

Item 1 – Cover Page

Kelley Investments

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www.KelleyInvestments.com

March 31, 2011

This Brochure provides information about the qualifications and business practices of Kelley Investments. If you have any questions about the contents of this Brochure, please contact Craig P. Kelley at 1-858-350-1010. 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.

Kelley Investments is a registered investment adviser. Additional information about Kelley Investments 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 you as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide you 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. 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 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 us at 1-858-350-1010 or craig@kelleyinvestments.com.

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Item 4 – Advisory Business

At Kelley Investments, we provide you with active and on-going Money Management for an asset-based charge. We offer you comprehensive Money Management solutions on either a discretionary or non-discretionary basis.

Discretionary Money Management: Our discretionary Money Management services offer you two Strategies to choose from: INCOME & GROWTH and GROWTH.

Our INCOME & GROWTH Strategy is managed in a conservative manner and seeks long-term Total Return from capital appreciation and income with limited volatility.

Our GROWTH Strategy is managed in an aggressive manner and seeks long-term Total Return from capital appreciation and income, but its volatility is likely to be much higher over time than that of our Income & Growth Strategy.

Non-Discretionary Money Management: We can also provide you with non-discretionary Money Management services where we will assist you in designing a custom portfolio of your own allocation and security selections based upon your investment objectives, risk tolerance and time horizon. We will then assist you with the implementation of an agreed upon investment strategy. You may also elect to direct the purchase and sale of securities on an un-solicited basis.

Custody of your accounts for both securities and funds will be maintained at a qualified designated custodian and clearing firm.

Craig Patrick Kelley is the principal owner of Kelley Investments, a Sole Proprietorship, and began his investment career in 1984 and has been a registered investment advisor since 1996. We are noticed filed in our home state of California. We may conduct business in other states by claiming an exemption from registration. As of 12-31-2010 we manage approximately \$61,500,000 on a discretionary basis, and approximately \$12,750,000 on a non-discretionary basis for total assets under management of \$74,250,000.

Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide you, including this Brochure, is information you can use to evaluate us and other advisers, which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship. This Brochure provides information about our qualifications and business practices.

Item 5 – Fees and Compensation

Money Management Fees: You will compensate us for our Money Management solutions in the form of an annual, on-going fee. Our standard annual fee is 1.75% of the total assets held in each account that we manage for you. We may jointly agree to negotiate our compensation lower based on a variety of factors including:

- The scope and nature of the Money Management services you request which might involve:
 - Investment Management
 - Financial Planning
 - Estate Planning
 - Financial Risk Management and Insurance reviews
 - Tax Consulting
 - Retirement Plan Consulting
 - Philanthropy Planning & Implementation
 - Guidance and conflict resolution on Family issues relating to money
 - Education of family members about money management
- The complexity and time involved in delivering these services to you.
- The total amount of assets that we manage for you.
- The number and type of accounts we manage for you.
- Your historical level of activity.
- Our involvement in communicating and coordinating financial solutions for you with non-affiliated financial service providers.

Our annual compensation is due and payable monthly in arrears on the first business day of each month. Our compensation is assessed based on the total market value of all assets held in each of your account(s) as of the close of business on the last business day of the month. We calculate the amount of our compensation each month in good faith from asset balances reflected on your monthly account statement provided by the third party custodian, and we fully disclose this amount to you on each of your monthly account statements. (Our monthly calculation formula is: ending month account value x management fee % ÷ 12 = compensation).

Any additional money and/or securities you deposit or withdrawals are subject to the same billing procedures as outlined above. Our compensation is automatically deducted from your account(s) on a monthly basis pursuant to our Money Management Agreement unless other arrangements have been made in writing.

You will be notified by us in writing should there be any changes to the compensation schedule for your account(s). Your original compensation schedule will remain in effect for thirty (30) days after you have received our written notification of any changes. The

new compensation schedule will automatically go into effect thirty (30) days after you have been notified by us in writing, unless you inform us otherwise.

The Money Management fees that you pay to us do not include any fees due to brokers or custodians, transaction fees, wire transfer fees, IRA and qualified retirement plan fees, third-party manager's fees, and other fees that may be incurred in the normal course of business.

Termination: From the time you execute our Money Management Agreement, you have five (5) business days to terminate the agreement without penalty. After five (5) days, the Money Management Agreement may be terminated by either of us upon receipt of written notice to the other party. Our compensation schedule will continue for thirty (30) days after receipt of the termination notice. There are no refunds of fees after 5 days, and we do not pro-rate fees for the first or last month that your account is under our management. After the Money Management Agreement is terminated, we may bill transactions in your account at normal brokerage rates for standard brokerage only accounts.

Other Related Compensation: In addition to our compensation outlined above, you will be assessed a transaction charge ("Transaction Charge") by the third party broker/dealer and/or Qualified Custodian for each separate transaction to pay for the costs associated with trade execution. All Transaction Charges are identified under the commission column on the confirmation statement which is sent following the trade. This charge represents a reimbursement for transaction costs to the broker/dealer and/or Qualified Custodian, and is not a commission. We do not receive any portion of the Transaction Charge.

Some mutual funds pay commissions, dealer concessions, 12b-1 fees, solicitor's fees and/or service fees. These fees may be passed through to us and are subject to change by the fund's distributors. A detailed description of these fees is available in the products prospectus or SAI (Statement of Additional Information). Often these expenses are referred to as the "distribution and/or service fees" of the particular product. These fees are often collected by the broker/dealer and paid to us as a broker/dealer agent.

Our Money Management services may cost you more or less than purchasing the investments or services separately. There are several factors that affect the cost of our services when compared to the cost of the same services purchased separately including:

- The effectiveness of our Management decisions.
- The scope and nature of the services that you request.
- The complexity and time involved in delivering these services to you.

- The number of accounts and amount of assets we manage for you.
- Your historical and or expected transaction volume.
- The amount of time and complexity involved in communicating and coordinating with non-affiliated financial service providers for your behalf.

Other Fees: Circumstances may arise where you request us to provide additional services that are not covered under the terms of our Money Management Agreement. The amount of fees for such services and method of payment will be determined and mutually agreed upon in writing before we start any additional work.

ERISA and the Pension Protection Act of 2006 (PPA): We may also have IRA accounts or other retirement accounts which are subject to the Pension Protection Act of 2006 (PPA). In all cases an “eligible investment advice arrangement” or advisory agreement will be executed with the Client. We will be considered a “fiduciary advisor” and will charge fees to the retirement account based on a Level Fees basis which means the fees will not vary depending on the basis of the investment option selected.

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

We do not charge you 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

We provide active and on-going Money Management solutions for a wide range of clients including:

- Individuals
- Families
- Corporations
- Trusts
- Pension Plans
- Foundations
- 401-k Plans

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

Methods of Analysis: We use a variety of Methods of Analysis when making investment decisions including Fundamental and Qualitative Analysis. Specific variables used in analysis include:

- Reputation
- Performance and risk management record
- General investment philosophy and approach
- Continuity of key management
- Service and communication provided to clients
- Minimum dollar investment requirement
- Transparency
- Consistency between words, actions and results

Information used in our analysis of potential investments includes:

- Information and Research obtained from various tracking organizations
- Business publications
- Other Money Managers
- Corporate rating agencies
- Timing services
- Annual reports
- Prospectuses and Statements of Additional Information
- Filings with the Securities and Exchange Commission
- Company press releases, and other sources

Our principal Objectives and Strategies for our Discretionary Money Management Services:

For your money that we will manage on a discretionary basis, our core investment strategy is to capitalize on anticipated fluctuations in the financial markets by changing the mix of investments in targeted asset classes.

We often use a focused or concentrated global, multi-sector, multi-strategy, value-based approach when investing your money, and there is no guarantee we will achieve our objectives.

We seek long-term “Total Return” from a combination of both capital appreciation and income. Under normal circumstances, we seek to achieve these objectives by investing “opportunistically” in a focused or concentrated portfolio of investments in the equity, fixed-income and cash-equivalent asset classes.

The amount of money we invest in each asset class will vary from time to time based upon:

- Our assessment of relative fundamental values of securities and other investments in the class
- The attractiveness of investment opportunities within each asset class
- General market and economic conditions
- Expected future returns of investments

We may invest in any, all or none of the targeted asset classes at any given time, and there is no limitation on the amount or percentage of your assets that may be allocated to any one of these asset classes. We may, for example, invest up to 100% of your assets in any one of these asset classes at any point in time.

We may maintain a significant portion of assets in cash-equivalent securities. In addition, we may invest your assets in securities and other investments without regard to geographic location and without regard to the market capitalizations or sectors of the issuers. We may also invest your assets in securities without regard to maturity or the rating of the issuer of the security.

RISK OF LOSS: Investing in securities involves risk of loss that you should be prepared to bear.

The Principal Risks of Investing with us include, but are not limited to:

General Risks: Your investments with us are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Accordingly, you may lose money by investing with us. When you sell your investments, they may be worth less than what you paid for them because the value of investments will fluctuate reflecting day-to-day changes in market conditions, interest rates and a number of other factors.

Allocation Risk: Our allocation of investments among different asset classes, such as equity or fixed-income assets classes, may have a more significant effect on your returns when one of these classes is performing more poorly than others.

Market Risk: Stock and bond markets often trade in random price patterns, and prices can fall over sustained periods of time. The value of the investments we make for you will fluctuate as the financial markets fluctuate. This could result in your account value(s) declining over short or long term periods of time.

Focused and Concentrated Portfolio Risks: We will often invest your assets in a smaller number of securities than other broadly diversified investment strategies. Our approach is often referred to as “focused, concentrated, or non-diversified”. Accordingly, the money we manage for you may have more volatility and is often considered to have more risk than a strategy that invests in a greater number of securities because changes in the value of a single security may have a more significant effect, either negative or positive, on your overall portfolio value. To the extent we invest your assets in fewer securities, or we investment in non-diversified funds that take a focused or concentrated approach, your assets are subject to greater risk of loss if any of those securities become permanently impaired.

Equity Risk: Your investments will be subjected to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of equity securities in your portfolio may fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors will contribute to the volatility and risk of your assets.

Special Situation Risk: We may invest your assets in special situations. Investments in special situations may involve greater risks when compared to other strategies due to a variety of factors.

Expected changes may not occur, or transactions may take longer than originally anticipated, resulting in lower returns than contemplated at the time of investment. Additionally, failure to anticipate changes in the circumstances affecting these types of investments may result in permanent loss of capital, where we may be unable to recoup some or all of its investment.

Foreign Securities Risk: We have the ability to invest in foreign securities, and, from time to time, a significant percentage of your assets may be composed of foreign investments. Foreign investments involve greater risk in comparison to domestic investments because foreign companies/securities: may have different auditing, accounting, and financial reporting standards; may not be subject to the same degree of regulation as U.S. companies, and may have less publicly available information than U.S. companies; and are often denominated in a currency other than the U.S. dollar.

Currency Risk: Your investments may be subject to currency risk. Currency fluctuations and changes in the exchange rates between foreign currencies and the U.S. dollar could negatively affect the value of your investments in foreign securities.

Interest Rate Risk: Your investments are subject to interest rate risk. Interest rate risk is the risk that the value of a security will decline because of a change in general interest rates. Investments subject to interest rate risk will usually decrease in value

when interest rates rise. For example, fixed-income securities with long maturities typically experience a more pronounced change in value when interest rates change.

Credit Risk: Your investments are subject to credit risk. An investments credit quality depends on its ability to pay interest on and repay its debt and other obligations.

Small- to Medium-Capitalization Risk: We may invest your assets in small to medium sized companies. Shares of small to medium sized companies may have more volatile share prices. Furthermore, the securities of small to medium companies often have less market liquidity and their share prices can react with more volatility to changes in the general marketplace.

Junk Bond/High-Yield Security Risk: We may invest your assets in Junk Bonds or High-Yield, lower rated securities. Investments in fixed-income securities that are rated below Investment grade can be subject to greater risk of loss of principal and interest than investments in higher-rated fixed-income securities. The market for high yield securities may be less liquid than the market for higher-rated securities. High yield securities are also generally considered to be subject to greater market risk than higher-rated securities. The capacity of issuers of high yield securities to pay interest and repay principal is more likely to weaken than is that of issuers of higher-rated securities in times of deteriorating economic conditions or rising interest rates.

Prepayment Risk: Your investments may be subject to prepayment risk. Prepayment risk occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a security can be difficult to predict and result in greater volatility.

Inflation Risk: This is the risk that the value of your assets or income will be less in the future as inflation decreases the value of your money. As inflation increases, the value (purchasing power) of your assets can decline. This risk increases as we invest a greater portion of your assets in fixed-income securities with longer maturities.

Liquidity Risk: Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing us from selling out of these illiquid securities at an advantageous price.

Item 9 – Disciplinary Information

Registered Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management.

We do not have any material facts about legal or disciplinary events that are material to your evaluation of the integrity of our firm or its advisory agents to disclose. Your confidence and trust placed in our Firm and its advisory agents is something we value and endeavor to protect.

Item 10 – Other Financial Industry Activities and Affiliations

Our principals are registered securities representatives of Ceros Financial Services Inc., a registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"), and SIPC. In addition, our principals are also licensed insurance agents. We have no single agreement with any agency or company, but will seek out the products of any company, agency or brokerage that may have products fitting your needs.

In these capacities, our principals may recommend securities and insurance products, and receive normal securities commissions.

A conflict of interest could exist between our interests and your interests.

Item 11 – Code of Ethics

We have adopted a Code of Ethics for everyone supervised by our firm. Our Code of Ethics includes provisions relating to the confidentiality of your information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

Everyone supervised by our firm must acknowledge the terms of the Code of Ethics annually, or as amended.

We anticipate that from time to time we may recommend to you the purchase or sale of securities in which we have a position of interest. Our Code of Ethics states that we may trade for our own accounts in securities which we are recommended to and/or purchased for you. The Code of Ethics is designed to assure that our personal securities transactions will not interfere with making decisions in your best interest.

The personal investing of people supervised by our firm is continually monitored to reasonably prevent conflicts of interest between our firm and you our client. We and our advisory agents will act in a fiduciary manner, understand the prohibitions against the use of any insider information and will always act in your best interest.

You may request a copy of our Code of Ethics by contacting Craig P. Kelley, President at 1-858-350-1010, or at craig@kelleyinvestments.com.

Item 12 – Brokerage Practices

We do not receive soft dollar benefits of any kind.

All of your transactions in mutual funds, variable products and general securities are placed through our broker/dealer, Ceros Financial Services. Ceros introduces its securities accounts to National Financial Services (NFS)/Fidelity Investments who acts as your Qualified Custodian. Our Firm and our advisory agents are not affiliates of National Financial Services.

We have chosen to place your transactions through Ceros Financial Services based on a wide range of factors, but cannot guarantee that best execution is always received.

The factors included in our decision to clear through Ceros Financial Services include:

- Quality of trade execution
- Quality of responsiveness and customer support with trading and other back office investment activities
- Reliability of technology platform
- Reasonableness of transaction charges

Our advisory agents are registered representatives of Ceros Financial Services, Inc. Our Advisory Agents will take steps to attempt that you receive best execution and reasonable commission rates when trades are executed.

Item 13 – Review of Accounts

Your accounts are reviewed by Craig P. Kelley of Kelley Investments monthly, or in some instances more often. Triggers for reviews are our receipt of your monthly account statements, performance reports from third party managers, or significant changes in investment or market valuations.

You may request a one-on-one, in person or teleconference review of your account(s) as often as you feel is necessary.

You are responsible for notifying us immediately of any changes to your financial goals, risk tolerances, personal situation, or any other factors that could alter your investments objectives.

Statements, confirmations and/or performance reports are furnished quarterly or semi-annually from various financial services institutions/firms with which you transacts business. These firms may include, and are not limited to, brokerages, investment companies, insurance companies, trust companies, other registered investment advisors, banks and credit unions. You will receive account statements from these entities and not our Firm.

Item 14 – *Client* Referrals and Other Compensation

We do not compensate third parties for referrals, nor do we receive compensation for anything not already disclosed.

We try at all times to put the interest of you first as part of our fiduciary duty. However, you should be aware that the receipt of additional compensation creates a potential conflict of interest and may affect judgment when making these recommendations.

Item 15 – Custody

We do not act as a custodian for any client assets. All of your assets invested with us are held in custody at a Qualified Custodian. The Qualified Custodian produces and mails detailed account statements and trade confirmations directly to you on a monthly basis. The monthly account statements produced by the Qualified Custodian detail all activities and holdings in your account(s).

If there is no activity in the account, the Qualified Custodian will produce and you're your account statement(s) on a quarterly basis.

In addition to the account statements and trade confirmations, you will have on-line access to review their account details via a link provided by the Qualified Custodian. Clients can access this link by visiting our web site at: www.kelleyinvestments.com.

Item 16 – Investment Discretion

Discretionary Money Management: If you hire us to manage your money on a discretionary basis, you are authorizing us to purchase and sell the following types of securities on your behalf:

- Stocks
- Bonds
- Mutual Funds
- Exchange Traded Funds (ETF's)
- Options
- Public Partnerships
- Foreign Securities
- Variable Annuities
- Real Estate Investment Trusts
- And other investment products

Additionally, you are also authorizing us to liquidate previously purchased investments pursuant to your investment objectives.

We are prohibited from taking personal possession of your assets, securities, stock powers, monies or any other personal or real property in which you may have an interest.

In the course of managing your money, you are authorizing us to select a third party investment advisor ("Portfolio Manager"), other than us to direct and manage a specific portion of your assets.

We will take steps to assure that you receive the best execution and a reasonable commission rate when trades are executed. We do not receive any products, research, or services other than those disclosed, and lower fees for comparable services may be available from other sources.

Non-discretionary Money Management: If you hire us to provide non-discretionary money management services for you, we will assist you with the implementation of an agreed upon investment strategy. We may recommend various third-party money managers or categories of mutual funds, exchange traded funds, and other investment products that we believe are consistent with your overall investment strategy and are suitable for you, at the time we make the recommendation.

Item 17 – Voting *Client* Securities

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your account(s).

Item 18 – Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you, and have not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers