

Stegner Investment Associates, Inc.

**233 Breckenridge Lane
Louisville, KY**

502-895-0122

www.stegnerinvestments.com

3/2012

**FORM ADV PART 2
BROCHURE**

There has been a minor material change to this document since the last update in March, 2011. A portfolio manager resigned from the company on March 8, 2012. Other than this minor change there has been no other material changes to our Form ADV.

Table of Contents

Advisory Business	Page 4
Fees and Compensation	Page 5
Performance Fees and Side-By-Side Management	Page 6
Types of Clients	Page 7
Method of Analysis, Investment Strategies and Risk Loss	Page 8
Disciplinary Information	Page 10
Other Financial Industry Activities and Affiliations	Page 11
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 12
Brokerage Practices	Page 14
Review of Accounts	Page 15
Client Referrals and Other Compensation	Page 16
Custody	Page 17
Investment Discretion	Page 18
Voting Client Securities	Page 19
Financial Information	Page 20

Advisory Business

Stegner Investment Associates, Inc. (SIA) was founded in January 1994. SIA is an independent Investment Consultant. We serve as Investment Consultants to high-net individuals, endowments, foundations and corporate retirement plans. We primarily use mutual funds and ETFs (Electronically Traded Funds) to manage these portfolios.

SIA is a subchapter S Corporation. We are 100% employee owned. Elizabeth Stegner Peabody is the majority shareholder with a 90% share of ownership. Tracey G. Trosper is a minority shareholder with a 10% share of ownership.

Each client relationship is managed in accordance with a specific investment objective that is created for their relationship. If a new client's portfolio consists of individual stocks and bonds, we will recommend a course of action to eliminate the individual stocks over time. Our course of action will take into consideration both the tax implications and the client's wishes. In some cases we may hold the individual bonds if they fit the client's objectives.

SIA does not participate in any wrap programs.

As of 12-31-2011 SIA manages the following assets:

Discretionary Assets:	\$ 215,743,633
Non-discretionary Assets:	\$ 331,772,215
Total Assets:	<u>\$ 547,515,848</u>

Fees and Compensation

The only compensation that SIA receives for our services is paid directly by our clients. We do not receive “soft-dollars” or “12b-1” fees from the investment managers we select. We believe this principle ensures our clients that we are completely objective in the selection of managers for their assets.

Our fee is billed quarterly in advance. It is at the client’s discretion if we charge their custodian for the fee or if we bill the client directly.

Our standard annual fee for services is calculated and charged quarterly in advance with the following fee schedule

- 1.0% of market value of the first \$1,000,000
- 0.8% of market value of the next \$1,000,000
- 0.6% of market value of the next \$1,000,000
- 0.4% of market value over \$3,000,000

The minimum annual fee for our services is \$10,000 and may be modified if the client maintains multiple accounts with the SIA or if we choose to adjust the minimum.

Although this is our standard fee schedule SIA may negotiate a different fee schedule with our clients.

In addition to fees for advisory services, the Account may be assessed transaction charges to cover the costs associated with trade execution, certain no-load mutual fund (12(b)1) distribution fees, certain deferred sales charges on previously purchased mutual funds and IRA and Qualified Retirement Plan Fees. These additional charges are not earned by or remitted to the Advisor. Such charges will be noted on Client's statements or confirmations.

Clients needs to be aware than any mutual fund into which Client assets are invested SIA will employ or contract with fund-level investment managers to determine the funds investment strategy and execution. These managers are compensated by the mutual fund, and that compensation is disclosed in the relevant fund prospectus. Under certain policies of the Security and Exchange Commission, we are required to advise you that this compensation paid by a mutual fund to its investment managers my be considered by you to be an indirect management fee incurred in addition to the compensation being paid to Advisor.

SIA does not take any compensation for sales of securities or other products.

On rare occasions, SIA will perform services to a client on an hourly basis. The hourly rate is agreed upon prior to the services being provided. SIA will also give the client an estimate of the total for these services.

Performance Fees and Side-By-Side Management

SIA does not accept performance fees.

Types of Clients

SIA serves as Investment Consultants to high net-worth individual clients, endowment funds, foundations and corporate retirement plans.

Our minimum account size is \$1,000,000. However, we may waive that minimum at our discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

The following specific steps guide the process of determining each client's appropriate asset allocation.

1. We collect quantitative data regarding the client such as recent financial and brokerage statements and the net worth/balance sheet data. We also gather qualitative data on the client such as their time horizon, risk tolerance, confidence in their overall financial position and level of investment knowledge.
2. Using both the quantitative and qualitative data gathered we determine investment objectives that may include annual income needs, size of account balance in the future or a specific, expected annual rate of return.
3. We analyze the existing portfolio using SIA's analytical tools to determine whether the current configuration of assets is capable of meeting the client's goals and objectives. By estimation and evaluation the current asset allocation and specific investment styles, we can estimate expected rates of return given the level of risk and volatility.
4. We determine an asset allocation range of possibilities that can achieve the required return and narrow this range using the accumulated qualitative data. We then select an asset allocation which should achieve the required results within the client's level of risk tolerance. This step will require use of our "optimizer" program.
5. We formalize this process and our recommendation in a report to the client. This report will include comments on the existing portfolio and recommendations for changes needed to achieve the agreed upon goals and objectives.
6. Together, SIA and the client reach a consensus on how to proceed with the implementation of these decisions.

Tactical

Generally, SIA may make or allow minor shifts around the Strategic Asset Allocation described above, based on SIA's and/or client's view of the current relative attractiveness of one asset class versus another. The shifts are not expected to exceed 10% of the total portfolio- for example. A 25% bond allocation can range between 15%-35%. This strategy will usually apply only to those clients with significant exposure to bonds or money market funds. Tactical changes are usually temporary. Eventually, the asset mix will revert to the original asset allocation. Usually, these shifts reflect medium-term market conditions of six to eighteen months.

Dynamic

Dynamic changes in asset allocation are shifts of 11% or more of the total portfolio between asset classes. SIA considers this strategy to be “market-timing” and a short-term maneuver that attempts to add value to the client’s rate of return by anticipating the future direction of the markets. SIA generally does not execute a dynamic asset allocation strategy.

Method of Analysis

1. Investment objective of the fund must be supported by the current investment strategy and holdings.
2. Fund should have a minimum three-year history or data available to determine a three-year track record.
3. Managers must have had responsibility for the fund for at least three years.
4. Relative performance must be excellent and consistent.
5. Fund must perform in-line with its category; therefore, it must be highly correlated to the benchmarks ($R^2 \geq 73\%$).
6. Fund assets should not inhibit the ability to achieve its investment objective.
7. Short term investments should not equal more than 20% of the fund – unless temporary or part of a total bond or stable value strategy.
8. Fund’s annual expenses must be less than or in-line with peer group averages and the fund must not impose any sales charges.

Risk of Loss

SIA believes in Modern Portfolio Theory, which states that proper asset allocation results in diminished levels of risk and increased levels of return. However, the risk of loss can never be eliminated.

Past performance does not necessarily provide an accurate prediction of the future. However, studying the historic capital market returns offers insights that are useful.

We determine an asset allocation range of possibilities that should achieve the required return and narrow this range using the accumulated qualitative data. We then select an asset allocation which should achieve the required results within the client’s level of risk tolerance.

Disciplinary Information

Neither SIA nor any of our employees have ever been involved in a disciplinary event regarding our business.

There are no pending criminal charges against SIA or any of its employees.

Neither SIA nor any of its employees have been involved in a violation of an investment-related statute or regulation.

SIA has not been the subject of any SEC related proceedings.

Neither SIA nor any of its employees have been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.

Other Financial Industry Activities and Affiliations

No employee of SIA is registered or applying to register as a broker-dealer, futures merchant, commodity pool operator, commodity pool trading advisor, or an associated person thereof.

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

SIA maintains a Code of Ethics Policy which every employee is a willing participant. Our Code of Ethics Policy is delivered to each employee on an annual basis and each employee signs an agreement to abide by this policy. This policy is also offered annually to each of our clients.

SIA or a related person may engage in transactions which may result in the purchase or sale of a mutual fund that is also recommended to clients. The internal procedure is to place all client mutual fund trades prior to personal trades. Therefore eliminating any potential conflict of interest.

SIA acknowledges that employees will maintain personal security accounts. In accordance with SEC Rule 17j-1, SIA requires that all employees report any account in which they have a beneficial interest. This includes accounts for immediate family or household members.

Each employee must identify any personal investment accounts and report all reportable transactions and investment activity on at least a quarterly basis to SIA's Chief Compliance Officer.

Employees must provide in a written report all required information for covered personal security transactions on a quarterly basis within 10 days of the end of each calendar quarter to the Chief Compliance Officer.

All personal security transactions are covered except transactions in direct obligations of the U.S. Government, banker's acceptances, bank certificate of deposit, commercial paper and high quality short-term debt instruments, or shares issued by registered open-end investment companies.

The Chief Compliance Officer will review all employees' reports of personal security transactions for compliance with the firm's policies, including the Insider Trading Policy*, regulatory requirements and the firm's duty to its clients. The CEO of SIA will review the trades of the Chief Compliance Officer.

*Insider Information is material non-public information about any company. Insider information in respect Stegner Investment Associates, Inc. or any other company should not be disclosed without approval from the CEO of SIA. Furthermore, federal securities laws prohibit the use of inside information to buy or sell securities for financial gain.

Because SIA does not have an Investment Banking division or affiliate and because SIA does not currently have any employees serving as officers or directors of any company having publicly traded securities, SIA does not anticipate that its employees will routinely be in receipt of material, non-public information.

From time to time, however, an employee may receive such information. If any employee receives information which may constitute material, non-public information, the employee, (i) should not communicate such information to any other person (other than the Chief Compliance Officer), (ii) should discuss promptly such information with the Chief Compliance Officer, and (iii) should not buy or sell any securities, including options or other securities convertible into or exchangeable for such securities, or a personal account or a client account.

Under no circumstances should information that may constitute material, non-public information be shared with any persons not employed by SIA, including family members and friends.

Form ADV Part 2A, Item 12

Brokerage Practices

SIA trades primarily in daily valued no-load mutual funds. Because the mutual funds SIA uses are priced at the end of each day, the execution price is not an issue.

Occasionally we may sell securities that a client brought into the account. We have a negotiated structure with Schwab that provides reasonable commissions. On occasion, we have renegotiated these commissions on an account by account basis.

SIA does not have any “soft dollar” arrangements.

Review of Accounts

Weekly we review the investment performance of the mutual funds we use in client portfolios. We monitor these funds for changes at the fund level (i.e. manager changes, changes in allocation, large cash flows, etc.) If we feel the change is significant we will contact the fund management for explanations. After speaking with the fund management we will make a determination as to sell or hold the fund.

At least quarterly we review each client's portfolio holdings, allocation and performance. We determine if changes are necessary in order to keep the portfolio in compliance with its stated objectives.

These reviews are completed by the portfolio manager assigned to the account with the assistance of other SIA professionals. Elizabeth Peabody, CEO is responsible for reviewing all portfolios at SIA. In addition, on an annual basis, all portfolios are reviewed by the CCO.

Client Referrals and Other Compensation

SIA currently has no arrangements where we pay an individual for referrals. However, in the past and perhaps in the future we may enter into such an agreement. If SIA enters into such an agreement the referred client will be notified, prior to becoming a client, that a referral is being paid. Also, Section X of our client contract discloses if an individual has been paid a referral fee.

Custody

SIA does not retain custody of our client's assets. SIA is open to using any custodian that our clients request. Currently our clients are engaging the services of 8 different custodians. If a client has no preference as far as the custodian, we will recommend Charles Schwab & Company. All the custodians send statements to our clients. SIA also sends quarterly holding reports. We advise our clients that the custodian is the official keeper of the records. We also advise our clients to compare our holding report to that of the custodian to verify that they are in agreement.

Investment Discretion

Unless otherwise specifically agreed to in writing, SIA will have authority to determine which securities are to be bought or sold and the dollar amount. SIA will use the Investment Objectives which were agreed upon with the client to determine how the account will be invested.

Voting Client Securities

As stated in section 5.1 of our Investment Consulting Contract, used for our individual clients, we do not assume the responsibility for voting proxies. However, we will be happy to assist a client with questions they may have regarding a specific issue.

Financial Information

SIA does not collect fees more than six months in advance. Therefore, no balance sheet is required to be attached.

Elizabeth Stegner Peabody

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3/2012

**FORM ADV PART 2B
SUPPLEMENTAL BROCHURE**

Educational Background and Business Experience

Mrs. Peabody was born on 5-11-1961. She is the President, Chief Executive Officer and Chief Investment Officer of Stegner Investment Associates, Inc. (SIA). Mrs. Peabody co-founded SIA in 1994.

Mrs. Peabody graduated from the University of Pennsylvania in 1983 with a Bachelors of Arts/Economics.

She previous has served as a Vice President and Portfolio Manager with National City Trust Company from 6/90 to 12/93. From October 1983 to June 1990 she was an Assistant Vice President and Portfolio Manager with ASB Capital Management.

Mrs. Peabody is a Member of Association of Investment Management Research (AIMR) and a Member of Louisville Society of Financial Analysts.

- 28 Years Investment Consulting experience
- Graduate of Leadership Louisville Class of 2002 and Focus Louisville Class of 1999
- Board Member and Chair of the Investment Committee of the Community Foundation of Louisville
- Recent Board Member and Chair of the Finance Committee of the Thomas Merton Foundation.

Mrs. Peabody is a Registered Investment Representative with the SEC under the terms of the Investment Advisory Act of 1940.

Disciplinary Information

Mrs. Peabody has never been involved in a disciplinary event regarding the business of SIA.

There are no pending criminal charges against Mrs. Peabody.

Mrs. Peabody has never been involved in a violation of an investment-related statute or regulation.

Mrs. Peabody has never been the subject of a SEC related proceeding.

Mrs. Peabody has never been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.

Other Business Activities

Mrs. Peabody is not engaged in any other investment-related business.

Additional Compensation

Mrs. Peabody is compensated in the form of an annual salary and bonus based upon her job performance. She also is a majority shareholder of SIA and receives ownership distributions.

Supervision

Although Mrs. Peabody is the Chief Executive Officer of SIA her business and personal security transactions are reviewed by SIA's Chief Compliance Officer (CCO). The CCO of SIA is Tracey G. Trosper. Mrs. Trosper's office phone number is 502-895-0122

Requirements for State-Registered Advisers

Stegner Investment Associates, Inc. is a SEC registered adviser and not required to register with any state authorities.

Tracey G. Trosper

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3/2012

**FORM ADV PART 2B
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Educational Background and Business Experience

Mrs. Trosper was born on 10-23-1959. She is the Chief Compliance Officer and a Managing Director for Stegner Investment Associates, Inc. (SIA). Mrs. Trosper has been with SIA since October 1995. Mrs. Trosper is a minority shareholder of SIA.

Prior to joining SIA, Mrs. Trosper was an Assistant Vice President with National City Bank from October 1977 to September 1995. She served as the Lead Administrator for the Charitable Endowment Division.

- 31 Years as an Administrative Specialist
- Graduate of Focus Louisville Class of 2000
- Member of National Society of Compliance Professionals
- Served on the Louisville Zoological Planning and Bequest Committee
- Member of NAWBO (National Association of Women Business Owners)

Mrs. Trosper is a Registered Investment Representative with the SEC under the terms of the Investment Advisory Act of 1940.

Disciplinary Information

Mrs. Trosper has never been involved in a disciplinary event regarding the business of SIA.

There are no pending criminal charges against Mrs. Trosper.

Mrs. Trosper has never been involved in a violation of an investment-related statute or regulation.

Mrs. Trosper has never been the subject of a SEC related proceeding.

Mrs. Trosper has never been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.

Other Business Activities

Mrs. Trosper is not engaged in any other investment-related business.

Additional Compensation

Mrs. Trosper is compensated in the form of an annual salary and bonus based upon her job performance. As a shareholder of SIA, Mrs. Trosper also receives shareholder distributions.

Supervision

Mrs. Trosper's business and personal security transactions are reviewed by SIA's Chief Executive Officer (CEO). The CEO of SIA is Elizabeth Stegner Peabody. Mrs. Peabody's office phone number is 502-895-0122

Requirements for State-Registered Advisers

Stegner Investment Associates, Inc. is a SEC registered adviser and not required to register with any state authorities.

Ruth W. Trautwein

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**FORM ADV PART 2B
SUPPLEMENTAL BROCHURE**

Educational Background and Business Experience

Mrs. Trautwein was born on 7-9-81. She is an Associate with Stegner Investment Associates, Inc. (SIA). Mrs. Trautwein has been with SIA since August 2004.

Mrs. Trautwein graduated from St. Louis University with a Bachelors of Science in Finance.

Mrs. Trautwein became a Certified Financial Planner in July 2007.

Mrs. Trautwein is a Registered Investment Representative with the SEC under the terms of the Investment Advisory Act of 1940.

Disciplinary Information

Mrs. Trautwein has never been involved in a disciplinary event regarding the business of SIA.

There are no pending criminal charges against Mrs. Trautwein.

Mrs. Trautwein has never been involved in a violation of an investment-related statute or regulation.

Mrs. Trautwein has never been the subject of a SEC related proceeding.

Mrs. Trautwein has never been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.

Other Business Activities

Mrs. Trautwein is not engaged in any other investment-related business.

Additional Compensation

Mrs. Trautwein is compensated in the form of an annual salary and bonus based upon her job performance.

Supervision

Mrs. Trautwein's business and personal security transactions are reviewed by SIA's Chief Compliance Officer (CCO). The CCO of SIA is Tracey G. Trosper. Mrs. Trosper's office phone number is 502-895-0122

Requirements for State-Registered Advisers

Stegner Investment Associates, Inc. is a SEC registered adviser and not required to register with any state authorities.