

Item 1 – Cover Page of Brochure

SPECTRUM ADVISORS, INC.

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Date of Brochure: March 14, 2011

This Brochure provides information about the qualifications and business practices of Spectrum Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at 757-565-1840. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 14, 2011 is a new document prepared according to the SEC’s new requirements and rules and it replaces the old Part II of Form ADV. As such, this Document is materially different in structure and requires certain new information that Part II of SEC Form ADV did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis in the form of Part II of Form ADV. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Irwin J. Eisinger, President of Adviser, at 757-565-1840.

Additional information about Adviser is also available via the SEC’s web site www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

Adviser is a California corporation, all of the stock of which is owned by Irwin J. Eisinger, the Adviser's president. Adviser has been in business since April, 1994. It engages in no marketing activities and does not accept new clients.

Adviser provides professional management of accounts subject to limitations, if any, specified by each client in a written advisory agreement. There is no compensatory agreement between Adviser and any mutual fund, mutual fund group, securities dealer, bank, or financial planning organization and Adviser does not sell any products or receive any commission from any person or entity. Accordingly, Adviser is free to render unbiased management of accounts and to select mutual funds and other securities it deems most suitable for each client's account. Adviser's investments are currently limited to open-end mutual funds that can be purchased without a sales-load, U.S. Treasury notes, bonds, and bills, federal agency notes and bonds, investment-grade corporate notes and bonds, and Treasury Inflation Notes. The individual needs of each client are taken into consideration in selecting investments for each account. Portfolios are geared to each client's financial circumstances, investment objective, anticipated holding period and risk tolerance. Consideration is also given to whether a relatively small portion of the client's assets is being placed under management or whether Adviser is managing a substantial portion of the client's assets. When Adviser believes that market conditions and/or macroeconomic conditions warrant it, all or a portion of any account may be placed in one or more money market funds or in short-term government securities.

For most clients, Adviser manages accounts on a discretionary basis, subject only to limitations specified by the client in a written advisory agreement. For two clients, Adviser has agreed to consult with the client and obtain the client's approval before new mutual fund investments are placed in the client's account. Thereafter, Adviser has discretion to add to or reduce the investment as it deems advisable. In every instance, Adviser obtains a limited power of attorney from the client which allows Adviser to place buy and sell orders on behalf of the client with the client's custodian but does not allow it to remove or direct the removal of assets from a client's account. Adviser does not execute any transactions. Adviser does not act as custodian or take or have possession of any assets in a client's account. The funds and securities in a client's account must be custodied with a bank or securities firm selected by the client.

Adviser does not participate in any wrap fee program.

As of December 31, 2010, \$36,675,472 of assets were managed by Adviser on a discretionary basis and \$4,448,04 on a non-discretionary basis.

Item 5 – Fees and Compensation

Adviser's compensation is specified in a written advisory agreement and is based solely on a percentage of the market value of assets under management at the end of each quarter. Adviser receives no other fees or compensation of any kind. Adviser bills clients quarterly in advance based on the market value of the account at the end of each quarter. Fees are never deducted from client assets. Adviser's basic quarterly fee is 1% of the first \$1,000,000 under management, 0.75% of the next \$4,000,000 under management and 0.5% of assets under management in excess of \$5,000,000. While fees are not subject to negotiation, Adviser may lower the fee on its own volition and has often done so in the past. All clients are billed directly by Adviser. While certain clients may choose to direct their custodian to pay a particular invoice from their account, Adviser does not send invoices to any custodian and has no authority to direct any custodian to pay a fee.

Since all or a substantial portion of client accounts are invested in open-end mutual funds, it is important to note that clients are essentially paying two advisory fees - the aforementioned fee paid to Adviser and the management fee charged by each mutual fund management company. The mutual fund management fee is described in the prospectus of each fund. In addition, certain funds may charge a distribution fee (commonly known as a "Rule 12b-1 fee") of as much as 0.25% per annum. Adviser only purchases such funds when it believes the talents and skills of the portfolio manager outweigh the burden of the distribution fee. All but two of Adviser's clients have all or a portion of their assets custodied at Schwab Institutional where Adviser can usually eliminate the distribution fee by aggregating purchases in client accounts to meet the minimum dollar requirement (usually \$1,000,000) for the "institutional class" of shares that bear no distribution or 12b-1 fee. When Adviser gradually accumulates positions in a mutual fund that has a distribution fee and cannot initially qualify for the institutional class of shares it can usually convert the class of shares that has the distribution fee to the institutional class of shares when the required minimum can be met by aggregating positions in client accounts. This can be accomplished without any tax consequences. Several clients have an account custodied at a bank or at TD Ameritrade and another account custodied at Schwab Institutional. In such instances Adviser will purchase the mutual funds that have a distribution fee at Schwab Institutional where it can avoid the fee by aggregating and will purchase the mutual funds that do not have such a fee at the other custodian.

With respect to clients who utilize a bank as custodian for all or a portion of their assets, there is no commission or transaction fee charged to purchase mutual funds and Adviser endeavors to assure that the custodian bank obtains execution of other transactions, if any, at reasonable commissions. With respect to TD Ameritrade and Schwab Institutional, no commissions are charged to purchase mutual funds but with respect to

many mutual funds TD Ameritrade charges a transaction fee of \$25 per trade and Schwab Institutional charges a transaction fee of \$35 per trade. In addition, to guard against disruptive short-term trading, many mutual funds themselves charge a redemption fee of up to 2% of the purchase price if shares are sold within 30 to 365 days of purchase.

Most clients for whom Adviser purchases bonds or notes have their assets custodied at Schwab Institutional, where Adviser is able to purchase treasury bonds and notes (including treasury inflation notes) at auction electronically without any commission, federal agency notes with a mark-up of 20 cents per thousand with a minimum fee of \$10 and maximum of \$250, and corporate bonds and notes with a mark-up of \$1 per \$1,000 of principal amount. Banks charge very reasonable commissions for purchasing debt securities.

Adviser does not direct client transactions to any broker or custodian in return for products or research services. Adviser does its own research and does not use brokerage firm research or bank research. Adviser does not receive any type of compensation from Schwab Institutional, TD Ameritrade, any other securities firm, or any bank custodian. Neither Adviser or any person connected with Adviser accepts compensation of any kind for the sale of any mutual fund or any other security or product of any kind.

Schwab Institutional charges Adviser's clients nothing for its custodial services. Fees for custodial services of TD Ameritrade and various bank custodians are negotiated directly with the client or with the law firm that sponsors the retirement plan the client is participating in.

Investment advice is rendered pursuant to a written advisory agreement which may be terminated by either party giving 15 days written notice to the other party. If the advisory agreement is terminated prior to the end of the quarterly period, a pro-rata refund of the advisory fee is promptly returned to the client.

It should be noted that clients can purchase mutual funds utilized by Adviser directly from the mutual fund itself and can purchase mutual funds and other securities from brokerage firms as well as from other investment advisers.

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

Adviser does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Adviser manages money for:

- (1) individuals,
- (2) individual separate accounts in retirement plans,
- (3) IRA accounts,
- (4) testamentary trusts, and
- (5) inter vivos trusts.

Adviser does not accept new clients but will manage additional money for existing clients and will manage new accounts for existing clients without any required minimum. There is no minimum requirement for maintaining an existing account.

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

A. Methods of Analysis and Investment Strategies

Adviser's overall objective is to obtain long-term growth of capital with as little risk of loss as possible by investing principally in selected mutual funds that can be purchased without a sales load. Equity funds, balanced funds, eclectic funds, sector funds, and regional and single country funds may be utilized. However, Adviser has accommodated the wishes of certain clients to have a portion of their assets invested in treasury inflation notes, corporate bonds, federal agency bonds, treasury notes, and bond funds.

Adviser believes in a flexible approach to investment management. In customizing portfolios for individual clients, Adviser takes the following into consideration:

- (1) Whether the account is taxable or tax deferred.
- (2) Whether the client is still employed or is retired.
- (3) The client's age.
- (4) The client's risk tolerance.
- (5) The client's financial situation.
- (6) The client's investment objective.

(7) Whether a relatively small portion of the client's assets is placed under management or whether the Adviser is being asked to manage most or all of the client's assets.

Much of Adviser's time is spent in scrutinizing mutual fund portfolios to determine the amount of risk the fund manager is taking. Mr. Eisinger is constantly reading books and newspaper and magazine articles on the global economy in an effort to determine how economic events will affect global stock markets and mutual fund holdings. Geopolitical events are also closely followed. While Adviser does not believe in market timing per se or in the in and out trading of mutual funds, it will not hesitate to engage in substantial selling if it anticipates a stock market meltdown. In selecting mutual funds, Adviser is usually willing to sacrifice some upside potential for significant downside protection. It may also use certain sector or single country funds as insurance against catastrophic events

Adviser favors mutual fund managers who view common stocks as units of ownership in a business and who try to purchase them when their price appears reasonable or cheap in relation to the value of the total enterprise. While these managers generally rely on fundamental analysis to a great extent, increasingly they appear to be taking economic conditions and geopolitical events into consideration when such conditions and events are likely to impact the value of their portfolio holdings. Adviser does not invest with fund managers who engage in momentum investing.

For certain tax deferred accounts Adviser will purchase mutual funds that seek a growing stream of dividend income and that invest in quality stocks with a high current dividend yield.

Adviser believes that a fund manager has a greater chance of finding a bargain if he or she searches all over the globe and Adviser will not hesitate to invest with a manager who invests in foreign as well as domestic securities. Increasingly, domestic fund managers seem to be placing a portion of their assets in foreign securities.

In recent years, in an effort to protect against severe outcomes and economic downturns, Adviser has placed considerable emphasis on selected funds that can, within certain parameters, migrate between stocks and bonds, and, to a greater extent, on eclectic funds that can quickly move among a variety of asset classes to protect the downside. These eclectic funds, in addition to investing in domestic and foreign stocks, can also invest in (a) foreign and domestic fixed-income securities, (b) commodities such as gold bullion, silver, platinum and palladium, (c) notes, bills, and debentures that are investment grade (rated in one of the four highest categories by Moody's Investment Services, Inc. or Standard & Poor's), (d) bank debt obligations, (e) high yield debt securities "junk bonds", (f) convertible securities, (g) loan participations or structured notes that are below investment grade and/or are in default, (h) securities issued by supranational organizations and sovereign debt securities which are investment grade or below investment grade, (i)

exchange traded funds that invest in bonds, equity securities, or commodities or commodity related investments, (j) warrants, (k) real estate investment trusts, (l) publicly traded partnerships that invest in real estate or underlying businesses, and (m) derivatives.

Adviser may select a mutual fund with little or no track record when it has substantial confidence in the talent and integrity of the portfolio manager or managers and believes that its investment philosophy is consistent with the client's objectives.

It is important to note that when selecting a mutual fund, Adviser places great emphasis on the amount of money the fund manager has personally invested in the fund he or she manages. Adviser also favors fund managers who are not afraid to hold significant amounts of cash when circumstances warrant.

Adviser may dispose of a mutual fund or reduce its position in a mutual fund when: (a) after scrutinizing the portfolio it concludes that the fund manager is taking more risk than is acceptable to Adviser, (b) it finds a superior investment or an investment that gives the account better balance or downside protection, (c) its asset base, when combined with other assets the fund manager has under management, has increased to such a degree as to make it more difficult for it to achieve its objective with the same degree of success as in the past, (d) a change in the fund's portfolio manager makes the fund a less attractive investment, (e) its portfolio manager is perceived by Adviser to no longer have the passion for investing or degree of dedication required by Adviser, (f) the quality of the fund's investment research has deteriorated, (g) Adviser's original analysis was flawed, or (h) Adviser anticipates that certain economic or geopolitical events will cause a severe downturn in the stock market.

Fixed income investments are generally chosen with a view to maximizing total return and limiting the risk of losing capital. Fixed income investments are not chosen solely with a view to maximizing income. Although Adviser generally purchases individual U.S. Treasury Notes, Treasury Inflation Notes, Government Agency Notes, and investment grade Corporate Notes and Bonds for certain clients, it may also purchase, particularly during periods of very low interest rates, no-load mutual funds that invest in fixed income securities, including foreign securities, corporate notes and debentures (including high yield notes and debentures), as well as all types of bank debt, mortgage backed securities, and all types of U.S. government securities and government agency notes and bonds.

In selecting investments for clients, Adviser draws on Mr. Eisinger's broad contacts in the mutual fund industry and many years of experience in meeting with and questioning mutual fund managers and in engaging in intensive research regarding the talent and integrity of fund managers. Mutual fund prospectuses, shareholder reports, and Statements of Additional Information are constantly scrutinized. Adviser studies reports of portfolio holdings filed by mutual fund managers with the SEC and conducts limited

analysis of major portfolio holdings to attempt to determine the level of risk in the portfolio. Personal meetings with fund managers are held and shareholder meetings are attended. Adviser participates in conference calls and webcasts conducted by mutual fund managers and studies interviews with portfolio managers conducted by a variety of investment publications, including Outstanding Investor Digest and Value Investor Insight. Adviser constantly reads financial publications and newspapers from all over the world to keep up with geopolitical and economic events that can affect its holdings.

Investment performance data and other material information is obtained from SEC filings and from Morningstar. Morningstar is primarily used as a screen to study mutual funds Adviser is not familiar with. If Adviser becomes interested in any mutual fund it then conducts intensive research to determine if the fund could qualify for inclusion in a client's account. Very few mutual funds pass the initial screen and a very small percentage of the funds that do, qualify for purchase after intensive research. Performance data in down markets is taken into consideration by Adviser to a much greater extent than performance data in up markets. Considerable emphasis is placed on the fund manager's investment philosophy as well as the consistency of the manager's implementation of that philosophy. Investments are generally limited to managers who seek to purchase securities below intrinsic value thus allowing a margin of safety between the price paid and the intrinsic or private value of the security in question. Adviser spends a great deal of its time attempting to limit risk in each client's portfolio and is constantly evaluating the risk taken by each fund manager it invests with. It is constantly evaluating what can go wrong. Great emphasis is placed on the amount of personal money or percentage of liquid assets the portfolio manager has invested in the fund he or she manages. In all instances, consideration is given to the talent, integrity and passion for investing of the portfolio manager or managers and the incentives they have to do well and limit the downside. Adviser tends to refrain from investing in mutual funds primarily interested in garnering large amounts of assets for the purpose of increasing management fees.

Adviser does not engage in margin transactions, short sales or option purchase or writing strategies. However, certain mutual funds purchased for client accounts may engage in short sales and may utilize a variety of option strategies.

When managing taxable accounts, if Adviser believes a bear market is imminent, it often has to weigh the advantages of selling and locking in profits against the disadvantages of incurring capital gain taxes for the client. This is often a difficult decision that usually turns on Adviser's best judgment as to how severe and lengthy the downturn will be.

In larger accounts, Adviser may purchase a single country fund or a sector fund, primarily as insurance against adverse events such as a substantial spike in oil prices.

B. Risk Factors

Adviser works very hard to control risk as best it can. However, there are substantial risks inherent in how Adviser invests, many of which are beyond Adviser's control. It is important for clients to be aware that investing in securities involves the risk of substantial loss that clients should be prepared to bear. The following are some of the risks inherent in how Adviser invests your money.

(1) Adviser's experience indicates that when investing in mutual funds, the shorter the holding period, the greater the risk. This is because even the very finest mutual fund managers can experience two or three years of underperformance or poor performance. If you are forced to sell during this period you may not only lose money but may miss out on the likely following period of excellent performance. Accordingly, only money that can be locked up for 3 or 4 years and that is not needed for expenditures should be invested in the stock market.

(2) There is a distinct possibility that both inflation and interest rates will increase over the next several years. When this has occurred in the past the price-earnings ratios of many stocks have contracted and the stock market has experienced substantial declines. This could have a negative impact on the value of many of the mutual funds Adviser utilizes and this possibility should be taken into consideration by clients.

(3) It is likely that unemployment in the United States will remain unusually high for the next 4 or 5 years. This is likely to have a negative effect on consumption as well as on the stock market.

(4) To date, the federal government appears to be incapable of developing a coherent and long range alternative energy plan to make us less dependent on foreign oil. This not only negatively affects our balance of payments problem but makes us vulnerable to mideast turmoil and disruptions in the supply of oil that could easily have an adverse effect on corporate profits and client investments.

(5) The response of the Federal Reserve Board (the "Fed") to the financial crisis was unprecedented in its magnitude and scope. While the Fed has managed to avert a complete collapse of our banking system, it has increased its balance sheet tremendously. It has purchased trillions of dollars of treasury notes and bonds and has propped up bond prices higher than they would have been without all that intervention. While there may be even more quantitative easing in the short-run, at some point the Fed will cease all that treasury buying and quantitative easing and will start shrinking its balance sheet. How and when they will do that is uncertain. But because the Fed's actions have been so material in setting asset prices and interest rates, there is a great deal of uncertainty regarding the effect that changes in their policy will have on stock prices. Generally, the price-earnings ratios of

stocks tend to contract when interest rates are rising and this could have an adverse effect on the value of clients' portfolios.

(6) Huge federal deficits (much of it funded by foreign countries) could lead to substantial inflation and higher interest rates down the road. This could have a very adverse effect on the value of both stock and bond funds as well as treasury note and bonds, corporate bonds and government agency notes and bonds. Increased interest rates could offset the inflation protection element in treasury inflation notes and result in their decline in value.

(7) Several of our states are close to bankruptcy and have tremendous unfunded pension liabilities. This could lead to considerable financial turmoil that could have a very adverse effect on the stock and bond markets.

(8) We live in a very unsafe and unstable world where there is always the danger of an outbreak of hostilities. We don't know how or when the war in Afghanistan will end. Additional wars or turmoil could erupt in the middle east or on the Korean peninsula that could roil the stock and bond markets. There is always the risk of a terrorist attack on U.S. soil, the likelihood of which will increase when Iran obtains nuclear weapons. Any such attack could cause the stock market to plummet. Adviser is not smart enough to predict adverse geopolitical events and does not attempt to engage in trading around such events. Accordingly, there is substantial risk of a decline in client account values should adverse geopolitical events occur.

(9) Adviser envisions the possibility of a sideways stock market for several years with considerable volatility. Clients should be prepared to withstand significant volatility. In the opinion of Adviser the U.S Securities and Exchange Commission has contributed to volatility by permitting high frequency trading and allowing the proliferation of a tremendous number of exchange traded funds, many of which are leveraged.

(10) Despite strenuous efforts to select the most talented mutual fund managers, there is always a risk that Adviser will misjudge the talents of a particular manager or the quality of the management firm's research. There is always a risk that a particular Fund's investment strategy, the implementation of which is subject to a number of internal and external constraints, may not produce the results anticipated by Adviser.

(11) There is a risk that Adviser will fail to perceive changes in the domestic or global economy that will adversely affect the stock and bond markets generally or the particular investments Adviser has selected.

(12) Adviser generally selects mutual fund managers who adhere to the value investing philosophy of investing and who endeavor to select stocks priced below their intrinsic value. The value investing philosophy of investing could be out of sink with the stock

market for long periods of time and mutual funds selected by Adviser could underperform a benchmark or index for long periods of time. Value based investments are subject to the risk that the broad market may not recognize their intrinsic value for long periods of time.

(13) The trading prices of equity securities fluctuate in response to a variety of factors. These factors include events impacting a single issuer, as well as political, market and economic developments that affect specific market segments and the stock market as a whole. Each mutual fund's net asset value, like stock prices generally, will fluctuate within a wide range in response to these factors. As a result, investors in mutual funds can lose money over short or even long periods of time.

(14) Adviser makes no attempt to select mutual funds that will keep up with or outperform a benchmark or index in up markets. Greater emphasis is placed on selecting mutual funds that will hold up relatively well in down markets. The returns from the types of securities in which mutual funds selected by the Adviser may invest may underperform returns from the various general securities markets or different asset classes. This may cause a Fund selected by Adviser to underperform other investment vehicles that invest in different asset classes. Different types of securities (for example, large, mid, and small capitalization stocks or growth or value stocks) tend to go through cycles of performing better - or worse - than the general securities markets. In the past, these periods have lasted several years.

(15) Many of the Funds selected by Adviser invest partially or totally in foreign securities. Foreign securities can involve additional risks relating to political, economic or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments more volatile and potentially less liquid than U.S. investments.

(16) Several of the mutual funds used by Adviser may invest all or a portion of its assets in securities listed and traded in emerging markets. Such investments may be subject to additional risks associated with emerging market economies. Such risks may include: (i) greater market volatility; (ii) lower trading volume; (iii) greater social, political, and economic uncertainty; (iv) governmental controls on foreign investments and limitations on repatriation of invested capital; (v) the risk that companies may be held to lower disclosure, corporate governance, auditing and financial reporting standards than companies in more developed markets, and (vi) the risk that there may be less protection of property rights than in other countries. Emerging markets are generally less liquid and less efficient than developed securities markets. Certain emerging markets are also subject to the possibility of nationalization, expropriation or confiscatory taxation. To the extent a

fund invests in emerging markets, the value of its shares may be particularly sensitive to changes in the economies of such countries.

(17) Adviser utilizes mutual funds that invest a portion of their assets in gold bullion or other precious metals as well as precious metal related securities. The production and sale of precious metals by governments or central banks or other large holders can be affected by various economic, financial, social and political factors, which may be unpredictable and may have a significant impact on the price of gold and other precious metals. Other factors that may affect the prices of precious metals and securities related to them include changes in inflation, the outlook for inflation and changes in industrial and commercial demand for precious metals. Holding precious metals in book account involves credit risk of the party holding the precious metal.

(18) Adviser utilizes mutual funds that may use a portion of their assets to engage in short selling of stocks or Exchange Traded Funds. If the price of a stock or Exchange traded Fund sold short increases after the sale, the Fund will lose money because it will have to pay a higher price to repurchase the borrowed stock when it closes its short position. The loss of value on a short sale is theoretically unlimited. The Fund has to borrow the securities to enter into the short sale. If the lender demands the securities be returned, the mutual fund must deliver them promptly, either by borrowing from another lender or buying the securities. If this occurs at the same time other short sellers are trying to borrow or buy in the securities, a "short squeeze" could occur, causing the stock price to rise and making it more likely that the mutual fund will have to cover its short position at an unfavorable price.

(19) Several of the mutual funds utilized by Adviser invest all or a portion of their assets in the securities of small and mid-capitalization companies. The securities of small and mid-capitalization companies may be subject to more unpredictable price changes than securities of larger companies or the market as a whole.

(20) Numerous mutual funds utilized by Adviser invest partially or entirely in debt securities, including bonds, notes, bills, debentures, bank debt obligations, preferred stock, convertible securities, loan participations and assignments, structured notes, securities issued by supranational organizations, and sovereign debt securities. All debt securities are subject to credit risk. This is the risk that the issuer or guarantor of a fixed income security will be unable or unwilling to make timely payments of principal or interest. This risk is magnified for lower-rated debt securities, such as high yield securities. High yield securities are considered predominantly speculative with respect to the ability of the issuer to make timely payments of interest or principal. In addition, mutual funds that invest in fixed income securities issued in connection with corporate restructurings by highly leveraged

issuers or in fixed income securities that are in default may be subject to greater credit risk because of such investments.

All debt securities are also subject to interest rate risk. This is the risk that changes in interest rates will affect the value of the fixed income investments Adviser invests in directly or through mutual funds. In general, as interest rates rise, bond prices fall; and as interest rates fall, bond prices rise. Interest rate risk is generally greater for funds that invest a significant portion of their assets in high yield securities. However, funds that generally invest a significant portion of their assets in higher-rated fixed income securities are also subject to this risk - especially if they invest in intermediate term or long term fixed income securities.

High yield securities, also known as "junk bonds", are below investment grade quality and may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher-rated debt securities, and a mutual fund's ability to achieve its investment objectives may, to the extent it invests in lower-rated securities, be more dependent upon the manager's talent and skill with respect to credit analysis than would be the case if the mutual fund were investing in higher-rated securities. The issuers of these securities may be in default and/or in bankruptcy at the time of the mutual fund's investment.

The secondary markets in which lower-rated securities are traded may be less liquid than the markets for higher-rated securities. A lack of liquidity in the secondary trading markets could adversely affect the price at which a mutual fund could sell a particular high yield security when necessary to meet liquidity needs or in response to a particular economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the net asset value of a mutual fund's shares.

(21) Adviser invests in mutual funds that may invest in derivatives. These include forward contracts, options, futures contracts and options on futures, and swaps (including rate caps, floors and collars, total return swap contracts, currency swap contracts, and credit default swap contracts). Derivatives are subject to a number of risks, such as interest rate risk, market risk, credit risk and management risk. They also involve the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, or that the counterparty to a derivative contract might default on its obligations. A small investment in a derivative could have a relatively large positive or negative impact on the performance of a mutual fund, potentially resulting in losses to mutual fund shareholders. Other risks, such as liquidity risk, arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for a Fund's derivatives positions at any time.

(22) Certain mutual funds used by Adviser, may, to a limited extent, invest in commodities, in commodity-linked derivative securities, or in exchange traded funds that invest in commodities. Exposure to the commodities markets may subject a mutual fund to greater volatility than investments in traditional securities. The value of commodity-linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity.

(23) Several of the mutual funds used by Adviser are non-diversified. There is always the risk that the performance of these mutual funds will be hurt disproportionately by the performance of relatively few securities.

(24) For certain accounts, Adviser utilizes mutual funds that invest in one sector or industry, such as the petroleum industry. There is always the risk that the particular sector or industry chosen by Adviser will experience problems or adverse developments peculiar to that sector or industry.

(25) There is always the chance that foreign, global, or regional mutual funds Adviser invests in will invest in countries that will experience financial troubles, political upheaval or natural disasters. A recent example is the severe earthquake, tsunamis and nuclear power plant meltdowns experienced by Japan. Such conditions can have a negative effect on the stock market in the country involved that may last for many months or years. Of course, a similar risk exists with respect to single country funds. Clients should not expect Adviser or the mutual fund managers it utilizes to be able to anticipate and avoid such natural disasters. However, damage to a client's overall portfolio can be mitigated by diversification and the margin of safety utilized by the fund manager in selecting investments.

Item 9 – Disciplinary Information

Adviser has never been disciplined and has no information applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

None

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

Adviser has a Code of Ethics which it will be glad to provide to any client who requests it. The Code of Ethics specifies that Adviser has a duty of utmost good faith to act solely in the best interests of each of its clients and provides that the interests of clients will be placed ahead of the firm's or any employee's own investment interests. It provides for certain restrictions on personal trading by employees to assure that the interests of clients are not harmed in any way. Employees are prohibited from receiving any gift, gratuity, hospitality or other offering from any person or entity doing business with Adviser, including any mutual fund, bank custodian, or securities firm custodian such as Schwab Institutional. Irwin J. Eisinger is prohibited from engaging in any business activity outside of Adviser's business, other than the management of his personal investment accounts and those of his family members. Officers and employees of Adviser are required to keep it informed of their securities transactions and the President of Adviser controls all trading activity to insure that Adviser's policies are honored.

Adviser does not purchase or sell securities for its own account. However, affiliates of Adviser, including Irwin J. Eisinger, Diane L. Eisinger, and members of their immediate family may have positions in and/or may from time to time invest in mutual funds and other securities currently being either purchased or sold for clients. A decision to purchase or sell with respect to any such securities is always made without consideration as to holdings by affiliates of Adviser. Adviser believes it to be desirable and proper that officers of Adviser invest their own personal funds in the same securities they purchase for clients of Adviser. In the case of open-end mutual funds, the purchase price is related to the net asset value of the fund. Personal trading in open-end mutual funds has no effect on the fund's share price or availability. Purchases or sales by affiliates of Adviser of securities other than open-end mutual funds, on any trading day, will receive the lowest price on sales and the highest price on purchases relative to transactions in the same security for clients of Adviser. Since portfolios are geared to each client's financial circumstances, investment objective, anticipated holding period and risk tolerance, at any particular time certain mutual funds may be purchased for one client and not for another. Furthermore, it may be advisable to sell all or part of a mutual fund or other security holding in one client's account and not in another client's account. Adviser is constantly monitoring the degree of risk in each client's account. At any particular time, certain accounts may require more cash reserves than others.

Neither Adviser or any of its officers or employees engage in any securities transactions with clients. Adviser does not arrange any securities transactions between clients.

Item 12 – Brokerage Practices

Several clients have their accounts custodied at a bank and two clients are required by their law firm employer to have their accounts custodied at TD Ameritrade. The vast majority of clients have their accounts custodied at Schwab Institutional ("Schwab"). Adviser recommends that, whenever possible, clients utilize the custody and brokerage services of Schwab for two principal reasons.

(1) Adviser is able to purchase certain front-end load funds it believes are desirable through Schwab without any sales load, and;

(2) Through Schwab, Adviser is able to aggregate purchases in behalf of clients to come up with the minimum purchase amount required (usually \$1 million) to purchase the lower expense institutional class of shares of certain mutual funds and thus save clients money.

Clients who do not use the brokerage and custody services of Schwab may be charged slightly higher mutual fund management fees by certain funds because Adviser is unable to purchase the lower expense institutional class of shares for such clients. The difference in management fees is usually 0.25% per annum. Several of Adviser's clients who have an account custodied at an entity other than Schwab also have an account custodied at Schwab. In such instances Adviser is able to purchase the fund or funds that have the institutional class of shares at Schwab and funds with only one class of shares at the other entity. Adviser is also able to purchase the front-end load funds at Schwab without any sales load and the pure no-load funds at the other entity.

There are times when Adviser accumulates a position gradually in accounts it manages and does not initially buy in sufficient quantities to meet the required dollar minimum for the institutional class of shares. Accordingly, it may initially purchase the lowest expense shares it can without any sales load - usually class "A" shares. As soon as its composite position in the fund (arrived at by aggregating shares of the fund held in individual accounts) is large enough to meet the requisite minimum for the lower expense institutional class of shares, it arranges to exchange the class "A" shares in every individual account for the institutional class of shares in a tax-free transaction.

Adviser obtains a limited power of attorney from clients which allows it to trade in client accounts but does not allow it to withdraw any money or securities from client accounts, direct the transfer of any money or securities in client accounts or take possession of any client's money or securities.

For most clients, Adviser manages accounts on a discretionary basis, subject only to investment limitations in the written advisory agreement. For two clients, Adviser obtains

their consent prior to making the initial purchase of a mutual fund that is not already in the account.

Adviser places buy and sell orders with the custodian of the account. Orders placed with banks for mutual funds or debt securities are placed verbally or are faxed to a representative of the bank. Orders placed with Schwab Institutional and TD Ameritrade are placed electronically on the respective custodian's trading website. All orders are placed in the name of the client and the sole responsibility for safekeeping and executing securities transactions rests with the bank or securities firm selected by the client as custodian of the account.

Unless the client negotiates transaction fees, custodial fees, and brokerage commissions directly with the bank or securities firm he or she selects to act as custodian of the account, Adviser is authorized to negotiate transaction fees and brokerage commissions. If the client selects a bank as custodian, there should be no commission or transaction fee charged for purchasing no-load, open-end mutual funds and Adviser endeavors to assure that the custodian bank obtains execution of other securities transactions, if any, at reasonable commissions. Custodial fees are negotiated by the client. If the client selects Schwab or TD Ameritrade as custodian, there is no commission charged for purchasing or selling no-load, open-end mutual funds, but with respect to a majority of such funds there is a small transaction fee, currently \$35 per trade with respect to Schwab and \$25 per trade with respect to TD Ameritrade. Adviser has tried to negotiate a lower transaction fee with Schwab but has been unable to do so. In addition, many mutual funds themselves have instituted contingent redemption fees of up to 2% of the purchase price if shares are redeemed within certain periods of time varying from 30 days to 365 days of the date of purchase. Adviser endeavors to assure that all other securities transactions conducted with Schwab, if any, are executed at reasonable commissions. Commissions charged by TD Ameritrade are negotiated by the client or the law firm sponsoring the plan in which the client is participating.

At the present time, Schwab charges nothing for its custodial services. Charges, if any, for TD Ameritrade's custodial services are negotiated by the law firm of which two of Adviser's clients are members. Schwab's services generally are available to independent investment advisers at no charge to them so long as at least \$10 million of the adviser's client account assets are maintained at Schwab. Schwab's services include brokerage, custody, and access to mutual funds that are otherwise available only to institutional investors or would require a significantly higher minimum investment or a sales load. Schwab also makes available to Adviser other products and services that could benefit Adviser but may not benefit its clients, such as research, software, assistance with back-office support and marketing support. Adviser does not now and never has utilized any of these services or products with the exception of Schwab's compliance newsletter it receives unsolicited in

the mail. Adviser also receives copies of trade confirmations that are sent to Adviser's clients. Copies of monthly reports sent to Adviser's clients are available to Adviser on the internet on Schwab's website as are the value of the positions in each client's account, updated at the close of each business day. Adviser does not direct client transactions to any broker in return for products or research services. Adviser does not receive any type of compensation from Schwab, TD Ameritrade, or any bank custodian.

Adviser has never solicited or received a referral from Schwab, any other brokerage firm, or any bank. Adviser would never accept such a referral. Adviser does not accept new clients. Acceptance of new clients would dilute the amount of time Adviser could spend on existing client accounts.

Adviser does its own research and does not utilize any research generated by a bank or brokerage firm.

Item 13 – Review of Accounts and Client Reports

A. Review of Accounts

Irwin Eisinger reviews each client account on at least a weekly basis. He is constantly monitoring, to the best of his ability, the portfolio holdings of each mutual fund in client accounts to determine the risk being taken by the mutual fund manager as well as the potential reward that can be garnered from the portfolio. He is also constantly investigating new mutual funds to determine if any are superior to the funds held in client accounts. Mr. Eisinger is constantly reading interviews with fund managers, participating in webinars and conference with fund managers, and personally meeting with fund managers - all with the objective of keeping downside risk to a minimum while participating in as much upside as possible. Changes in mutual fund portfolio holdings are constantly monitored with the help of SEC filings and services subscribed to by Adviser. Individual accounts are then reviewed for the purpose of assuring that the best fund managers are being brought to bear on each account - given the account's objective and size and the amount of risk suitable for the particular account. Mr. Eisinger is constantly gauging the state of the stock market and the economy to determine the level of cash reserves that should be maintained in each account. Certain funds may be suitable for all accounts while others may only suitable for larger accounts or accounts held by clients who are very economically secure. Accounts are constantly reviewed to assure that the mutual fund mix is appropriate for each individual client. Mr. Eisinger monitors the size of each fund and the amount of assets being managed by the fund manager or managers. If it reaches a level that hinders flexibility or limits the manager's choices to the very largest companies, Mr. Eisinger may decrease the position or eliminate the fund. When Mr. Eisinger's research turns up a new fund or a fund he

overlooked that he believes is very desirable, given the existing economic and stock market environment, he will review all accounts to determine if the new fund can be worked into the portfolio or if an existing position should be sold to make room for it. The object of every review is to make sure that the most talented managers suitable for each individual client are being utilized on each account and that given the status of the stock market and economy, a suitable amount of cash reserves are in the account. At certain times the cash reserves could be zero and at other times in excess of 50%.

B. Client Reports

All clients receive regular quarterly reports from Adviser containing the number of shares or principal amount of each security held, the total cost of each security held, the market value of each holding, the total value of the account, and the gain or loss on each sale transaction that occurred during the quarter. The independent custodian of each account also sends clients monthly reports and clients are urged to compare Adviser's reports with the reports of the independent custodian. Reports of the independent custodian will often differ from Adviser's reports in one respect. Adviser's mutual fund cost figures are actual out-of-pocket costs. Adviser does not add the value of reinvested capital gain and dividend distributions to its cost figures. Many of the independent custodians do. Adviser believes that while adding reinvested capital gain and dividend distributions to mutual fund cost figures may be appropriate for tax purposes, the actual out-of-pocket cost figures gives clients a better picture of how well the account is doing.

Adviser's quarterly reports are usually accompanied by a lengthy letter setting forth Adviser's views of the stock market, the economy, observations on several of the holdings in each account, summaries of conferences with mutual fund managers as well as observations on many of the principal holdings in several of the client's mutual funds. Adviser often explains how it is attempting to limit risk as well as the philosophy and techniques of fund managers being utilized. Letters are accompanied with a large number of enclosures containing expert analysis of the stock market and economy as well as published interviews with and observations by key mutual fund managers. Every effort is made, through quarterly letters and enclosures, to convey to each client how his or her money is being invested, how Adviser is attempting to limit risk and the philosophy and current views of each mutual fund portfolio manager.

Item 14 – Client Referrals and Other Compensation

Adviser has never compensated any person or entity for client referrals. It has not accepted a new client since July of 2005 and has no intention of doing so.

Adviser's sole source of income is the quarterly fee paid to it by its clients. It has never received any form of compensation from any mutual fund, brokerage firm, bank, or any other person or entity. It has never sold any product and never will.

Item 15 – Custody

Adviser does not act as custodian or take or maintain possession of any of the assets in a client's account. All assets must be held by an independent broker-dealer firm or bank as custodian. Adviser does not have the power to direct the transfer of a client's assets to any person, firm or entity. Adviser does not have the power to debit or cause the debit of any client's account for advisory fees. Advisory fees are billed directly to the client.

With one exception, clients receive monthly statements from the broker- dealer or bank that holds and maintains client's investment assets. One client receives only quarterly statements from the independent custodian. Adviser urges clients to carefully review such statements and compare such official custodial records to the quarterly account statements that Adviser furnishes to clients.

Item 16 – Investment Discretion

Subject to limitations set forth in the written advisory agreement, such as an agreed allocation between equity investments and debt instruments, Adviser manages accounts on a discretionary basis for the vast majority of its clients. For two clients, Adviser obtains their consent prior to making the initial purchase of the mutual fund. In other words, Adviser seeks client approval of the mutual fund manager. After initial approval, all purchases and sales of that mutual fund are made on a discretionary basis.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Adviser does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their accounts.

Clients will receive their proxies or other solicitations directly from their custodian and can always contact Irwin J. Eisinger by telephone or e-mail with any questions about a particular solicitation.

Item 18 – Financial Information

Adviser does not solicit or require prepayment of fees six months or more in advance. Clients are billed not more than three months in advance.

There is no financial condition likely to impair Adviser's ability to meet contractual commitments to clients.

Neither Adviser or any of its personnel have ever been the subject of a bankruptcy petition.

Item 19 – Principal Executive Officers

Adviser has two principal officers, Irwin J. Eisinger and Diane L. Eisinger. It has no plans to employ additional personnel.

Irwin J. Eisinger -- Mr. Eisinger, born 1935, holds a B.A. degree from Harvard University and an LLB degree from the University of Colorado School of Law. From November, 1961 to May, 1964 Mr. Eisinger was employed as an attorney in the Division of Corporation Finance of the Securities and Exchange Commission in Washington, D.C. He practiced securities law with the law firm of Greenebaum Doll & McDonald in Louisville, Kentucky between May, 1964 and June, 1987, becoming a partner in 1968. From July, 1987 until January, 1992, Mr. Eisinger was a partner specializing in securities law with the firm of Hirn, Reed, Harper & Eisinger in Louisville, Kentucky. He has represented numerous public companies, prepared SEC Registration Statements for newly organized mutual funds and has counseled mutual fund managers regarding applicable securities laws. In addition, he invested in, studied, and analyzed mutual funds throughout his legal career. Mr. Eisinger was Chairman of the Securities Law Committee of the Kentucky Bar Association from 1988 to 1991. Mr. Eisinger is Adviser's President and Chief Compliance Officer and is in charge of investment research and makes buy and sell decisions for all client accounts. He spends 100% of his time on Adviser's business.

Diane L. Eisinger -- Diane L. Eisinger, born 1967, holds a B.A. degree from Brandeis University, a J.D. degree from the University of Arizona College of Law and an LLM in taxation from the University of San Diego School of Law. She is a member in good standing of the California Bar (inactive status), a certified financial planner, and a certified anti-

money laundering specialist. She served as an officer of Adviser from January, 1997 to May, 2001, when she resigned to accept a position with the NASD. From June, 2001 to March, 2004 she served as a regulatory analyst in the Market Regulation Department of NASD Regulation, Inc. in Rockville, Maryland. From August, 2005 until November, 2006 Ms. Eisinger was employed as a financial planner with Wachovia Bank in Boca Raton, Florida. Ms. Eisinger has been Vice President, Secretary, Treasurer, and a director of Adviser since April, 2004. She is currently spending approximately 40% of her time on Adviser's business, primarily engaged in mutual fund research and compliance work, and is in charge of Adviser's computer operations.