

FIRM BROCHURE

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December 31, 2010

This Brochure provides information about the qualifications and business practices of Arthur J. Stites, P. A. If you have any questions about the contents of this Brochure, please contact us at (904) 399-8011 or E-Mail Address: astites@bellsouth.net. 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.

Arthur J. Stites, P. A. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Arthur J. Stites, P. A. 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 December 31, 2010 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 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. 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 Mary E. See, Administrative Assistant at (904) 399-8011.

Additional information about Arthur J. Stites, P. A. is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Arthur J. Stites, P. A. who are registered, or are required to be registered, as investment adviser representatives of Arthur J. Stites, P. A.

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Item 4 - Advisory Business

Arthur J. Stites, P. A. was incorporated in the State of Florida on September 1, 1983 as a certified public accounting firm and continuously conducted that business until November 30, 1999. On September 20, 1995, the corporation and Arthur J. Stites became registered to provide investment advisory services. As of December 1, 1999, Arthur J. Stites became the sole shareholder of the corporation.

Arthur J. Stites, P. A. provides investment advisory services to individuals on a discretionary basis by entering into a portfolio management agreement with clients. The agreement contemplates developing and supervising the portfolio on a continuous basis, in accordance with the needs of each individual client.

Investment portfolios are developed for each client through personal discussions during which financial goals, objectives, investment time horizon and risk are considered. Periodically, modifications are made to the portfolio based on client life changes, such as those related to goals, circumstances, performance and the passage of time. Consideration is given to client directed objectives where appropriate, including asset allocation and tax efficiency. Each portfolio is invested in no load mutual funds and exchange traded funds, unless otherwise requested. Clients are also permitted to impose restrictions on investing in certain funds.

Arthur J. Stites, P. A. also provides investment advice through consultations on a non-discretionary basis, where appropriate.

Arthur J. Stites, P. A. does not participate in any wrap fee programs.

Client assets managed on a discretionary basis as of December 31, 2010 are \$47,400,000.

Client assets managed on a non-discretionary basis as of December 31, 2010 are \$6,600,000

Item 5 – Fees and Compensation

The annual fee for investment supervisory advisory services is calculated as a percentage of assets under management, according to the schedule below:

<u>Value of Account</u>	<u>Fee</u>
\$ 0 - \$ 500,000	1.00%
\$ 500,000 - \$ 1,000,000	.75%

\$ 1,000,000 - \$ 2,000,000	.60%
\$ 2,000,000 - \$ 3,000,000	.50%
Over \$ 3,000,000	.375%

Fees are paid quarterly, in arrears. If an agreement is terminated, refunds are on a pro rata basis. In limited situations, fees are negotiable. The minimum annual fee is \$2,500.

Clients are invoiced after the end of each calendar quarter, based on the month end values (market value or fair market value in the absence of market value) on the last day of the preceding calendar quarter. This value is determined on the nearest valuation dated coinciding with or preceding the end of the quarter.

Management of the account commences upon signing the agreement, unless otherwise agreed upon. If the agreement commences other than at the beginning of a quarter, a prorated fee will be made for the initial short period prior to the beginning of the next calendar quarter.

A client agreement may be cancelled at any time, by either party and for any reason, upon receipt of 30 day written notice. Upon termination of any account, the pro rata share of any unpaid fees will be due and payable.

Fees for non-discretionary investment advisory services and consultations are charged at the hourly rate of \$200.

Fees are billed quarterly and deducted from client's accounts.

Client fees are not payable in advance.

Arthur J. Stites, P. A.'s fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses charged by broker, such as wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Arthur J. Stites, P.A.'s fee. Arthur J. Stites, P. A. shall not receive any portion of these commissions, fees, and costs.

Arthur J. Stites, P. A. does not accept compensation from anyone other than the client.

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

Arthur J. Stites, P. A. does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

Item 7 – Types of Clients

Arthur J. Stites, P. A. provides investment advisory services to individuals, high net worth individuals and trusts.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

The primary methods used to determine investment strategies include fundamental, technical and cyclical analysis.

Fundamental analysis involves studying an investment, company or fund by analyzing its various components, including financial statements and health, its management and competitive advantages. These analyses consider both quantitative and qualitative assessments.

Technical analysis is an investment discipline used for forecasting the directions of prices through the study of past market data, including trends in pricing and market volume.

Cyclical analysis is typically the study of where the economy is in the business cycle and how social, economic and geopolitical events shape the investing landscape. These analyses typically include making economic assessments of current and expected future supply and demand for products and services.

The tools used to formulate our investment strategy include research material prepared by others, our own due diligence, annual reports, rating services and financial publications such as newspapers and magazines.

Our basic investment strategy is to be long term (buy and hold) investors, using the tools of modern portfolio theory and asset allocation to design an investment portfolio that will meet the goals and objectives of each individual client. Each portfolio includes equity and income mutual funds which are diversified as to the major market components, both domestic and international.

The financial risks of investing include all of the following: credit risk, market risk, liquidity risk, diversification risk and operational risk. Our choice of following an investment strategy of using diversified portfolios of mutual funds mitigates many of these risks, but the uncertainties of the world we live in and the marketplace itself will not eliminate some of the risk for all investors.

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 Arthur J. Stites, P. A. or the integrity of advisor's management. Arthur J. Stites, P. A. has no information applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

Arthur J. Stites, a related person to Arthur J. Stites, P. A., serves as a trustee for families of several long-standing former clients of the certified public accounting firm which he formerly founded and owned. These activities represent less than 10% of the revenues for Arthur J. Stites, P. A.

Item 11 – Code of Ethics

Arthur J. Stites has adopted a Code of Ethics for all persons of the firm describing its high standard of business conduct and fiduciary responsibility to its clients. The Code of Ethics includes provisions related to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and personal securities trading procedures. All persons acknowledge the terms of the Code of Ethics annually.

Arthur J. Stites invests in the same securities (mutual funds only) that he also recommends to clients and follows an investment philosophy similar to the philosophy used for the investment s made on behalf of clients.

Arthur J. Stites, P. A. clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Mary E. See.

Item 12 – Brokerage Practices

Arthur J. Stites, P. A. has chosen Charles Schwab and Co. as the broker-dealer and custodian of choice in the conduct of its investment advisory business. Charles Schwab provides the best suite of services and independent research platform for this independent registered investment advisor.

Arthur J. Stites, P. A. has no authority to determine the compensation paid by clients to Charles Schwab.

Research and soft dollar benefits are provided to Arthur J. Stites, P. A. by Charles Schwab and Co. as follows:

Arthur J. Stites, P. A. utilizes products and services made available by Charles Schwab that benefit advisor in managing and administering client accounts. These include proprietary software and other technology that provides access to client account data (such as trade confirmations and account statements); facilitate trade execution, provide research, pricing information and other market data; and assist with back-office functions, record keeping and client reporting. Advisor may also use other services available to help manage and develop its business including consulting, publications and conferences on practice management, information technology, business succession and regulatory compliance.

Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients.

Arthur J. Stites, P. A. does not suggest other brokers to clients.

Item 13 – Review of Accounts

All client accounts are monitored on a continuous basis and reviewed after the end of each calendar quarter. The nature of each review is based on the needs of each client as expressed in the goal setting and objectives conversations which take place with the client from time to time. These reviews also serve the purpose of periodically providing the framework in which to consider the need for rebalancing portfolio holdings resulting from market place changes. All reviews are conducted by Arthur J. Stites.

Written reports are mailed to each client during the month following the end of each calendar quarter, including a letter with market performance, commentary and other information which Arthur J. Stites believes to be appropriate. The reports include total

performance information for the portfolio from inception date and, for each current holding, the amount of cash invested, tax basis, current value, cumulative income and performance information.

Item 14 – Client Referrals and Other Compensation

Arthur J. Stites, P. A. receives no compensation or economic benefits from anyone other than the client.

Arthur J. Stites, P. A. pays no referral fees or compensation to anyone.

Item 15 – Custody

Clients will receive monthly statements from Charles Schwab and Co., the qualified custodian that holds and maintains the client's investment assets. Arthur J. Stites, P. A. urges client to carefully review such statements and compare the official custodial records to the report statements that we provide to you quarterly.

Item 16 – Investment Discretion

Arthur J. Stites, P. A. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Clients execute a power of attorney document before we exercise this discretionary authority.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Arthur J. Stites, P.A. does not accept authority and does not vote proxies on behalf of clients. The client will receive their proxies or other solicitations directly from their custodian or transfer agent. Clients can contact us with questions about a particular solicitation.

Item 18 – Financial Information

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about Arthur J. Stites, P. A.'s financial condition. Arthur J. Stites, P. A. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Arthur J. Stites, P. A. does not require or accept prepayment fees from any client.