

Item 1 Cover Page

This brochure has been prepared by Stein Whittington Deniel Investment Advisors, Inc. (hereinafter usually the "Company") on July 16, 2011.

**This brochure provides information about the qualifications and business practices of Stein Whittington Deniel Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 760-776-1488 (phone) or [rick@swdinvestments.com](mailto:rick@swdinvestments.com) (email). The information contained 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 the Company and its business and principals also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

## Item 2 Material Changes

There have been no materials changes this year from the Company's Form ADV, Part II which was employed in 2010.

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#### Item 4 Advisory Business

Stein Whittington Deniel investment Advisors, Inc. (sometimes referred to as "Company" herein) is a California corporation with two shareholders, Rick M. Stein and Dana Crosby. When the Company's predecessor was formed originally, it was formed in September 1995 as a sole proprietorship of Rick M. Stein. Thereafter, Keith Whittington purchased shares in the Company in approximately 2000, and he remained a shareholder until he died of cancer in February, 2004. Cristina Deniel initially purchased shares in the Company in 2001; since Keith Whittington's death, Cristina has been an equal shareholder. On July 6, 2011, in connection with her planned retirement, Cristina sold part of her shares to Dana Crosby and part of her shares to the Company. Currently, Dana Crosby is a 40% shareholder in the Company and Rick M. Stein, a 60% shareholder.

John Mackovic, a former head college and NFL football coach, is an Investment Advisor Representative for the Company; he joined the Company in this capacity in August, 2009.

Rick Stein is the President of the Company. Dana Crosby is the Secretary, Chief Financial Officer and Chief Investment Officer. Rick, Dana and Cristina are the three employees who are authorized to render investment advice. Cristina will retire as an employee of the Company on December 31, 2011. The only other employee of the Company is Kelley Judd, Office Manager. In his capacity as Office Manager, Mr. Judd monitors the technology systems used by the Company, among other duties.

The Company provides discretionary investment advisory services to taxable and tax deferred accounts for individuals, business and not-for-profit investment portfolios. The Company's services are specifically designed to meet the needs of the client based on information gained during the course of specific conversations with prospective clients and current clients. Information includes, without limitation, financial status, stage in life, family situation, assets, charitable intent, investment objectives and risk tolerance. The Company's services include asset allocation, diversification of assets classes and within asset classes, investment recommendations and advice. In most cases, but not all, the Company employ a specialized program of writing covered call options ("Covered Call Writing") to generate current income (Covered Call premiums) for those clients for whom this strategy is appropriate. The Company manages its clients accounts on a discretionary basis and its fees are based upon a set fee schedule which depends upon the assets under management. (see next section, "Fees and Compensation").

Although the Company provides discretionary management services, upon request by a client, the Company will make trades and management decisions as requested by a client so long as this practice does not become a frequent event.

The Company offers three major categories of portfolios, depending upon what the client wants and needs. The Company's designation for these portfolios is as follows: (1) "Conservative" or "Income" portfolio means up to one-third of the equity portion of the account may hold selective high quality, low volatility common stocks from the "Income" section of the Company's "Core portfolio" list. The balance of the account is invested in Exchange Traded Funds with Covered Call Writing across the entire account each month (unless not practical). (2) "Moderate" or "Growth & Income" portfolio means a portfolio consisting of approximately 50% in Exchange Traded Funds and the balance in individual common stocks with Covered Call Writing across the account each month.

Any of the above portfolios may be "balanced" portfolios if the client requests that approximate 30% or more of the portfolio be invested in fixed income securities. The Company has only a few Balanced portfolios.

About 70% of the Company's clients hold Growth & Income portfolios. The Company has only a few Aggressive portfolios.

As of July 16, 2011, the Company had \$56.4 million of assets under management, not counting assets of the Company's principals. Of this, all were managed on a discretionary basis except for \$1.3 million.

## Item 5 Fees and Compensation

The Company's Management Fee Schedule is as follows:

Management Fees are computed and billed in arrears, quarterly, at the end of each quarter based on the market value of the assets under management of the account on that date. Except for accounts up to \$300,000 under Plan B, which applies to this category, billing percentages are computed in "tiers", indicated immediately below, depending upon the amount under management with declining percentages as the account(s) reach certain specified dollar amount levels.

There is no account setup fee of any type imposed. The fees are as follows:

### PLAN A - NO OPTION TRADING

#### Account Value

Balances up to \$500,000	1.25% per annum
Balances over \$500,000 up to \$2 million	1.00% per annum
Balances over \$2 million	0.85% per annum

### PLAN B - OPTIONS TRADING

#### Account Value

For Accounts less than \$300,00 (not tiered)	1.75% per annum
For Accounts \$300,000 and above:	
Balances up to \$500,000	1.50% per annum
Balances over \$500,000 up to \$1 million	1.25% per annum
Balances over \$1 million	1.00% per annum

Stein Whittington Deniel reserves the right to negotiate a different fee schedule, under special circumstances. The Company's management fees are not negotiable, except in the case of non-profits, we charge a flat fee of 1% per annum on assets under management. Also, in a very few special instances, the Company may charge no fee at all to a client.

On accounts which total \$3 million or more (including all "family accounts"), the Company charges a flat fee of 1% per annum.

Note: lower management fees for managing securities portfolios may be available from other sources.

Other than as stated above (regular management fees to clients), and "soft money" from Schwab, discussed in Item 12, the Company receives no fees or payments of any kind.

At no charge, Schwab also offers to clients a website for clients' use, so they can follow the activity in their account anytime they wish; many of our clients avail themselves of this free service. In short, although the Company is not "wedded" to Schwab, it continues to use Schwab on the basis of reasonableness of commission costs, customer service, ease of trading and trading platform, research availability, and other services that benefit our clients.

The Company offers and sells no products.

The Company has used, and continues to use Charles Schwab as its sole custodian, because Schwab has always done a good job since the Company's founding in 1995, has provided excellent technical support when needed, has developed a good institutional website for trading, and provides an easy download each day of the prior day's transactions to the Company's resident software system. On occasion, if the Schwab website were to go down, at no charge, the Schwab Trading Team will make trades as directed by the Applicant. At no charge to clients, also, for many of the Applicant's clients who want to withdraw money from their account(s), Schwab sends an "electronic" check to the client or their bank account, on a recurring basis, monthly or quarterly. At no charge, Schwab also renders great assistance, as may be requested by Applicant, in computing Required Minimum Distributions under the client's IRA accounts. At no charge, Schwab also offers to clients a website for clients' use, so they can follow the activity in their account anytime they wish; many of our clients avail themselves of this free service. In short, although the Company is not "wedded" to Schwab, it continues to use Schwab on the basis of reasonableness of commission costs, customer service, ease of trading and trading platform, research availability, and other services that benefit our clients.

Schwab also provides, free of charge on its' trading website, an excellent stock analysis service which Stein Whittington Deniel uses along with other sources Stein Whittington Deniel uses for stock and ETF analysis. This service from Schwab and other services Stein Whittington Deniel employs are used for all clients.

Stein Whittington Deniel has explored with other brokers the possibility of using them, but so far the entire package has not been competitive to the entire suite of services offered to the Company by Schwab.

## TERMINATION OR CANCELLATION OF CONTRACT

The contract for services between the Company and the client may be terminated at any time by written notification by either party to the other. The

contract shall terminate upon receipt of such notification. A pro-rata refund is not applicable since fees are billed in arrears, after services have been rendered. In cases of cancellation, fees will be billed for the time the contract was in effect before the cancellation.



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

The Company charges no performance based, or other, fees.

## Item 7 Types of Clients

The Company's clients consist of individuals (both taxable and tax-deferred accounts such as an IRA) as well as trusts, corporate retirement accounts and accounts of non-profit corporations. Although at times the Company makes an exception, normally the required minimum size for an account is \$300,000. If a client has more than one account and one meets the minimum size requirement, the Company will take on for this client or the spouse, a another account or accounts less than the minimum account size.

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

Covered Call Writing is considered by experts to be a "conservative" method of investing in common stocks and Exchange Traded Funds, because it produces a reliable cash flow stream from receipt of Covered Call premiums. However, while Covered Call Writing does mitigate to some extent market risk, it does not eliminate risk entirely. Therefore, if the underlying securities in a client's account drop, the cash received from Covered Call premiums may not be sufficient to overcome the drop in the underlying portfolio. With a sharp drop in market prices over an extended period of time, such as that in 2008, Covered Call premiums were insufficient to mitigate to any significant degree the market losses. In addition, in rising markets, the account which engages in Covered Call Writing may be required to sell underlying securities at a "strike price", pursuant to the Covered Call contract, far below the market price of an underlying security. If this were to occur, the client would essentially be deprived of profits he or she would have otherwise gained by the increasing price of the underlying security.

Except for Aggressive accounts, the Company's principal objective in writing Covered Calls is to produce a reliable monthly cash flow stream (from receipt of Covered Call premiums) in the average amount of 1% to 1.5% per month on the amount under management. The Company achieves this objective almost every month. In some markets, normally rapidly declining ones, it may not be possible to achieve the income which is anticipated. Moreover, in declining markets, the value of the overall account could decline even while receiving cash from Covered Call premiums of 1% to 1.5% per month on the amount under management.

The Company does not employ stop losses nor does it purchase protective Puts, both of which provide some downside protection to an investor.

Except for rare exceptions, all purchases of securities for clients portfolios are made from securities contained in the Company's "Core" portfolio. The Company subscribes to several stock services, however, the Company will not add a security to its "Core" portfolio unless and until research has been conducted by either or both Rick Stein and Cristina Deniel.

Item 9 Disciplinary information

Neither the Company, either of its principals or its Investment Advisor Representative is presently involved, or has been involved, in any material disciplinary or legal proceedings within the immediate past 10 years.

## Item 10 Other Financial Industry Activities and Affiliations

Neither the Company, its principals, nor its Investment Advisory Representative has any other activities or affiliations with any other broker dealer or investment advisor. The Company does not recommend other investment advisors to its clients.

On occasions, the Company recommends clients or potential clients to financial planners. In such cases, however, the Company receives no consideration or payment of any kind related to the recommendation.

On August 1, 2009, the Company entered into an "Agreement for investment Advisor Representative" with John Mackovic, who is registered with FINRA as an Investment Advisor Representative as of July 7, 2009. John Mackovic is a retired former head football coach of major colleges and for an NFL team. John Mackovic is also a client of the Company and has been a client since April 2008. Under the agreement between the Company and John Mackovic, during the first 10 years of a new client brought in by Mr. Mackovic, the company is obligated to pay Mr. Mackovic 20% of the Company's fees from the client; after 10 years, the 20% figure is reduced to 10%. As an Investment Advisor Representative, Mr. Mackovic is authorized only to solicit clients for the Company, not to trade accounts or give investment-related advice on behalf of the Company.

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

The Company has a printed 6 page Code of Ethics which it has promulgated to guide its dealings with its clients. The Company will provide a copy of its Code of Ethics to any client or potential client upon request. The Company's latest Code of Ethics was signed by the Company's principals on March 1, 2009.

Set forth below is a description of how the client transactions and personal trades by the Company's principals are executed.

Each client grants a written Limited Power of Attorney, i.e., trading authorization, to the Company. For all such accounts, termed "Discretionary Accounts," the Company determines which securities and the quantity of such securities to be purchased, without specific prior consent from the client. With no specification of prior notice required, this trading authorization may be revoked by the client at any time with written notification. Notwithstanding the foregoing, in some special cases, the Company trades accounts with no discretionary authority, e.g. when a client calls to ask the Company to make a specific trade.

When shareholders own individual stocks also owned by clients, supervised persons of the Company shall endeavor to purchase and/or sell stocks for their individual accounts on the following basis: (a) the purchase/sell transaction(s) will take place on days when no transactions are executed in such stock(s) in regards to any client account, (b) the transactions will be made in a block trade, concurrent with a transaction in the same security in a client's account, or (c) supervised persons of the Company shall take care that if the transactions are made on the same day for the same stock contained or to be contained that day in a client's account (and not in a block trade including both) that the execution price for the client be on terms at least as favorable as those in the supervised person's own account.

## Item 12 Brokerage Practices

The Company clears all of its trading through custodian/broker Charles Schwab & Co., Inc. All of the Company's clients are requested to agree to use Schwab as the custodian/broker. (if a prospective client requests to use another custodian/broker, the Company would consider this request but does not agree to it in advance). Not all advisors request that their clients use a prescribed custodian/broker. By directing brokerage, it is possible that the Company's clients may be unable to achieve the most favorable or least expensive execution. From time to time, on behalf of the clients, the Company negotiates with Schwab in order to seek a reduction in brokerage commissions charged to the client. However, the Company does not possess the authority to dictate to Schwab what commissions Schwab charges to the clients.

Since inception in 1995, the Company has enjoyed a "soft dollar" relationship with Charles Schwab & Company. Schwab gives to the Company each year some monies which the Company is required to expend on education for the clients' benefit. (called in the industry "soft dollars"). For the year 2011, Schwab has agreed to give the Company up to \$15,000 for approved (by Schwab) client services as soft dollars. Schwab does not charge the Company's clients any more than it would otherwise charge due to the "soft dollar" arrangement. The Company does not consider, in choosing a custodian/broker, whether or not it will receive any client referrals and, in fact, the Company has received no client referrals from Schwab.

The Company requires that clients establish brokerage accounts with Charles Schwab & Co., Inc. (Schwab) and Schwab maintains custody of the client's assets and effects trades for clients as directed by the Company. The Company is independently owned and operated and is not affiliated with Schwab. Schwab provides Applicant with access to its institutional trading and custody services which are not typically available to Schwab retail customers. For the Company's accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab. Schwab is a registered Broker-Dealer, Member of SIPC. Since inception of the predecessor company in 1995, the Company has used Charles Schwab & Co., Inc. as the custodian of all accounts of its clients.

In February 2009, the Company entered into a "Prime Brokerage Services Agreement" with Schwab which authorizes the Company to make trades through other securities brokers when better prices can be obtained; the Company uses the Prime Brokerage Services Agreement sparingly and mainly when purchasing and selling fixed income securities for which other brokers can provide better execution.

### Item 13 Review of Accounts

Currently, only the three employees of the Company, Rick Stein, Dana Crosby and Cristina Deniel give investment advice to clients. After December 31, 2011, only Rick Stein and Dana Crosby will give advice as Cristina's employment ceases. Both Rick and Dana possess graduate degrees and/or certifications as well as experience which are directly applicable to the business. Rick and Dana each manage approximately one-half of the assets under management with the Company and they review the accounts daily, except for the infrequent times when they are out of the office. If either Rick or Dana is absent from the office, the other person covers review of all accounts; Rick and Dana may every attempt never to be out of the office at the same time. All clients are clients of the Company, not clients of either Rick or Dana.



#### Item 14 Client Referrals and Other Compensation

If a client or prospective client requests a financial plan of any complexity, the Company will refer the client or prospective client to an independent financial planner. In the case of such a referral, the Company does not ask for, nor does it receive, any money or other economic benefit as a result of the referral. In the event the Company were to refer a prospective client to another advisor, the Company may request to share in the fees to the client, if the Company renders services. In the case of one client currently, the Company does share fees with another advisor as both advisors render services for the client and the combined fees to both advisors do not cost the client any additional monies if only one advisor were rendering all of the services to the client.

#### Item 15 Custody

The Company does not have custody of any client funds nor does the Company have any access to clients' funds as all client funds are on deposit with Charles Schwab & Company.

## Item 16 Investment Discretion

The Company maintains discretionary authority over all of the accounts it manages, although in one or two cases, where the clients insist upon managing the account, for a short period, the Company may permit a client to effectively manage his or her account.

For the vast majority of the Company's clients, the Company possesses discretionary authority to make trades in the account and such authority in every case is evidenced and created by a Limited Power of Attorney that the client signs. All of the Company's clients receive monthly statements from the custodian/broker, Charles Schwab & Company. If requested, the Company will send reports to clients. Usually these reports consist of Option Income statements or reports on Realized Gains and Losses for tax purposes. Every quarter, the Company sends to all of its clients a Newsletter it prepares. Sometimes, accompanying this Newsletter, the Company will also send reports, usually a Covered Call Income Report.

At the inception of any relationship with a client, the Company meets or at least confers with the client and then sends a written "Investment Policy Statement" describing how the account will be managed. At any time, a client can amend an Investment Policy Statement and, in such case, the Company will prepare and send a written Investment Policy Statement to the client clarifying the changes made.

Item 17 Voting Client Securities

The Company does not vote client securities and it so informs the clients of this fact.

Item 18 Financial Information

The Company bills its fees in arrears, e.g. at the end of each quarter. The Company does not require or solicit prepayment of any management fees in any amount six months or more in advance.

The Company is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

Neither the Company nor either of its principals has been the subject of a bankruptcy petition at any time during the past 10 years.

#### Item 19 Requirements for State-Registered Advisers

Rick Stein, born on August 18, 1943, graduated from the University of Virginia in 1965. He attended the University of Texas Law School and graduated in 1968 earning a LLB degree. His business background in the preceding 5 years has been as a principal of Stein Whittington Deniel Investment Advisors, Inc. At this time, Rick remains an active member of the California Bar Association. However, except for an occasional minor legal matter, Rick ceased the practice of law in the latter part of 2005.

Dana L. Crosby, CFA, born June 29, 1961, graduated from the University of Minnesota, Morris, Minn., in 1984. He received his M.B.A. in Finance-Investments from Golden Gate University, Sacramento, Calif., in 1992. Mr. Crosby has earned the Chartered Financial Analyst designation and has passed the Certified Financial Planner examinations. In the preceding five years, Mr. Crosby was founding principal of Global Portfolio Dimensions, Inc., in Campbell, Calif., and served as a Sr. Portfolio Analyst with Loring Ward, Inc., in San Jose, Calif.

Cristina Deniel, C.P.A., C.F.A., born October 31, 1947, graduated from the National University of Cuyo, Argentina, with a degree in Business Economics. She attended the University of Texas Graduate School in Comparative Literature and completed the Stanford University Financial Management Program. Cristina is a licensed C.P.A. but does not practice public accounting. In the preceding 5 years, Cristina has served full time as a principal of Stein Whittington Deniel Investment Advisors, Inc. Cristina is also a Chartered Financial Analyst which she completed in 2001.