

EFFICIENT MARKET ADVISORS, LLC

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March 31, 2011

This Brochure provides information about the qualifications and business practices of Efficient Market Advisors, LLC. If you have any questions about the contents of this Brochure, you may contact us at (858) 847-0690, or email info@efficient-portfolios.com to obtain answers and additional information. Efficient Market Advisors, LLC is a registered investment advisor with the Securities and Exchange Commission (SEC). Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission.

Additional information about Efficient Market Advisors, LLC 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 March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide Clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

We will ensure that you receive a summary of any material 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 and 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 Susan King at (858) 847-0690 or by email to sking@efficient-portfolios.com.

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Item 4 – Advisory Business

- A** Efficient Market Advisors, LLC (“EMA” “we” “us” and “Advisors”) is a California Limited Liability Company registered as an independent, fee-only, SEC-registered investment advisor under the laws of the Securities and Exchange Commission, with our principal place of business located in Del Mar, California. EMA began conducting business as an independent investment advisory firm in 2004. Herb W. Morgan is the President, Chief Investment Officer and majority owner of EMA.
- B, C** We offer a wide range of investment advisory services to its Clients with a focus on the use of multiple exchange traded funds (ETFs) with periodic rebalancing. Advice and services are tailored to the stated objectives of the Client.

PORTFOLIO CONSTRUCTION

We utilize fifteen Portfolio models which have been constructed using Strategic, Tactical, and Opportunistic Asset Allocation Techniques. Asset allocation is the primary determinant of a portfolio's return. EMA's investment philosophy emphasizes top down, macroeconomic research in creating an active asset allocation strategy. This strategy is implemented through fifteen unique time and risk based portfolios. Passive security selection is the use of an index based vehicle to gain diversified exposure to a desired asset class or category

Asset Classes and Categories may include:

- Equities (Stocks)
 - US or Foreign Large Cap, Mid Cap, Small Cap, Real Estate Investment Trusts (REITs), Sector or Industry as well as Emerging Markets
- Fixed Income (Bonds)
 - Investment Grade, High Yield (Junk), Preferred Stocks, Foreign or Domestic Government and Agency Bonds, Emerging Market Bonds
- Alternative Investments (Absolute Return)
 - Commodities, Precious Metals, Currencies, Timber, Agriculture, Managed Futures, Hedge Fund Replication, Arbitrage and Others
- Cash
 - Money Market, Bank Deposits, or equivalents

REBALANCING A PORTFOLIO

Rebalancing is the process of selling portions of ones investment in a particular asset class or security that has grown as a percentage of the portfolio to a level beyond its intended or target allocation. Proceeds from re-balancing sales are used to buy additional portions in another asset class or security that has fallen below its intended target allocation.

- D** We do not participate in any wrap-fee programs.
- E** We manage \$177,636,685.60 of Client assets on a discretionary basis. This amount was calculated as of March 12, 2011.

Item 5 – Fees and Compensation

- A** We are a fee-only investment advisory firm, meaning we are compensated only by a percentage of the Client assets we manage and do not receive compensation or commissions from any other parties. We believe this method of compensation minimizes conflicts of interest.

In consideration for our services Clients pay us a fee quarterly in advance, with payment due within 10 days from the date of the invoice. Fees will be equal to the agreed upon rate per annum, times the market value of the account, divided by the number of days in the agreed upon year and multiplied by the number of days in the quarter. The market value will be construed to equal the sum of the values of all assets in the account, not adjusted by any margin debt.

Compensation for our services is calculated in accordance with “Schedule A” of the Investment Advisory Agreement (IAA) entered into with each Client when we begin our professional relationship. The IAA may be amended from time to time by us upon 30-days prior written notice to Client.

MAXIMUM PERMITTED FEE SCHEDULE

Schedule A

<u>Assets</u>	<u>Maximum Annual Fee</u>
\$ 0 to \$500,000	2.00%
\$500,000 to \$1 million	1.75%
\$1 million to \$2.5 million	1.50%
\$2.5 million or more	Negotiable

For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities shall be priced using a pricing service or through quotations from one or more broker dealers. All other assets shall be valued at fair value by EMA whose determination shall be conclusive.

- B** Our fees may be paid directly to us from the account by the custodian holding a Client’s assets upon submission of an invoice to the custodian showing the amount of fees, the value of the Client’s assets on which the fees are based, and the specific manner in which the fees

are calculated. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account. Copies of the fee invoices will be mailed to each Client as required. Clients bear the responsibility for verifying the accuracy of fee calculations.

- C** In addition to our fee, Clients may be required to pay a proportionate share of any ETF fees brokerage commissions, stock transfer fees, and other similar charges incurred in connection with transactions for their account. These fees are paid out of the assets in a Client's account and are in addition to the investment management fees paid to us.
- D** Fees for partial quarters at the commencement or termination of this Agreement will be billed or refunded on a pro-rated basis contingent on the number of days the account was open during the quarter. Quarterly fee adjustments for additional assets received into the account during a quarter will also be provided on the above pro rata basis.
- E** As referenced in Item 4 above, we are a fee-only investment advisory firm paid on a percentage of Client assets managed or a flat fee. This means that no supervised person associated with us receives or accepts any compensation for the sale of securities or investment products.

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

We do not charge any performance-based fees for our services. Accordingly, this Item is not applicable to our firm.

Item 7 – Types of Clients

We provide investment advice to the following types of Clients:

- Individuals
- Corporations
- Pension and Profit Sharing Plans
- Trusts, Estates or Charitable Organizations

As a condition of managing Client accounts we generally require an initial and on-going minimum account value of \$100,000. We reserve the right to waive this requirement.

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

- A** Our investment process, rooted in academia and nurtured by real world experience, contains strategic, tactical and opportunistic elements.

Strategic Asset Allocation considers an investor's time horizon and the historical interrelation of asset class prices irrespective of the current macro economic environment or the state of the business cycle. EMA uses this historical perspective to create the base upon which our investment thesis and opinions are implemented.

Tactical Asset Allocation is the process whereby a money manager implements their macro economic view by adjusting upward or downward the various asset class weightings in a portfolio. Efficient Market Advisors uses a top down approach which considers multiple variables including relative valuation, economic cycle positioning, interest rate spreads, monetary and fiscal policy, political factors, yield curve analyses, industry and sector valuations.

Opportunistic Investing recognizes that unexpected events occur periodically in capital markets. These events generally manifest themselves in the form of an extreme over or under valuation of an asset class, sector or industry. EMA believes there is an opportunity to add "alpha" or "value" to an investor's portfolio by maintaining sufficient flexibility and the willingness to act when such scenarios present themselves.

- B** We will use our best judgment and good faith efforts in rendering services to our Clients. We cannot warrant or guarantee any particular level of account performance, or that any account will be profitable over time. Not every investment decision or recommendation made by us will be profitable. Clients assume all market risk involved in the investment of account assets invested with us and understand that investment decisions made for this account are subject to various market, currency, economic, political and business risks.

Except as may otherwise be provided by law, we are not liable to Clients for:

- Any loss that a Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use;
- Any and all losses that a Client may suffer that arise from any outside business activities conducted by Solicitors or non-employee investment advisor representatives of Advisor, including but not limited to losses from any insurance or commission based product or any other financial advice or recommendations not involving ETF portfolio management;

- Any loss arising from our adherence to a Client's instructions; or
- Any act or failure to act by a custodian of a Client's account.

The above language does not relieve us from any responsibility or liability we may have under the Advisers Act of 1940 or any applicable state statutes.

It is the responsibility of each Client to give us complete information and to notify us of any changes in financial circumstances or goals.

- C** While all investing involves risks of loss, our advisory services generally recommend use of, ETFs which do not involve significant or unusual risks.

Item 9 – Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. We have no information to disclose applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Herbert W. Morgan is also the CEO of Morgan Financial Enterprises, Inc., general partner to a limited partnership engaged in real estate development. The limited partnership is not soliciting new investors.

Mr. Morgan also serves as a member of the Board of Administration of the San Diego City Employees Retirement System (SDCERS) where he is a member of the Investment Committee.

From time to time, Mr. Morgan acts as a consultant for unrelated investment advisory firms and charges a flat fee for such services when provided.

**Item 11 – Code of Ethics, Participation or Interest in Client Transactions
& Personal Trading**

- A** We have adopted a Code of Ethics which all employees are required to follow. The Code of Ethics outlines proper conduct related to all services provided to Clients. Prompt reporting of internal violations is mandatory. A copy of the Code of Ethics is available to any Client upon request.
- B-D** EMA or individuals associated with EMA may buy and sell some of the same securities for its own account that we buy and sell for our Clients. While this practice has the potential for causing a conflict of interest, that conflict of interest is mitigated because such transactions are made in conjunction with implementation of the asset allocation strategy of the fifteen portfolios. The potential conflict of interest is further mitigated by EMA's use of passive security selection. Accordingly, any potential risk of a Client being disadvantaged by this activity is greatly diminished.

We will disclose to Clients material conflicts of interest which could reasonably be expected to impair the rendering of unbiased and objective advice.

Item 12 – Brokerage Practices

A Although Clients may direct us to use a broker-dealer of their choosing, we generally recommend that Clients open brokerage accounts with TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“TDA”) member FINRA/SIPC. TD AMERITRADE is an unaffiliated SEC-registered broker-dealer and FINRA member. In recommending broker-dealers, we seek to obtain “best execution,” meaning that we seek to execute securities transactions for Clients so that the total costs or proceeds in each transaction are the most favorable under the circumstances. The factors we consider when evaluating for best execution include:

- Execution capability;
- Commission rate;
- Financial responsibility;
- Responsiveness;
- Custodian capabilities;
- The value of any research services/brokerage services provided; and
- Any other factors that we consider relevant.

However, if the Client selects the broker-dealer of their own choosing, we may be unable to seek best execution of your transactions, and your commission costs may be different than those of our recommended broker-dealers. In addition, we may place your transactions after we place transactions for Clients using our recommended broker-dealers.

A.1 As referenced above, we participate in the TD AMERITRADE Institutional program. TD AMERITRADE is an unaffiliated SEC-registered broker-dealer and FINRA member which offers independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions.

Through our participation in the program, TD AMERITRADE also provides us with the following products, services and assistance:

- Products that allow us to download account information place and allocate trades, and submit advisory fees to TDA;
- Research, which we may use to service all accounts, including accounts that do not necessarily execute trades with TDA;

- While do not pay a fee for these products/services, all Client accounts may not be the direct or exclusive beneficiary of such products/services;
- Receipt of duplicate Client statements and confirmations;
- Research related products and tools;
- Consulting services;
- Access to a trading desk serving advisor participants;
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts);
- The ability to have advisory fees deducted directly from Client accounts;
- Access to an electronic communications network for Client order entry and account information;
- Access to conferences and educational meetings with product sponsors;
- Access to mutual funds with no transaction fees and to certain institutional money managers; and
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to EMA by third party vendors.

Other services made available by TD AMERITRADE are intended to help us manage and further develop our business and do not depend on the amount of brokerage transactions directed to TD AMERITRADE. As part of our fiduciary duties to Clients, we endeavor at all times to put the interests of its Clients first. However, Clients should be aware that our receipt of economic benefits creates a potential conflict of interest and may indirectly influence our choice of TD AMERITRADE for custody and brokerage services.

- B** EMA is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and other transactions in the same or similar securities or instruments for other Clients of ours. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price so obtained.

Item 13 – Review of Accounts

- A** EMA regularly reviews the status of all securities in Client accounts. An overall assessment is performed on at least a quarterly basis. All reviews are based on Clients' stated investment objectives.
- B** More frequent reviews may be triggered by a change in Client's investment guidelines; tax considerations; large deposits or withdrawals; large security sales or purchases; loss of confidence in corporate management objectives; or a change in opinion of particular securities or markets.
- C** Clients receive standard account statements from the custodian of their accounts on a monthly basis. Additionally, we provide Clients with performance reports on a quarterly basis

Item 14 – Client Referrals and Other Compensation

From time to time, we may enter agreements with individuals in which they receive a portion of the net asset management fees for Clients they refer to us for asset management services. This arrangement is commonly referred to as “Solicitor” arrangement. Any solicitor arrangement(s) we have with another party is in compliance with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940 (the “Act”).

Please note that EMA has no supervisory duties over any Solicitors and we are only responsible for those investments we have actually been engaged to manage, namely ETF portfolios. Accordingly, any and all other financial advice and recommendations that may be made by a Solicitor, including but not limited to losses from any insurance or commission based product recommendations, is neither the responsibility of nor warranted by EMA in anyway whatsoever.

Any Solicitor referral arrangement between EMA and a third-party will be in writing and set forth the following:

- The scope of the Solicitor’s activities;
- A covenant that the Solicitor will perform its activities consistent with EMA’s instructions and in compliance with the Act and associated rules; and
- A covenant that the Solicitor will provide the end Client with:
 - A copy of EMA’s Form ADV Part 2A Brochure, and
 - A separate written solicitor disclosure.

The separate written Solicitor disclosure must include the following information:

- The name of the Solicitor;
- The nature of the relationship between the Solicitor and EMA;
- A statement that the Solicitor will be compensated by EMA for the referral; and
- The amount the Client will be charged in addition to the advisory fee (if any).

We will not engage any Solicitors who are disqualified from acting as a Solicitor under Section 203 of the Act. For example, EMA will not pay a Solicitor a referral fee to any person who has been barred or prohibited from acting as an investment advisor or broker-dealer, or convicted within the past ten years of certain felonies or misdemeanors.

Additionally, EMA participates in the TD AMERITRADE AdvisorDirect referral program. EMA may also receive Client referrals from TD AMERITRADE through our participation in TD AMERITRADE AdvisorDirect (the “referral program”). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we have been selected to participate in AdvisorDirect based on the amount and profitability to TD AMERITRADE of the assets in, and trades placed for, Client accounts maintained with TD AMERITRADE. TD AMERITRADE has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD AMERITRADE does not supervise EMA and has no responsibility for EMA’s management of Client portfolios or EMA’s other advice or services. EMA pays TD AMERITRADE an on-going fee for each successful Client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that a Client pays to EMA (“Solicitation Fee”). EMA will also pay TD AMERITRADE the Solicitation Fee on any advisory fees received by EMA from any of a referred Client’s family members, including a spouse, child or any other immediate family member who resides with the referred Client and hired EMA on the recommendation of such referred Client. EMA will not charge Clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its Clients or otherwise pass Solicitation Fees paid to TD AMERITRADE to its Clients. For information regarding additional or other fees paid directly or indirectly to TD AMERITRADE, please refer to the TD AMERITRADE AdvisorDirect Disclosure and Acknowledgement Form that is delivered to Clients who are referred to EMA by TD AMERITRADE under the program.

Our participation in AdvisorDirect raises potential conflicts of interest. TD AMERITRADE will most likely refer Clients through AdvisorDirect to investment advisors that encourage their Clients to custody their assets at TD AMERITRADE and whose Client accounts are profitable to TD AMERITRADE. Consequently, in order to obtain Client referrals from TD AMERITRADE, EMA may have an incentive to recommend to Clients that the assets under management by EMA be held in custody with TD AMERITRADE and to place transactions for Client accounts with TD AMERITRADE. In addition, EMA has agreed not to solicit Clients referred to it through AdvisorDirect to transfer their accounts from TD AMERITRADE or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. EMA’s participation in AdvisorDirect does not diminish its duty to seek best execution of trades for Client accounts. EMA mitigates this potential conflict of interest by striving to always place the interest of each Client ahead of the interests of EMA.

Item 15 – Custody

Except for having the ability to deduct fees from Client accounts, EMA does not have custody of the assets in the account and shall have no liability to Clients for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount of such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. Clients understand that SIPC provides only limited protection for the loss of property held by a broker-dealer.

Item 16 – Investment Discretion

Except as otherwise instructed, Clients grant us ongoing and continuous discretionary authority to execute its investment recommendations in accordance with our Investment Policy Statement (or similar document used to establish Client's objectives and suitability), without the Client's prior approval of each specific transaction. Under this authority, Clients allow EMA to purchase and sell securities and instruments in this account, arrange for delivery and payment in connection with the foregoing, and act on behalf of the Client in most matters necessary or incidental to the handling of the account, including monitoring certain assets. Clients will execute instructions regarding our trading authority as required by each custodian.

In some limited circumstances, Clients grant us non-discretionary authority to execute its investment recommendations in accordance with our Investment Policy Statement (or similar document used to establish Client's objectives and suitability) and the directions and preferences provided to us by the Client. Non-discretionary authority requires us to obtain a Client's prior approval of each specific transaction prior to executing investment recommendations.

Item 17 – Voting Client Securities

Unless specifically directed otherwise in writing by a Client, we are not authorized to receive and vote proxies on issues held in the account or receive annual reports.

Item 18 – Financial Information

- A** Under no circumstances will Efficient Market Advisors solicit or require prepayment of more than \$1,200, six months or more in advance, from any Client for advisory services.
- B** Other than having the ability to deduct fees from Client accounts, we do not have custody of Client's funds or securities. We do manage Client assets on a discretionary basis, however, we have no financial commitments which would impair our ability to meet the contractual and fiduciary commitments to our Clients.
- C** We have never been the subject of any bankruptcy proceedings.