

INVESTMENT ADVISORS OF INDIANAPOLIS, INC.

Firm Brochure
May 31, 2012

This brochure provides information about the qualifications and business practices of Investment Advisors of Indianapolis, Inc. If you have any questions about the contents of this brochure, please contact us at 317-574-8005 or email us at info@invadv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any states securities authority.

Investment Advisors of Indianapolis, Inc. 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 Investment Advisors of Indianapolis, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

for more information please feel free to contact us at;

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www.invadv.com

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 May 31, 2012 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 Jeff Vogel at 317-574-8005 or jeff@invadv.com. Our Brochure is also available on our web site www.invadv.com, also free of charge.

Additional information about Investment Advisors of Indianapolis, Inc. 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 Investment Advisors of Indianapolis, Inc. who are registered, or are required to be registered, as investment adviser representatives of Investment Advisors of Indianapolis, Inc..

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Advisory Business

We appreciate the opportunity to acquaint you with the services and personnel of Investment Advisors of Indianapolis. We provide fee-based professional portfolio management and investment supervisory services for our clients, ranging from individuals, trusts, churches, pension and profit sharing plans for self-employed professionals, businesses, company owners and their employees. The clients have various types of accounts including IRAs, IRA Rollover accounts, Living Trusts, Custodial accounts for minors as well as individual or joint accounts. We also manage funds for not-for-profits including churches.

We tailor our advisory services to the individual needs of the client including tax considerations of existing securities holdings and special requirements including the preference for tax free income producing securities versus taxable income securities. Clients may impose on restrictions on investing in certain securities or types of securities. (These requests must be in writing and added to our investment management agreement as an additional addendum).

We are long term investors using stocks and bonds in high quality companies with established track records to build portfolios for growth and income or equities for growth. We evaluate securities using fundamental analysis and information provided by company earnings reports, annual reports, industry research and analysts reports. We look for shareholder friendly managements that have a vested interest in delivering good returns to shareholders. Before we purchase securities we ask ourselves what would we be willing to pay for the entire business and why. This involves looking closely at the price we pay against and the prospects for returns based on products, brands, patents and sales and consumer trends. We are buying shares in a business and want to be rewarded as owners and partners with our clients and with the companies shares we buy.

Our fees are based on a percent of assets under management. See [Fees and Compensation](#) for our fee schedule below.

Investment Advisors of Indianapolis, Inc. was founded in 1990 by Mark Durham and Jeff Vogel, the current owners and executive officers. Hereinafter the term “we” or “IAI” shall refer to the company and its founders who are the majority owners and portfolio managers at the firm. IAI is a fee based Registered Investment Advisor or “RIA” company. We are incorporated as a Subchapter S Corporation under Indiana laws. As of May 31, 2012 we have 129 accounts and 37,728,712 dollars in assets under management on a discretionary basis. We have no accounts that we presently manage on a non-discretionary basis.

In selecting a firm to assist you in managing your money you'll want to review the Advisor's compatibility with your goals and objectives. We hope you'll have a better understanding of our approach to investing after you review this material. However, we welcome the oppor-

tunity to meet with you in person to tailor a program specific to your investment requirements.

Fees and Compensation

Investment Advisors of Indianapolis, Inc. Fee Schedule for Investment Supervisory Accounts:

Equity and balanced accounts are charged the following annual fee:

- 1.25% of the first \$250,000 in assets
- 1.00% of the next \$750,000 in assets
- .75% on the amount over \$1,000,000

Institutional fixed income accounts are charged the following annual fees, subject to a \$6000 minimum fee:

- .60% of the first \$1,000,000 in assets
- .30% of the amount over \$1,000,000

The fee is payable quarterly, in advance, and is calculated as one-fourth of the annual percentage rate of the latest quarterly account valuation. Fees are typically deducted directly from the account and reflected on client monthly or quarterly statements. For portfolios managed for only a portion of a quarter, the fee will be calculated for that quarter on a pro rata basis. No minimum fee is charged. We have provided performance measurement services for a negotiated price based on assets under management and the time required for preparing custom reports.

Investment supervisory contracts can be terminated at anytime by either party. Upon termination, any prepaid quarterly fee is refundable on a pro rata basis for the unearned period.

IAI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, 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 IAI's fee, and IAI shall not receive any portion of these commissions, fees, and costs.

Item 12, Brokerage Practices, (in this brochure) further describes the factors that IAI consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

These fee schedules are subject to negotiation.

Performance-Based Fees and Side-By-Side Management

Investment Advisors of Indianapolis, Inc. 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).

Types of Clients

IAI provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, trusts, charitable institutions, foundations and endowments.

Methods of Analysis, Investment Strategies and Risk of Loss

We are long term investors using stocks and bonds in high quality companies with established track records to build portfolios for growth and income or equities for growth. We evaluate securities using fundamental analysis and information provided by company earnings reports, annual reports, industry research, analysts reports. We look for shareholder friendly managements that have a vested interest in delivering good returns to shareholders. Before we purchase securities we ask ourselves what would we be willing to pay for the entire business and why. This involves looking closely at the price we pay against and the prospects for returns based on products, brands, patents and sales and consumer trends. We are buying shares in a business and as such want to be rewarded as owners and partners with our clients and managements of those companies we invest in.

Below is a look into our investment philosophy and how we think about and approach the investment process. All investing in securities involves risk of loss that clients should be prepared to bear.

Stock Selection - "Buy sound businesses at reasonable prices"

We firmly believe that profitable investment opportunities exist from time to time each year in the purchase of the common stock in well-established companies. In tracking a number of such companies closely we see the prices of their stock fluctuate far greater than the value of their underlying businesses. Wall Street traders are quick to sell such businesses when a single earnings report or news announcement presents a temporary disappointment in the future outlook of such a company. Yet the examination of many of these companies historical records presents a strong case for the superior management capability and product strengths to warrant purchase at the right price. Our job is to seek out and purchase such companies for our clients when our research validates that the price is low relative to the business value. Having done such work for a number of years, we have found certain characteristics in common among the companies which have consistently provided the best investment returns for our clients. These companies typically possess most or all of the following:

"Margin of Safety"

Investments are made at a significant discount to intrinsic value, normally 40% - 50%, which Graham called an investors "margin of safety." This principle uses a contrarian approach to investment, forcing the purchase of securities in general price decline, and conversely forcing sales as stocks achieve unrealistically high valuations.

"Intrinsic Value"

The investment management principles practiced by our company derive from the work of the late Benjamin Graham, author of *Security Analysis*. Our research seeks to appraise the worth of a company, what Graham called "intrinsic value," by determining its acquisition value, or by estimating the collateral value of its assets and/or cash flow. The process is more closely related to credit analysis, for as Will Rogers once said, "I'm more concerned about the return of my money than the return on my money."

We first look at companies and their business prospects for the foreseeable future. We then ask ourselves, "if we could buy the whole company, would we and at what price." This leads to our value analysis, which is mainly an effort to really understand the cash-flow of the company. Excess cash-flow provides opportunities for debt-repayment, share repurchases, capital expenditures to grow the business, and/or dividend growth for the benefit of all shareholders. This long-term look at the company from an ownership position leads to rather long holding periods and steady annual portfolio progress.

Dominant Market Niche or Unique Franchise

If you could own the perfect business it would be a monopoly. With no competition you could set prices at any level you chose, and if people had to have your product they would pay the price. You would not have to worry about poor management, bad marketing, cost controls or other basic business considerations. Fortunately, the government regulates the prices monopolies such as your local electric utility or the phone company can charge; consequently, true monopolies are a thing of the past. However, a number of corporations have over long periods of time created consumer franchises with limited competition. In other words, their products are readily identified by the consuming public or they have unique and limited territories which would be virtually impossible to duplicate by a potential competitor.

We first look at companies and their business prospects for the foreseeable future. We then ask ourselves, “if we could buy the whole company, would we and at what price.” This leads to our value analysis, which is mainly an effort to really understand the cashflow of the company. Excess cashflow provides opportunities for debt-repayment, share repurchases, capital expenditures to grow the business, and/or dividend growth for the benefit of all shareholders. This long-term look at the company from an ownership position leads to rather long holding periods and steady annual portfolio progress.

Going forward we will focus our energies and efforts on determining which businesses to invest in (good businesses), with whom (shareholder oriented managements) and at what price (margin of safety).

Disciplinary Information

No Advisory Affiliate of IAI has ever been charged or convicted of violating any securities laws. No federal regulatory agency including the Securities and Exchange Commission, The Commodity Futures Trading Commission, or any state regulatory agency has ever accused any Advisory Affiliate of IAI or found guilty of violation of any of its regulations or statutes. No licenses or registrations have ever been denied or any Advisory affiliate restricted in their activities or disciplined for violations of investment regulations or statutes.

Other Financial Industry Activities and Affiliations

Some investment advisors are involved in other businesses as well including;

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- investment company or other pooled investment vehicle (including a mutual fund, closed-end fund)
- other investment adviser or financial planner
- futures commission merchant, commodity pool operator, or commodity trading advisor
- banking or thrift institution
- accountant or accounting firm
- lawyer or law firm
- insurance company or agency
- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships.

We have no such other businesses or potential conflicts of interest with our clients, where selling another product or service may be involved or more lucrative . We are not actively engaged in any other business other than giving investment advice. We do not sell products or provide services other than provide investment advice to our advisory clients.

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

The Securities and Exchange Commission adopted a rule (204A-1) requiring SEC-registered investment advisers to adopt and enforce codes of ethics that establish standards of conduct expected of supervised persons and reflect the adviser's fiduciary duties.

IAI has adopted the practice and principles of The Code of Ethics Rule and has a written policy describing IAI's high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client 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. All supervised persons at Investment Advisors of Indianapolis, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

IAI anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which IAI has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which IAI, its affiliates and/or clients, directly or indirectly, have a position of interest. IAI's employees and persons associated with IAI are required to follow IAI's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of IAI and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for IAI's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of IAI will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of IAI's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between IAI and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an

aggregated basis when consistent with IAI's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. IAI will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

IAI's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jeff Vogel.

It is IAI's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. IAI will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Brokerage Practices

Brokers are selected by Investment Advisors of Indianapolis, Inc. to execute securities transactions based on their market making abilities, their commission costs, and the quality and capability of their trading execution. In addition, brokers are selected for the following reasons:

- The client wishes to compensate a broker for special services provided by the broker such as performance monitoring reports or other advice.
- To compensate the broker for special services including research services provided to Investment Advisors of Indianapolis, Inc. These services include written research reports on companies, industries, and the economy and/or meetings or discussions with the firm's analysts. Other services they may provide include software or computer database research services. In recognition of the research services provided, Investment Advisors of Indian-

apolis, Inc. may pay commissions in excess of the minimum commissions which another broker may charge for the same transaction. These commission costs for research services may be used in servicing other accounts which Investment Advisors of Indianapolis, Inc. manages. Likewise, not all services provided by a broker may be used in connection with the account that incurred the commission cost.

Overall, Investment Advisors of Indianapolis, Inc.'s clients, typically receive discounts on brokerage commissions that Investment Advisors of Indianapolis, Inc. believes approximate industry averages.

In most cases there are no limitations on Investment Advisors of Indianapolis, Inc.'s authority to effect investment or brokerage decisions, except as agreed upon with the individual client.

Brokerage for Client Referrals.

This term refers to compensating brokers by placing trades with them and thereby the broker receives compensation in the form of trading commissions for clients they refer to our company. We do not have any client or broker relationships of this nature at this time. It is not an illegal or unethical business practice but it does present potential conflicts of interest.

We are required to disclose this practice and discuss the potential conflicts of interest it creates. Client's should be aware that an advisor may have an incentive to select or recommend a broker-dealer based on their interest in receiving client referrals rather than the client receiving the most favorable brokerage trade execution.

Directed Brokerage

We do not routinely recommend, request or require that the client direct us to compensate certain brokers by executing transactions through a specific broker dealer. Clients should be aware that by directing brokerage the client may be unable to achieve the most favorable execution of client transactions and that this practice may cost clients more money.

Review of Accounts

All accounts are reviewed on a daily basis for the prior day's transactions, dividends, and cash deposits and withdrawals. Each account is reviewed for overall portfolio design and ob-

jective on a monthly basis. Individual accounts and/or specific securities are often reviewed more frequently than once a month.

The individual securities held in client accounts are constantly monitored with respect to pricing, earnings, dividends and other fundamental data since buy and sell decisions are based to some extent on the market pricing in relation to the value the manager determines as a fair value for the company. As such, market or corporate events may trigger reviews of specific securities with respect to appropriate purchases or sales. Other factors that may trigger a change in the portfolio include, but are not limited to: changes in the fundamentals of the company, personal contact with management, reports from brokerage firms and key industry analysts, corporate press releases, general market, economic and world conditions, and the particular needs of the Client at a given moment in time.

All accounts are reviewed by Mark R. Durham, Co-Owner and Portfolio Manager, and Jeffrey A. Vogel, Co-Owner and Portfolio Manager.

All clients receive monthly account statements provided from the account custodian (either bank or brokerage firm statements). Client also receive all trade confirmations detailing Buys and Sells and commissions paid within days of trades depending on postal mail delivery. Clients can also choose to access their account via the internet.

In addition, we meet with clients periodically to review their accounts and may provide special written reports regarding their securities holdings, cash position, cost basis or performance. These meetings occur at times agreed upon with clients.

Client Referrals and Other Compensation

We have never compensated any solicitor for any client referrals. We are not a broker deal and do not get paid from any source (such as commissions) other than the advisory fees we charge.

If necessary we, Investment Advisors of Indianapolis, Inc., have a written agreement that details referral arrangements between third party solicitors and the firm. Investment Advisors of Indianapolis, Inc. requires solicitors to provide a prospective client with a copy of the firm's brochure as defined in Rule 204-3 under the Investment Advisors Act of 1940, and a separate written disclosure statement that discloses that the solicitor will be compensated, along with the terms of that compensation, for his referral if the prospective client becomes a client of Investment Advisors of Indianapolis, Inc. Prior to, or at the time the prospective client enters into an investment advisory relationship with Investment Advisors of Indian-

apolis, Inc., the client is required to sign and date an acknowledgement that the client received the firm's brochure and the solicitor's written disclosure document.

Custody

We do not provide or have custody of any client funds or securities. All accounts we manage have their funds and securities held at a broker such as Fidelity Investments, Charles Schwab and Company or Merrill Lynch. Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account.

The custodian firm maintains actual custody of your assets. You will receive account statements directly from them at least quarterly. They will be sent to the email or postal mailing address you provided to them. You should carefully review those statements promptly when you receive them. We also urge you to compare their account statements to any the periodic portfolio reports you receive from us.

These brokers also provide SIPC insurance on the accounts. This type of arrangement helps prevent fraud or Ponzi schemes where "phony" statements are issued by the Investment Advisor as was the case with Bernard Madoff and his company and the largest Ponzi scheme in history.

Investment Discretion

IAI 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. Our Investment Management Agreement signed by clients includes the language granting such authority. This is also required and included in account agreements with the client and their custodian/broker-dealer in order to allow us to execute trades.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. In most cases there are no limitations on Investment Advisors of Indianapolis, Inc.'s authority to effect investment or brokerage decisions, except as agreed upon with the individual client.

When selecting securities and determining amounts, IAI observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment

companies, IAI's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to IAI in writing.

Voting Client Securities

As a matter of firm policy, IAI does not have require or request any authority to and does not vote proxies on behalf of advisory clients. Client's have the option when establishing a new account with our preferred custodian brokers of granting such authority to IAI. As a practical matter, in such cases, IAI will vote with management on proxy matters. Our belief and practice is that management is an important consideration in evaluating the quality of the companies we invest in and if we have concerns that management will not act in the best interest of shareholders we should probably not own their stock or bonds.

Clients may obtain a copy of IAI's complete proxy voting policies and procedures upon request. Clients may also obtain information from IAI about how we voted any proxies on behalf of their account(s).

Clients can retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. IAI may provide advice to clients regarding the clients' voting of proxies.

Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about IAI's financial condition. IAI 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.

We do not require or solicit prepayment of fees per client, six months or more in advance nor do we provide custody services for clients, nor are we a sole proprietorship. Therefore we are not including a balance sheet for our most recent fiscal year.

Requirements for State-Registered Advisers

EDUCATION AND BUSINESS BACKGROUND

The education and business standards an investment professional associated with Investment Advisors of Indianapolis, Inc. is required to possess are:

- (1) A college degree
- (2) A minimum of five years experience in the investment industry.

Mark R. Durham and Jeffery A. Vogel are the principal executive officers of Investment Advisors of Indianapolis, Inc. Below are their business and education backgrounds

Mark Richard Durham Born 9/10/54

Education: Southern Illinois University B.S. 1976
 Carbondale, IL
 Major: Business

 Southern Illinois University MBA 1977

Business: Investment Advisors of Indianapolis, Inc.
 President: 10/90 - present

 Smith Barney, Indianapolis, IN
 Vice-president: 8/88 - 10/90

 E.F. Hutton, Indianapolis, IN
 Vice-president: 1/83 - 8/88

 U. S. Navy, Norfolk, VA
 Naval Officer (Supply Corp.) 9/77 - 12/82

Jeffrey Alan Vogel Born 7/30/55

Education: General Motors Institute B.S. 1978
 Detroit, MI

Major: Management

Business: Investment Advisors of Indianapolis, Inc.
Executive Vice President: 1/91 - present

Prescott Ball & Turben, Indianapolis, IN
Stockbroker: 3/88 - 1/91

Moseley Securities, Indianapolis, IN
Stockbroker: 11/84 - 3/88

Paine Webber, Indianapolis, IN
Stockbroker: 3/80 - 11/84