Dunham Funds have entered into sub-advisory agreements with third party Investment Advisers to be responsible for the actual security selection to achieve the Dunham Funds' investment objective. DAIC performs extensive due diligence in order to select, monitor and replace, as necessary, the Sub-Advisers (subject to approval by the shareholders and/or Board of Trustees of the Funds).

DAIC, through its IARs, serves as a Sub-Adviser for a portion of the Ascentia Alternative Strategies Mutual Fund, as allocated by Ascentia Capital.

**Services with Respect to the Dunham Asset Allocation Program**

DAIC's AAP, is an asset allocation and advisory wrap program using a series of proprietary mutual funds (e.g., the Dunham Funds, Class "N" shares) and other funds chosen at the sole discretion of DAIC, the Program's sponsor (collectively, "Eligible Funds").

The Program is also made available to third party or unaffiliated Financial Advisors, who are registered under the Investment Advisers Act of 1940 (the "1940 Act") or are exempt from registration and qualified to conduct an advisory business in the state in which the client resides, for their clients through a Master Asset Allocation Agreement. Any combination of the Eligible Funds, representing different asset classes, may be utilized to diversify client portfolios based on long-term investment objectives. In addition, Core Fixed Income Allocations and Core Equity Allocations may be used to create a blend of fixed income and equity funds. A portion of the Core Fixed income allocation may be in equities. Client agreements either give the Selling Financial Advisor discretion to choose the allocations or the client retains the authority. As Program sponsor, DAIC monitors and adjusts the Core allocations generally quarterly as deemed necessary to reflect market conditions, performance and other factors.

DAIC provides tailored investment advisory proposals and periodic performance reports to the Financial Advisors for their clients in addition to no-less-than quarterly custodian statements and daily online account viewing. DAIC hosts periodic Investor Symposia where Financial Advisors and their clients are invited to "meet the Advisers" (the Dunham Funds Sub-Advisers) managing their funds. Financial Advisors may choose between a Performance-Based Advisory Fee for "Qualified Clients" (as defined in the 1940 Act) and a flat, AUM-Based Advisory Fee.

The Class N shares of the Dunham Funds do not include upfront or deferred sales charges or other fees to cover promotion, distribution and marketing expenses pursuant to SEC Rule 12b-1. Other costs e.g., (internal fee expenses) generally associated with mutual funds apply. None of the Eligible Funds are "load" funds. Accounts participating in AAP may hold only the Eligible Funds. Assets are held in a custodial account maintained by DTC, an affiliate of DAIC.

Initial minimum investment is generally \$50,000 for Qualified Accounts and \$100,000 for Non-Qualified accounts. These minimums may be waived at the discretion of the Program Sponsor.

**Services with Respect to Investment Management Accounts**

DAIC also serves as Investment Adviser for customized asset management through the SMA Accounts. These SMA Accounts may utilize the principles of asset allocation considering the

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Dunham &amp; Associates Investment Counsel, Inc.</b>	SEC File Number: <b>801-25803</b>	Date: <b>07/30/2010</b>
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Dunham &amp; Associates Investment Counsel, Inc.</b>		IRS Empl. Ident. No.: <b>33-0118651</b>
	<p>client's investment objectives and risk profile. Additionally, <b>DAIC</b> IARs may recommend various packaged investment solutions or products (mutual funds, 401(k) plan choices etc.) and/or managers for client's consideration on a non-discretionary basis.</p> <p>In opening a <b>SMA</b> Account, the IAR will obtain the necessary information from the client to determine suitability for asset management and assist the client in setting the appropriate investment objective.</p> <p><b>DAIC</b> does not custody these assets; rather assets are custodied at a non-affiliated broker-dealer or financial institution. Assets also may be custodied by its affiliate, <b>DTC</b>. The details of the account relationship are set forth in the client agreement.</p> <p>Clients will receive, at least quarterly, statements from the client selected, non-affiliated broker-dealer or financial institution custodian or <b>DTC</b>, as applicable. Clients may receive, upon request, an on-line monthly Investor Scorecard Report which shows performance and may also view their accounts online via the firm's web site.</p> <p><b>Services with Respect to Plan Sponsors</b></p> <p><b>DAIC</b> offers quarterly asset allocation models to Sponsors of employee benefits plans that may be distributed by the Sponsor to Plan Participants. The Plan Sponsor may choose to distribute in hard copy and/or via the Plan's Third Party Administrator ("TPA") website. The allocations are generic in nature and do not represent recommendations or individual investment advice to any Plan Participant.</p> <p><b>DAIC</b> may also provide the Plan Sponsor, if requested, a risk tolerance questionnaire ("RTQ") for use by Plan Participants. The RTQ consists of several questions that query the Plan Participant with respect to such topics as individual investment needs and objectives, time horizon until retirement, financial status and risk tolerance profile. The RTQ may be provided in written form and/or via the TPA's website. <b>DAIC</b> does not represent and does not conduct personal interviews with, nor review information from Plan Participants and the providing of the RTQ does not constitute recommendations or individual investment advice.</p> <p><b>DAIC</b> is compensated as the Investment Adviser to one or more of the <b>Dunham Funds</b>, with fees borne by all shareholders in the Funds, including Plan Participants. As the distributor of the Funds, <b>DAIC</b> receives a shareholder servicing fee from the C share class of the <b>Dunham Funds</b> and may receive further compensation in connection with the sale of Class C shares of the <b>Dunham Funds</b>. <b>DAIC</b> may re-allow a certain portion of this compensation to introducing FINRA broker/dealers with whom it has selling agreements and identified to <b>DAIC</b> by the Plan Sponsor or to other third-party administrators or servicing agents at its discretion, in accordance with the <b>Dunham Fund</b> prospectus.</p> <p><b>Additional Services to the Mortgage Funds, Dunham Trust, Participants in the Asset Allocation Program and the Dunham Funds</b></p> <p>As described above, the only clients of these services are the <b>Mortgage Funds</b>, <b>DTC</b>, participants within the <b>AAP</b> and the <b>Dunham Funds</b>. Clients of <b>DAIC</b> may receive, indirectly, the services from Dunham through the following:</p>	

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The additional services provided by Dunham include:

**1. Reports**

**DAIC** periodically provides **Mortgage Fund** updates to existing clients in the **Mortgage Funds**. This information is available to the investors/participants, and webinars may be utilized. **DAIC** also provides tailored investment advisory proposals and periodic performance reports in addition to monthly or quarterly custodian statements and online account viewing, for the clients of **Financial Advisors** who participate in the **AAP**.

**2. Investor Symposiums**

As previously stated, **DAIC** sponsors investor symposiums that feature certain of the various Sub-Advisers of the **Dunham Funds** and provides an opportunity to ask questions with discussions on investment topics such as: the outlook of the U.S. and global economies; market volatility and interest rates, among others. The investment information provided under this service does not purport to meet the objectives or needs of each client participant.

**3. General Information**

**DAIC**, in its capacity as a Broker/Dealer, acts as the distributor for the **Mortgage Funds** and the **Dunham Funds**. Additionally, **DAIC** may refer clients to **DTC** for various trust services.

Effective April 2009, the Mortgage Funds are no longer being offered.

See also Items 7 A-C, 8C, 9 B and D, and 12 A and B of this Schedule F.

***FEES***

**Mortgage Funds and DTC**

Each **Mortgage Fund** incurs administrative and loan servicing fees to the **General Partner**, in addition to brokerage commissions; legal and accounting fees, printing and mailing expenses and other operating expenses. All such operating expenses are paid by the respective **Mortgage Fund**. Investors should understand that in the case of administrative and loan servicing fees, the **General Partner** is arranging the fee structure and, consequently, the fees are not determined in arms-length negotiations. The **General Partner** believes, however, that fees are reasonable in light of the services provided to the **Mortgage Funds**.

These fees are subject to periodic review and change and are outlined as follows:

**Administrative Fee:**

Each **Mortgage Fund** pays a monthly Administrative Fee to the **General Partner** ranging from .45% to .48% on an annualized basis, of the Net Asset Value (NAV) at the end of the month.

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Loan Servicing Fee:

Each **Mortgage Fund** pays a monthly Loan Servicing Fee to the **General Partner** of 2.0% on an annualized basis on the outstanding principal balance at the end of each month.

Loan Brokerage fee

Each **Mortgage Fund** may pay to the **General Partner** one-half of any loan origination fee collected from the borrower as a loan brokerage fee.

<sup>1</sup> Generally, the only loans currently being made are to facilitate the sale of Real Estate Owned, for which no loan origination fees are charged by any related parties.

**DAIC** has one remaining solicitor agreement related to the referral of clients to the Mortgage Funds. This fee is .30% annually of the accounts' balance (paid quarterly). No new solicitor agreements are contemplated at this time.

**DAIC** will not pay referral fees to third parties if the payment violates applicable Federal or State law or when prohibited by other regulation.

The **Dunham Funds**

As Investment Adviser for the Funds, **DAIC** receives an advisory fee that varies among the 12 funds included within the fund family. These fees are disclosed under "Fees and Expenses of the Funds" in the **Dunham Funds'** Prospectus. **DAIC** as distributor for the **Dunham Funds**, receives compensation as disclosed under "Distribution of Fund Shares--Plan of Distribution" within the **Dunham Funds'** Prospectus.

The Dunham Asset Allocation Program (**AAP**)

In connection with **AAP**, for a **Financial Advisor's** clients who qualify and elect to pay a Performance-Based Fee, **DAIC** and the **Financial Advisor** each receive one-half of any performance fees attributable to the client's account. The client is charged 10% of the total net increase in the market value of the account using "high-water" marks. The fee is calculated monthly and charged quarterly. As fees are calculated monthly and charged quarterly, in arrears, an account may incur a fee for a given month during the quarter even though the account value at quarter-end may be below the account value at the beginning of the quarter. **DAIC** provides detailed fee calculations on a quarterly basis. Clients should carefully review the fee calculation methodology described in the Program documents with their Financial Advisor. This option is available only to account owners who meet the qualifications in Advisers Act Rule 205-3 for "qualified client" by being a person having a net worth, together with assets held jointly with a spouse, of more than \$1.5 million at the time this type of account is opened or for whom, after opening this account, total assets under management with **DAIC** will exceed \$750,000.

For clients who elect to pay an asset-based fee, **DAIC** will receive a program fee equal to 0.25% on an annualized basis of the average daily net assets held in the client's account during the prior quarter. The asset-based fee shall be accrued daily and charged quarterly in arrears. The **Financial Advisor** for the client may also charge an additional fee of up to 2.0% and retains 100% of that amount. Fees shall be pro-rated and charged upon termination. **AAP** only includes **Dunham Funds** or certain non-proprietary funds which may be made available by **DAIC**.

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Employees, directors or members of their immediate families, may be able to invest in **AAP** at reduced fee rates, which may not be available to other investors. This policy applies to all employees or directors or the members of their immediate families, or any of the affiliated **Dunham Holdings** entities.

**Investment Management Program (SMA)**

As Investment Adviser, **DAIC** receives an advisory fee that varies depending on the arrangement with the individual client. The amount of the fee is outlined in the client agreement executed by the client at the time the relationship is established.. Under certain circumstances, **DAIC** may recommend the use of a **Dunham Fund** in the client's portfolio and thereby change the compensation **DAIC** receives. **DAIC** reserves the right to reject any account and to terminate the relationship with any client upon written notice. Terminated client accounts may be asked to pay a \$250.00 termination fee and will pay a prorated management fee based upon the number of days that the assets are held in the account for the month.

Client fees are billed quarterly in arrears at the end of the corresponding quarter based on the average daily Net Asset Value of the account. For assets with no readily available market values, a separate agreement between **DAIC** and the client may be negotiated. Accounts that are billed for fees may be billed quarterly or annually, in arrears.

Accounts opened and closed within a one year period may be charged up to a total fee of 2% of the market value of the portfolio assets to cover costs of opening and closing the account in addition to administrative services provided during the term of the relationship.

Fees are based upon relationship pricing. The total asset value of all account assets in a family of accounts will be combined for determining the fees to be charged for that family relationship.

**DTC** receives custody and portfolio accounting services fees for clients electing such services. **DAIC** receives the fees charged for investment management and/or investment consulting. Total fees, as a percent of client's assets, are the sum of the **DTC** and **DAIC** fees as applicable.

The minimum annual fee per relationship is \$3,000 unless a lower minimum fee is approved by the management of **DTC**.

Fees will generally be calculated monthly and collected quarterly in arrears. Values will be determined in good faith by **DTC**, using an outside pricing service, in accordance with customary methods, on the last business day of each month.

**DAIC**, in turn, compensates **DTC** for its assistance in managing investments under a Professional Services Agreement.

**Item 2G**

As disclosed above, **DAIC** provides advice to three limited partnerships, the **Mortgage Funds**, which are managed by an affiliate, Asset Managers, Inc. as the **General Partner**. **DAIC** also provides investment advisory services to its affiliate, **DTC**.

**Item 3K(3)**

As disclosed above, **DAIC** provides advice to three limited partnerships, the **Mortgage Funds**, which are managed by an affiliate, Asset Managers, Inc., as the **General Partner**. These partnerships invest primarily in loans secured by first and second trust deeds primarily on

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	properties in Southern California.	
<b>Item 3L</b>	<p><b>DAIC</b>, as an Investment Adviser, is primarily a manager-of-managers. <b>DAIC's</b> primary service is the initial selection and ongoing monitoring of independent, third party money managers hired as Sub-Advisers for the <b>Dunham Funds</b>.</p> <p><b>DAIC</b> provides advice to three limited Partnerships, the <b>Mortgage Funds</b>, which are managed by an affiliate, Asset Managers, Inc. as the <b>General Partner</b>. Asset Managers, Inc., through its employees, has the responsibility for underwriting, approving, servicing, and otherwise managing all aspects of the <b>Mortgage Funds</b> and their investments.</p>	
<b>Item 4.A. (5)</b>	<p><b>DAIC's</b> method of security analysis depends on the type of security involved. With respect to corporate securities, <b>DAIC</b> generally performs a fundamental analysis relying upon information which is contained in various corporate financial reports and SEC filings of the corporation, and information supplied by investment bankers and dealers. In addition, <b>DAIC</b> subscribes to the <b>Applied Finance Group's</b> "Securities Analysis System" which uses a cash flow approach to security valuation. <b>DAIC</b> uses "Style Advisor" to assist in conducting its manager search and review services. With respect to municipal securities, <b>DAIC</b> relies upon information contained in prospectuses, upon information from various municipal securities rating services, and information provided by broker/dealers.</p>	
<b>Item 4. B. (1,3,7,8)</b>	In addition, registered persons of <b>DAIC</b> may use several research software packages such as Zephyr, Bloomberg, Morningstar, and Sungard.	
<b>Item 5</b>	<p><b>DAIC</b> requires that any associated individual who provides investment advice to a client have the following minimum qualifications: A Bachelor's degree in a business related area, and/or the appropriate experience or background necessary to meet <b>DAIC's</b> client expectations. In addition, the individual will need to take and pass the necessary qualifying examinations, which may include FINRA Series 6 or 7, and 65 or 66 examinations.</p>	



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**Item 6**

The Investment Committee consists of Jeffrey Dunham President and CEO, Ryan Dykmans **DAIC** Senior Analyst, David Holmes **DTC** Chief Investment Officer, and Derek Bruno **DTC** Senior Analyst and Portfolio Manager.

JEFFREY A. DUNHAM, born 1961; San Diego State University, BA; Shareholder, Chairman, CEO, and President of Dunham **Holdings**, Inc. from 1999 to present; Chairman, CEO and President of **DAIC** from 1985 to present; Chairman, CEO, and President of Asset Managers, Inc. from 1985 to present; Chairman, CEO, and President of and Director of Dunham & Associates Securities, Inc. from 1986 to present; Shareholder, Chairman and CEO of **DTC** from 1999 to present; Trustee, Chairman, President and Principal Executive Officer of the **Dunham Funds** from 2008 to present.

The following individuals manage the **SMA** accounts, are registered with Dunham as IAR's, may spend significant time on Dunham Trust business, and are employees of Dunham Trust:

DAVID HOLMES, born 1955; Brigham Young University, BS, Accounting, MBA; Chief Investment Officer of **DTC** from 2009 to present; President/CIO/Portfolio Manager of Adagio Trust Company from 2000 to 2009; President/ CIO/Portfolio Manager of Adagio Capital Management, LLC from 2003 to 2009.

RYAN J. DYKMANS, born 1982; University of Redlands, BS – Accounting; Senior Investment Analyst of **DAIC** from 2004 to present.

DEREK BRUNO, is a Penn State graduate with a BA in Political Science and holds FINRA Series 4, 6, 7, 24, 63, 65 registrations.

The principal executive officers of **DAIC** include the following individuals:

Jeffrey A. Dunham, President and CEO; Denise S. Iverson, Chief Financial Officer; Salvatore M. Capizzi, Chief Sales & Marketing Officer; and Tamara B. Wendoll, Chief Operating Officer.

DENISE S. IVERSON, born 1959; CPA; San Diego State University, BS; CFO of **DAIC**, from 1999 to present; CFO of Dunham & Associates Securities, Inc. from 1999 to present; CFO of Asset Managers, Inc. from 1999 to present; Shareholder and CFO of **Dunham Holdings**, Inc. from 1999 to present; Shareholder, Director and CFO of **DTC** from 1999 to present; Treasurer and Principal Financial Officer for the **Dunham Funds** from 2008 to present; CFO and Executive Vice President of First National Bank (ending position) from 1987 to 1999 (served in various capacities).

TAMARA B. WENDOLL, born 1971; University of California San Diego, BA; The Wharton School at University of Pennsylvania, MBA; Chief Operating Officer of **DAIC**, from 2008 until present; Asst. Secretary of the **Dunham Funds** from 2008 to present; Senior Executive Vice President, Marketing and Operations of Kelmoore Investment Company from 1999-2008; Secretary of Kelmoore Strategic Trust from 1999-2008.

SALVATORE M. CAPIZZI, born 1957; Baruch College (CUNY), BA; Chief Sales & Marketing Officer of **DAIC**, from 2008 to present; CEO/Global Wealth Management for Thomas Lloyd Group from 2006-2008; served in executive capacities with New York Life Investment Management, Black Rock Funds, Chase Manhattan Bank, and Shearson Lehman Brothers from 1987 to 2008.



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**Item 7 A-C**

As disclosed under Item 1, D. **DAIC** is both a securities Broker/Dealer and Investment Adviser. As disclosed under Item 6, principal executive officers (and other employees or registered personnel) may also be officers, directors or employees of other affiliated companies.

A large part of **DAIC's** business is as a securities Broker/Dealer, specifically; serving as distributor for its affiliate's **Mortgage Funds** limited partnerships and for the **Dunham Funds**.

Some of the individuals associated with **DAIC** are licensed as registered FINRA representatives and state securities agents (where required) of **DAIC**. These registrations allow such individuals to place securities transactions for clients for commission compensation (including placement and other fees) for the purchase or sale of a security, including investments in the affiliated Partnerships and in shares of the **Dunham Funds**. These individuals are also licensed (as required) as Investment Advisor Representatives under applicable laws to offer advisory services to **DAIC** clients.

**Items 8C (2,11, 12)  
And 8D**

**DAIC** is the distributor for, and Adviser to, the **Dunham Funds**. **DAIC** receives compensation in the form of 12b-1 fees and investment advisory fees from the Funds.

Asset Managers, Inc., an affiliate of **DAIC**, serves as the **General Partner** for three limited partnerships (the **Mortgage Funds**). **DAIC** also provides investment advice to these partnerships. (See also Item 1.D. and 7.A.-C. disclosures.)

In addition to serving as **General Partner**, Asset Managers, Inc. is a licensed corporate real estate broker with the California Department of Real Estate. Each of the **Mortgage Funds** holds a California Finance Lenders license for the purpose of underwriting, funding, buying and selling trust deeds.

**Items 9B, D AND E**

**Conflicts of Interest:**

The **Mortgage Funds**, their **General Partner**; Asset Managers, Inc., **Dunham Holdings**, and **DTC**, which also have an affiliation with the **Dunham Funds**, are under the common control of Jeffrey A. Dunham, principal shareholder/owner of **Dunham Holdings**. Various agreements between these entities have been developed and the terms of these agreements negotiated on what is believed to be a fair and equitable basis, however, it should not be assumed that these contracts are or were determined through arm's length negotiations. **DAIC** is the Investment Adviser and distributor for the **Dunham Funds** and was instrumental in forming and registering the **Dunham Funds**.

The **General Partner** and **DAIC**, as they share some of the same staff, devote only so much of their time to the business of each account. Accordingly, **DAIC** has a conflict of interest in the amount of time that the President and other employees may dedicate to each client account (whether affiliated or not). In addition, **DAIC** and **DTC** have entered into a Trust Administration and Professional Services Agreement for administrative, support and investment advisory services. Some employees of **DTC** may act in an Investment Adviser capacity on behalf of **DAIC** (in connection with the **SMA** Program). In addition, **DAIC** serves as Investment Adviser and distributor of the **Dunham Funds**. Various affiliates of **DAIC** may share staff and resources.

**DAIC** is also the sponsor of **AAP**, for which it shares in a Program Sponsor or advisory fee. Clients who participate in **AAP** are required to establish custodial accounts with **DTC**, an affiliate who may receive fees for custodial services **DAIC**, due to its other business activities as a securities

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Broker/Dealer, will also dedicate resources, including management time, to this non-advisory activity.

AAP utilizes the various Dunham Funds, which have different levels of advisory fees that DAIC also receives for serving as Adviser to the Dunham Funds. The quarterly re-allocation of funds within the strategic allocations may or may not result in a higher percentage of client assets being allocated to Dunham Funds that pay a higher fee. Further, Jeffrey Dunham, as a Financial Advisor, may advise a client to utilize AAP, thereby receiving fees for managing the client's account as well as the fees received from the Dunham Funds.

SMA Accounts - Individuals who are Registered Investment Adviser reps (IARs and Portfolio Managers) with DAIC may be officers of DTC. The Portfolio Managers may utilize the Dunham Funds as an investment vehicle, resulting in a conflict of interest.

DAIC may, at its discretion, enter into an agreement with a broker/dealer who it has a selling agreement with and distribute a portion of DAIC's fee to that selling Broker/Dealer.

Dunham Holdings has periodically borrowed funds in private transactions from certain individuals who may also be clients of DAIC. In negotiating these arms-length transactions, there may be certain inherent conflicts of interest. These notes are promissory notes issued by Dunham Holdings which is the parent company of DAIC. Jeffrey Dunham is, in turn, an officer, Director, and Principal shareholder of Dunham Holdings. As previously discussed, DAIC is both a broker/dealer and Investment Adviser. As a Broker/Dealer, DAIC and certain of its associated persons who are representatives are registered to purchase or sell securities for commission compensation.

DAIC, in its capacity as a Broker/Dealer and certain associated persons in their capacity as registered representatives may recommend to potential investors and clients, that they invest in DAIC's affiliated Partnerships or purchase shares of the Dunham Funds. They may also refer clients to DTC for trust services. The Confidential Private Placement Offering Memorandum is provided to every potential investor in the Mortgage Funds (the Mortgage Funds are no longer being offered as of April 2009). The Dunham Funds' Prospectus is provided to Financial Advisors and their clients wishing to participate in AAP prior to making the decision to invest. The Confidential Private Placement Offering Memorandum and the Dunham Funds' Prospectus contain a thorough description of the conflicts of interest between DAIC, affiliated entities and related persons.

Jeffrey Dunham, as well as other employees, invest in the Mortgage Funds and in shares of the Dunham Funds which DAIC recommends and/or refer its clients.

Due to the conflicts of interests inherent in the securities industry, DAIC has adopted compliance policies and procedures designed to meet its regulatory requirements with FINRA as a securities broker/dealer and with the SEC as a Registered Investment Adviser.

In compliance with Section 204A under the Investment Advisers Act of 1940 (and similar Broker/Dealer requirements), DAIC has adopted a written policy on the detection and prevention of the misuse of material, non-public information (insider trading procedures).

In addition to and in support of this policy and in compliance with the books and recordkeeping requirements under the Advisers Act (and similar broker/dealer requirements), DAIC has adopted policies and procedures to monitor all reportable, personal trading by employees, members of their immediate household and other beneficial interest accounts.

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**DAIC's** policies, among other things, state in general that:

No employee or registered personnel of **DAIC** or its affiliates shall take action with regard to securities for themselves, **DAIC**, or any client account unless they are certain that the information in their possession is available to the investing public;

To help prevent conflicts of interest, as well as the appearance of conflicts of interest, employees and registered personnel of **DAIC**, must abide by the Code of Ethics (the "Code"). The Code imposes restrictions on the purchase or sale by access persons of securities for their own accounts and accounts in which he/she has a beneficial interest. Subject to the Code, certain employees of **DAIC** may recommend to clients the discretionary purchase or sale of securities in which **DAIC's** employees may have a beneficial interest. The Code includes preclearance of personal trades, blackout restrictions, and reporting requirements under Rule 17j-1 of the Investment Company Act. In addition, the Code limits employees' ability to invest in Initial Public Offerings and Private Placements by requiring the preapproval of the Chief Compliance Officer. In addition, all **DAIC** access persons must certify annually their acknowledgment of and adherence to the Code and **DAIC's** policy on insider trading.

The Chief Compliance Officer or a compliance designee shall periodically review the personal trading of **DAIC** employees and registered personnel to determine that compliance policies and procedures and the Code are being adhered to;

A person who violates **DAIC's** policies and procedures may be subject to **DAIC** imposed sanctions, including termination of employment with **DAIC** (or an affiliate).

New clients are sent a "welcome" letter which, among other things, includes an offer of the Code. Clients or prospective clients may request a copy of the Code in writing at any time or may visit our website ([www.dunham.com](http://www.dunham.com)) and download the Code.

**DAIC** must seek and rely upon a Broker/Dealer to get the best price execution on each security transaction executed. If a case should arise where **DAIC's** Principal/Employees can allocate trades to its clientele, **DAIC's** Clients will always get equal or better prices than **DAIC** Members/Employees.

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**Item 10**

The minimum investment for the **Mortgage Funds** is \$250,000 (\$250,000 per Partnership) worth of Partnership units. The General Partner may waive the minimum at its discretion. **Currently, the Mortgage Funds are closed to new investors as of April 2009.**

For complete and specific (additional) detail regarding the **Mortgage Funds**, please see the Confidential Private Placement Offering Memoranda available from DAIC at its address and phone number of record (**for clients that currently own units in the Mortgage Funds only.**).

The minimum initial investment in **AAP** is \$50,000 for Qualified Accounts and \$100,000 for Non-Qualified accounts although these requirements may be waived. The minimum initial investment in the SMA Program is \$1,000,000 although this requirement may be waived.

**Item 11 (A)**

**DAIC**'s advisory services are provided to the **Mortgage Fund** limited partnerships, the **Dunham Funds**, participants within **AAP** and clients desiring customized asset management through the **SMA**.

For affiliated partnerships, reviews are conducted in accordance with the stipulations outlined in the advisory and servicing agreements between **DAIC** and the **General Partner**. For the **Dunham Funds**, reviews are conducted in accordance with the Investment Advisory Agreement and for the participants within the **AAP** Program; reviews are conducted by **DAIC** in accordance with the respective Master Asset Allocation Agreements between **DAIC** as Program sponsor and the client's **Financial Advisor**. **DAIC**'s review services are typically limited to the Sub-Advisers recommended to manage the **Dunham Funds**. For the **SMA**, each investment account is reviewed at least annually and is conducted in accordance with the Investment Services agreement by the Portfolio Manager, CIO (**DTC**) and the Trust Officer (**DTC**). The types of securities, quality, maturities, market values, yields to maturities, and the overall balance are discussed. Reviews for clients receiving custom asset management are conducted in accordance with the client agreement. Sub-Adviser and manager performance is monitored on an ongoing basis by **DAIC**. On a quarterly basis, the Sub-Advisers' performance, alpha, beta and other statistical figures are analyzed, compared to relevant indices and the Sub-Advisers' peer group. Other factors measured include style drift, turnover, sector allocation and correlation with other asset classes. If a Sub-Adviser's performance is unsatisfactory or replacement is warranted by other circumstances, **DAIC** will recommend to the **Dunham Funds**' Board of Trustees, as the case may be, the replacement of the Sub-Adviser. This analysis is reviewed and monitored by the senior executives of **DAIC** or their designee. Described below is the nature and frequency of regular reports to clients on their accounts.

**Item 11(B)**

For affiliated partnerships, monthly or quarterly reports are issued in accordance with each account's requirements as outlined in the advisory and servicing agreements. For the participants within **AAP** quarterly performance reports and trade reports and monthly or quarterly account statements are provided. **DAIC** receives quarterly portfolio and market analyses from the Sub-Advisers, which assist in the review services described above. Any reports issued by **DAIC** are separate from, and in addition to, confirmations of securities transactions delivered to investors in the **Mortgage Funds** and the participants in **AAP** from the executing Registered Investment Adviser. Each **Mortgage Fund** shall distribute its audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days of the end of its fiscal year. **SMA** clients receive monthly or quarterly account statements prepared by the custodian.

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:

**Dunham & Associates Investment Counsel, Inc.**

SEC File Number:

**801-25803**

Date:

**07/30/2010**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

**Dunham & Associates Investment Counsel, Inc.**

IRS Empl. Ident. No.:

**33-0118651**

**DTC**, affiliate of **DAIC** and generally the custodian for each client account, provides an account statement at least quarterly or more frequently, if requested.

**Item 12 A (1) (2) (3) and  
(4).**

**Discretion as to Securities and Amount of Securities**

Asset Managers, Inc. has the responsibility for underwriting, funding, purchasing and selling mortgages for the partnerships it manages. In addition, **DAIC**, as Investment Adviser to the **Dunham Funds**, has the authority (subject to approval by the Board of Trustees of the **Dunham Funds**) to select, monitor and replace Sub-Advisers to each of the funds within the Trust. As Adviser to clients of **SMA**, the client agreement governs the ability of **DAIC** to exercise discretion in selecting the investment securities.

In connection with **AAP**, **DAIC** undertakes pursuant to the Master Asset Allocation Agreement with each participating Adviser to:

(1) Select, add, or delete in its sole discretion and from time to time, the mutual funds that shall serve as the investments under the Program; and

(2) Prepare, modify or terminate, from time to time the asset allocation strategies that **DAIC**, in its sole discretion, determines to make available under the Program.

**DAIC** may consider the following factors, among others, when placing a trade for a client with other broker/dealers:

- Quality of overall execution services provided by the broker/dealer
- Promptness of execution
- Liquidity of the market for the security in question
- Provision of dedicated telephone lines
- Creditworthiness, business reputation and reliability of the broker/dealer
- Research (if any) provided by the broker/dealer
- Ability and willingness to correct trade errors
- Ability to access various market centers, including the market where a security trades
- The Broker/Dealer's Facilities, including any software or hardware provided to the associated Advisor
- Any specialized expertise a broker/dealer may have in executing trades for a particular type of security
- Commission rates-Client referrals made by the Broker/Dealer to the Company
- Ability of a Broker/Dealer to use ECNs to gain liquidity, price improvement, lower commissions, and anonymity

**DAIC** receives no commissions or commission rebates from its selected Broker/Dealers. Clients trading with **DAIC** will have their trades executed by a Broker/Dealer, and will have custody of assets at **DTC**.

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:

**Dunham & Associates Investment Counsel, Inc.**

SEC File Number:

**801-25803**

Date:

**07/30/2010**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

**Dunham & Associates Investment Counsel, Inc.**

IRS Empl. Ident. No.:

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**Item 12 B**

Third-party money managers recommended by **DAIC** as Sub-Advisers for the **Dunham Funds**, may trade through any brokerage firm they choose - none are specifically suggested. As distributor of the **Dunham Funds**, **DAIC** receives fees for distribution and servicing of the **Dunham Funds** pursuant to a Distribution Plan and Agreement under Rule 12b-1 under the Investment Company Act of 1940. See the Funds' Prospectus under "Distribution of Fund Shares - Plan of Distribution" for specific fee disclosure.

**Item 13 A**

As a securities Broker/Dealer, reps of **DAIC** may, from time to time, receive 12b-1 distribution fees from investment companies in connection with the investment of client funds into investment company shares.

By Agreement, **DAIC** may also pay a portion of its **AAP** advisory compensation to non-affiliated Registered Investment Advisers as a reimbursement for product marketing and business development efforts. The Agreement provides for additional variable incentive compensation, from 5 to 25 bps annually, calculated at the advisor level, and based on the total dollar amount of client assets in **AAP** on the performance fee method. Clients pay no additional fees to **DAIC** or to **Financial Advisors** who participate in this program. Clients are charged separate fees as described in the product or program client agreements (negotiated between the client and the **Financial Advisor**).

**DAIC** also sponsors due diligence trips and conferences designed to enhance **Financial Advisor** understanding of the offerings. Certain costs associated with attendance at these meetings may be paid by **DAIC**. **DAIC** also supports industry conferences and sponsors educational events attended by the clients of Advisors as well as **Financial Advisors** themselves.

Compensation and services may be an incentive for **Financial Advisors** to direct clients to **DAIC** offerings. Clients should also review compensation disclosures provided by the **Financial Advisor**.

**Item 13 B**

**Referral Fees**

**DAIC**, on previous occasions, entered into written agreements with solicitors for the payment of referral fees for the introduction of a client to **DAIC** for advisory services. **DAIC** entered into such referral arrangements with individuals within the guidance of the SEC's Cash Solicitor Rule, under the Investment Advisers Act of 1940, but no longer offers these fees.

**DAIC**, as Broker/Dealer and distributor of the **Mortgage Funds**, also enters into agreements to pay securities broker-dealers that are registered as Investment Advisers, for the recommendation and/or referral of an investor in **DAIC's** affiliated Partnerships.

**DTC** enters into referral agreements with Broker/Dealers, Registered Investment Advisers, CPAs or other professionals for the referral of potential clients for trust services. In all cases there will be a written agreement between **DTC** and the other parties making the referral which shall stipulate the compensation payable, the activities permitted, among other specifics.

Please see the Item 1.D. disclosure.