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3/30/2011

**FORM ADV PART 2  
BROCHURE**

This brochure provides information about the qualifications and business practices of Gebhart & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at (760) 731-9441. 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.

Additional information about Gebhart & Associates, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Gebhart & Associates is 123029

Gebhart & Associates, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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## Advisory Business

Form ADV Part 2A, Item 4

### **Description of Services and Fees**

We are a registered investment adviser based in Fallbrook California. We are organized as a corporation under the laws of the State of California. We have been providing investment advisory services since 1998. Alvin W. Gebhart and Donna T. Gebhart are our principal owners. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Portfolio Management Services
- Financial Planning Services
- Selection of Other Advisers
- Pension Consulting Services

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words “we”, “our” and “us” refer to Gebhart & Associates and the words “you”, “your” and “client” refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm.

### **Portfolio Management Services**

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients’ needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the “suitability information”) at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio’s performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney, or trading authorization forms. Our portfolio management services do not allow for you to limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account).

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

<b>Assets Under Management</b>	<b>Annual Fee*</b>
First \$1,000,000	1.75%
\$1,000,001 - \$2,000,000	1.40%
\$2,000,001 - \$4,000,000	1.00%
Assets in excess of \$4,000,000	Negotiable

\*Fee arrangements with past and current clients may differ from the above schedule. Client referrals may pay a

lower fee.

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We send you an invoice showing the amount of the fee, the value of the assets on which the fee is based, and the specific manner in which the fee was calculated.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

You may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian please call our main office number located on the cover page of this brochure.

### ***Financial Planning Services***

We offer broad-based, modular, and consultative financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities

transactions with any brokerage firm.

We charge a fixed fee for financial planning services, which generally ranges between \$1,000 - \$3,000. The fee is negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives.

If you only require advice on a single aspect of your finances, we offer modular financial planning/general consulting services on an hourly basis. Our rate for such services is \$150 per hour and is negotiable depending on the scope and complexity of the plan, your financial situation, and your objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you in advance and request that you approve the additional fee.

Fees are due upon completion of services rendered. We do not require prepayment of a fee more than six months in advance and in excess of \$500.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement.

### ***Pension Consulting Services***

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include any one or all of the following:

- a) *Existing Plan Review* – A plan review is a comprehensive exam of major components of the client's retirement plan in order to identify strengths and weaknesses. The review can cover such areas as overall plan structure, related costs, and plan documentation.
- b) *Investment Policy Statement* – Gebhart & Associates assists the client in the formation and/or continued maintenance of its investment policy statement to help ensure that the plan's investment selections are appropriate based on current market conditions. Additionally, Gebhart & Associates will evaluate the investment selection to optimize the offerings made to plan participants.
- c) *Communication & Education* - Gebhart & Associates will help its clients coordinate and deliver meaningful information regarding the retirement plan to its participants.
- d) *Investment Performance Monitoring/Ongoing Consulting* – Gebhart & Associates will also provide periodic investment reviews of the plan's investments to ensure suitability of investments and conformity with the plan's investment policy statement. In some instances, where Gebhart & Associates determines that current plan investments are under performing "the market", the firm will make general, and occasionally specific, recommendations as to re-balancing of plan assets in various investment media, including mutual funds and non-securities investments.
- e) *Asset Management Services* – Gebhart & Associates will offer continuous asset management services based on the overall pooled assets of the plan.

These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

Plan evaluation and review services are offered based on our non-negotiable hourly rate of \$150. Such fees are payable upon completion of the contracted services.

Where Gebhart & Associates provides asset management services, the annualized fee is based on the tiered fee schedule as set forth above under the portfolio management section of this brochure.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents. Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

Either party to the pension consulting agreement may terminate the agreement upon written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

### **Types of Investments**

We offer advice on equity securities, corporate debt securities, certificates of deposit, municipal securities, investment company securities, US Government securities, options contracts on securities and interest in partnerships investing in real estate, oil and gas interests, and others.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

### **Assets Under Management**

As of 12/31/2010, we manage \$19,056,780 in client assets on a discretionary basis.

## ***Fees and Compensation***

Form ADV Part 2A, Item 5

Please refer to the "Advisory Business" section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

### **Compensation for the Sale of Other Investment Products**

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

At our discretion, we may offset our advisory fees to the extent our Associated Persons earn commissions in their separate capacities as insurance agents.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written

notification of the material conflicts of interest or an updated Disclosure Brochure.

### ***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

### ***Types of Clients***

Form ADV Part 2A, Item 7

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum of \$150,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you have been referred to us or you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

### ***Methods of Analysis, Investment Strategies and Risk of Loss***

Form ADV Part 2A, Item 8

#### **Our Methods of Analysis and Investment Strategies**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis – involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis – a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Option Writing – a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

### **Investment Strategy/Methods of Analysis - Material Risks**

Client assets are advised using Charting and Technical Analysis, Fundamental Analysis and Cyclical Analysis. The risks in using these methods of analysis are as follows:

Charting and Technical Analysis - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Cyclical Analysis - Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

We may use investment strategies that involve buying and selling options on a monthly basis in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Our firm uses the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any

guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend many types of securities. However, we primarily recommend exchange traded funds ("ETFs"), mutual funds, equities or common stock, options, corporate bonds and Real Estate Investment Trusts ("REITS"). Security selection for your portfolio will depend upon you and the types of investments that are appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

A real estate investment trust or REIT is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012 the IRS will stop permitting stock dividends. Most REITs must refinance or erase large balloon debts this year and next. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

Options and warrants give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime

of a typical option is measured in months.

### ***Disciplinary Information***

Form ADV Part 2A, Item 9

Pursuant to California Code of Regulations, 10 CCR Section 260.235.4 and the requirements of ADV 2A, Gebhart & Associates hereby makes the following disclosure:

On February 5, 2004, an NASD (now known as FINRA) Panel found that the Gebharts offered and sold unregistered securities, through negligent material omissions, without providing written notice to, or obtaining prior approval from, their employer. The Panel suspended Alvin Gebhart in all capacities for one year and fined him \$100,000; and suspended Donna Gebhart for seven months in her capacity as a general securities representative and fined her \$7,500. The Hearing Panel also ordered the Gebharts to pay costs of \$5,141.21.

The NASD National Adjudicatory Council ("NAC") Sub Committee reviewed the Panel's decision and on May 24, 2005, ruled that that Mr. Alvin W. Gebhart and Ms. Donna T. Gebhart were found to have offered and sold unregistered securities that were not exempt from registration, without providing written notice to or obtaining prior approval from their employer and recklessly omitted material facts in connection with the sale of these securities.

Alvin W. Gebhart and Donna T. Gebhart appealed the decision of the NAC on June 14, 2005 to U.S. Securities and Exchange Commission. On January 18, 2006, the Securities and Exchange Commission upheld the ruling of the NAC. On or about February 18, 2006, Alvin W. Gebhart and Donna T. Gebhart appealed, in part, the decision of the Securities and Exchange Commission to the United States Court of Appeals for the Ninth Circuit.

On or about November 21, 2007, the United States Court of Appeals for the Ninth Circuit reversed the SEC's scienter determinations with respect to Section 10(b), Rule 10b-5 and NASD Conduct Rule 2120. The Court of Appeals vacated the sanctions imposed against the Gebharts based thereon and remanded the issue to the SEC for further findings. The Court ruled that the Gebharts' claims of error with respect to NASD conduct rule 3040 were without merit.

On or about November 14, 2008, on remand, the U.S. Securities and Exchange Commission held that the Gebharts conduct did satisfy the definition of recklessness and sustained the NASD's (now known as FINRA) finding of liability and the sanctions imposed thereon. On or about December 2, 2008, the Gebharts filed a Petition For Review of the SEC's decision, in the United States Court of Appeals for the Ninth Circuit.

On or about February 17, 2010, the United States Court of Appeals for the Ninth Circuit denied the Gebharts' Petition for Review. The Gebharts sought further review from the U.S. Supreme Court via Writ of Certiorari. On or about June 21, 2010, the U.S. Supreme Court denied the Writ of Certiorari filed by the Gebharts.

Through the efforts of the Gebharts, a total of 84% of the clients' funds were returned to them. There was a Class Action lawsuit that resulted in Mutual Service Corporation ("MSC") and its insurer, CNA, agreeing to pay \$925,000 to the Gebharts' clients. (The Gebharts were not required to pay any monies relative to the settlement in that case).

In the mutual Arbitration Claims between MSC and the Gebharts, a settlement was reached that involved mutual dismissals between MSC and the Gebharts.

The Gebharts' Claim against First Regional Bank ("FRB") for FRB's negligence in handling the escrows involving the unregistered securities was settled by FRB agreeing to pay the Gebharts \$10,000.

On March 8, 2011, Donna Gebhart paid the sum of \$20,141.21 to FINRA in satisfaction of the penalties and costs imposed on her.

## ***Other Financial Industry Activities and Affiliations***

Form ADV Part 2A, Item 10

Al Gebhart, President, also prepares tax returns for selected clients of Gebhart & Associates, Inc. Clients are hereby advised that fees for tax preparation services are separate and apart from the fees charged by for advisory services.

Al and Donna Gebhart serve on the board of directors for several non-profit organizations. Gebhart & Associates, Inc. provides investment advisory services for compensation for an organization for which Mr. Gebhart serves on the board of directors. Neither Gebhart & Associates, Inc. nor Mr. and Mrs. Gebhart receive compensation for their respective board positions.

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

Form ADV Part 2A, Item 11

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at the phone number listed on the cover of this brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## ***Brokerage Practices***

Form ADV Part 2A, Item 12

We recommend the brokerage and custodial services of Trade-PMR, Inc. (Trade-PMR), a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that Trade-PMR and its clearing firm, Sterne-Agee and Leach provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Trade-PMR and Sterne-Agee and Leach, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services Trade-PMR and Sterne-Agee and Leach provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

#### **Research and Other Soft Dollar Benefits**

We do not receive research or other soft dollar benefits from our relationship with Trade-PMR and Sterne-Agee and Leach.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

#### **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through Trade-PMR. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

#### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In addition to block trades, we utilize a basket trading feature through Trade-PMR. This trading feature allows us to automate a buy or sell allocation and achieve a rapid market execution. Transactions executed in this manner are executed individually as separate orders and therefore may receive different prices and may be executed at different times during the trading day.

## ***Review of Accounts***

Form ADV Part 2A, Item 13

Alvin W. Gebhart, President, and/or Donna T. Gebhart, Secretary of Gebhart & Associates, Inc. will monitor your accounts on an ongoing basis and will conduct account reviews at least annually to ensure the advisory services provided to you and/or that the portfolio mix is consistent with your current investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

Reports we provide to you will contain relevant account and/or market-related information such as an inventory of account holdings and account performance, etc. We will also provide you with periodic or annual capital gain and loss reports. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

For our financial planning clients, we will review your financial plan only at your request. Otherwise, we do not review or monitor your investment account(s), review your financial plan, or review the statements you receive. At your request, we will meet with you. Updates to the written financial plan may be provided in conjunction with the review. Such reviews and updates are subject to our current hourly rate.

### ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Trade-PMR.

As disclosed under the "Fees and Compensation" section in this Brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

### ***Custody***

Form ADV Part 2A, Item 15

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at the phone number listed on the cover of this brochure.

## ***Investment Discretion***

Form ADV Part 2A, Item 16

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a limited power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

## ***Voting Client Securities***

Form ADV Part 2A, Item 17

### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## ***Financial Information***

Form ADV Part 2A, Item 18

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## ***Requirements for State-Registered Advisers***

Form ADV Part 2A, Item 19

**Alvin W. Gebhart, CFP®**

***Year of Birth:*** 1953

***Formal Education after High School:***

- California Polytechnic State University, B. S., Natural Resource Management

**Business Background:**

- Gebhart & Associates, Inc., President/Advisory Representative, 03/1998 – Present.
- AFA Financial Group, LLC, Registered Representative, 03/2004 – 05/2005.
- Sentra Securities Corporation, Registered Principal, 08/2000 – 02/2004.

**Certifications:**

College of Financial Planning, 2005, Certified Financial Planner Certificate.

The **CERTIFIED FINANCIAL PLANNER™**, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**Donna T. Gebhart**

**Year of Birth:** 1952

**Business Background for the Previous Five Years:**

- Gebhart & Associates, Inc., Secretary/Advisory Representative, 03/1998 – Present.

- AFA Financial Group, LLC, Investment Advisory Representative, 03/2004 – 08/2005.
- Sentra Securities Corporation, Registered Representative, 08/2000 – 02/2004.

**Performance Based Fees:**

Gebhart & Associates, Inc. does not charge clients performance-based fees.

**Disciplinary Events:**

Please see Item 9, Disciplinary Information in this brochure.

**Issuer of Securities Relationship or Arrangement**

Gebhart & Associates, Inc. nor its principals - Alvin W. Gebhart and Donna T. Gebhart do not have any relationship or arrangement with issuers of securities.

Pursuant to California Code of Regulations, 10 CCR Section 260.235.2, Gebhart & Associates hereby makes the following statement: a conflict exists between the interest of Gebhart & Associates and the interests of the client. Further, the client is under no obligation to act upon Gebhart & Associates' recommendations, and if the client elects to act on any of the recommendations, the client is under no obligation to effect the transactions through Gebhart & Associates.

### ***Additional Information***

**Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at the phone number on the cover of this brochure, if you have any questions regarding this policy.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

**Alvin Waino Gebhart, Jr.**

**Gebhart & Associates, Inc.**

**301 N. Vine Street  
Fallbrook, CA 92028**

**760-731-9441**

**03/30/2011**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

**This brochure supplement provides information about Alvin W. Gebhart, Jr. that supplements the Gebhart & Associates, Inc. brochure. You should have received a copy of that brochure. Please contact us at (760) 731-9441 if you did not receive Gebhart & Associates, Inc.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Alvin W. Gebhart, Jr. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Educational Background and Business Experience**

Form ADV Part 2B, Item 2

### **Alvin W. Gebhart, CFP®**

**Year of Birth:** 1953

#### **Formal Education after High School:**

- California Polytechnic State University, B. S., Natural Resource Management

#### **Business Background:**

- Gebhart & Associates, Inc., President/Advisory Representative, 03/1998 – Present.
- AFA Financial Group, LLC, Registered Representative, 03/2004 – 05/2005.
- Sentra Securities Corporation, Registered Principal, 08/2000 – 02/2004.

#### **Certifications:**

College of Financial Planning, 2005, Certified Financial Planner Certificate.

The **CERTIFIED FINANCIAL PLANNER™**, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

### ***Disciplinary Information***

Form ADV Part 2B, Item 3

On February 5, 2004, an NASD (now known as FINRA) Panel found that the Gebharts offered and sold unregistered securities, through negligent material omissions, without providing written notice to, or obtaining prior approval from, their employer. The Panel suspended Alvin Gebhart in all capacities for one year and fined him \$100,000; and suspended Donna Gebhart for seven months in her capacity as a general securities representative and fined her \$7,500. The Hearing Panel also ordered the Gebharts to pay costs of \$5,141.21.

The NASD National Adjudicatory Council ("NAC") Sub Committee reviewed the Panel's decision and on May 24, 2005, ruled that that Mr. Alvin W. Gebhart and Ms. Donna T. Gebhart were found to have offered and sold unregistered securities that were not exempt from registration, without providing written notice to or obtaining prior approval from their employer and recklessly omitted material facts in connection with the sale of these securities.

Alvin W. Gebhart and Donna T. Gebhart appealed the decision of the NAC on June 14, 2005 to U.S. Securities and Exchange Commission. On January 18, 2006, the Securities and Exchange Commission upheld the ruling of the NAC. On or about February 18, 2006, Alvin W. Gebhart and Donna T. Gebhart appealed, in part, the decision of the Securities and Exchange Commission to the United States Court of Appeals for the Ninth Circuit.

On or about November 21, 2007, the United States Court of Appeals for the Ninth Circuit reversed the SEC's scienter determinations with respect to Section 10(b), Rule 10b-5 and NASD Conduct Rule 2120. The Court of Appeals vacated the sanctions imposed against the Gebharts based thereon and remanded the issue to the SEC for further findings. The Court ruled that the Gebharts' claims of error with respect to NASD conduct rule 3040 were without merit.

On or about November 14, 2008, on remand, the U.S. Securities and Exchange Commission held that the Gebharts conduct did satisfy the definition of recklessness and sustained the NASD's (now known as FINRA) finding of liability and the sanctions imposed thereon. On or about December 2, 2008, the Gebharts filed a Petition For Review of the SEC's decision, in the United States Court of Appeals for the Ninth Circuit.

On or about February 17, 2010, the United States Court of Appeals for the Ninth Circuit denied the Gebharts' Petition for Review. The Gebharts sought further review from the U.S. Supreme Court via Writ of Certiorari. On or about June 21, 2010, the U.S. Supreme Court denied the Writ of Certiorari filed by the Gebharts.

Through the efforts of the Gebharts, a total of 84% of the clients' funds were returned to them. There was a Class Action lawsuit that resulted in Mutual Service Corporation ("MSC") and its insurer, CNA, agreeing to pay \$925,000 to the Gebharts' clients. (The Gebharts were not required to pay any monies relative to the settlement in that case).

In the mutual Arbitration Claims between MSC and the Gebharts, a settlement was reached that involved mutual dismissals between MSC and the Gebharts.

The Gebharts' Claim against First Regional Bank ("FRB") for FRB's negligence in handling the escrows involving the unregistered securities was settled by FRB agreeing to pay the Gebharts \$10,000.

### ***Other Business Activities***

Form ADV Part 2B, Item 4

Alvin W. Gebhart, Jr. is separately licensed as an independent insurance agent. In this capacity, he can effect transactions in insurance products for his clients and earn commissions for these activities. The fees you pay our firm for advisory services are separate and distinct from the commissions earned by Mr. Gebhart for insurance related activities. This presents a conflict of interest because Mr. Gebhart may have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Mr. Gebhart also prepares tax returns for selected clients of Gebhart & Associates, Inc.. Clients are hereby advised that fees for tax preparation services are separate and apart from the fees charged for advisory services.

Mr. Gebhart serves on the board of directors for several non-profit organizations. Gebhart & Associates, Inc. provides investment advisory services for an organization for which Mr. Gebhart serves on the board of directors. Neither Gebhart & Associates, Inc. nor Mr. Gebhart receives compensation for their respective board positions.

### ***Additional Compensation***

Form ADV Part 2B, Item 5

Mr. Gebhart does not receive any additional compensation for providing advisory services beyond that received as a result of his capacity as President of Gebhart & Associates, Inc.

### ***Supervision***

Form ADV Part 2B, Item 6

Both Alvin W. Gebhart, Jr., President, and Donna T. Gebhart, Secretary of Gebhart & Associates, Inc., form investment decisions and recommendations on a joint basis. All investment advisory accounts and financial plans are reviewed by Alvin W. Gebhart and Donna T. Gebhart. You may contact Al Gebhart at (760) 731-9441.

Nonetheless, Gebhart & Associates, Inc. has established written supervisory procedures that are reasonable designed to detect and prevent violations of the securities laws, rules and regulations.

***Requirements for State-Registered Advisers***

Form ADV Part 2B, Item 7

Mr. Gebhart's disciplinary information is listed above. See page 2 of this Supplement, entitled "Disciplinary Information". Mr. Gebhart does not have reportable arbitration claims and has not been the subject of a bankruptcy petition.

**Donna Traina Gebhart**

**Gebhart & Associates, Inc.  
301 N. Vine Street  
Fallbrook, CA 92028**

**760-731-9441**

**03/30/2011**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

**This brochure supplement provides information about Donna T. Gebhart that supplements the Gebhart & Associates, Inc. brochure. You should have received a copy of that brochure. Please contact us at (760) 731-9441 if you did not receive Gebhart & Associates, Inc.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Donna T. Gebhart is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Educational Background and Business Experience**

Form ADV Part 2B, Item 2

### **Donna T. Gebhart**

**Year of Birth:** 1952

#### **Business Background for the Previous Five Years:**

- Gebhart & Associates, Inc., Secretary/Advisory Representative, 03/1998 – Present.
- AFA Financial Group, LLC, Investment Advisory Representative, 03/2004 – 08/2005.
- Sentra Securities Corporation, Registered Representative, 08/2000 – 02/2004.

## **Disciplinary Information**

Form ADV Part 2B, Item 3

On February 5, 2004, an NASD (now known as FINRA) Panel found that the Gebharts offered and sold unregistered securities, through negligent material omissions, without providing written notice to, or obtaining prior approval from, their employer. The Panel suspended Alvin Gebhart in all capacities for one year and fined him \$100,000; and suspended Donna Gebhart for seven months in her capacity as a general securities representative and fined her \$7,500. The Hearing Panel also ordered the Gebharts to pay costs of \$5,141.21.

The NASD National Adjudicatory Council (“NAC”) Sub Committee reviewed the Panel’s decision and on May 24, 2005, ruled that that Mr. Alvin W. Gebhart and Ms. Donna T. Gebhart were found to have offered and sold unregistered securities that were not exempt from registration, without providing written notice to or obtaining prior approval from their employer and recklessly omitted material facts in connection with the sale of these securities.

Alvin W. Gebhart and Donna T. Gebhart appealed the decision of the NAC on June 14, 2005 to U.S. Securities and Exchange Commission. On January 18, 2006, the Securities and Exchange Commission upheld the ruling of the NAC. On or about February 18, 2006, Alvin W. Gebhart and Donna T. Gebhart appealed, in part, the decision of the Securities and Exchange Commission to the United States Court of Appeals for the Ninth Circuit.

On or about November 21, 2007, the United States Court of Appeals for the Ninth Circuit reversed the SEC’s scienter determinations with respect to Section 10(b), Rule 10b-5 and NASD Conduct Rule 2120. The Court of Appeals vacated the sanctions imposed against the Gebharts based thereon and remanded the issue to the SEC for further findings. The Court ruled that the Gebharts’ claims of error with respect to NASD conduct rule 3040 were without merit.

On or about November 14, 2008, on remand, the U.S. Securities and Exchange Commission held that the Gebharts conduct did satisfy the definition of recklessness and sustained the NASD’s (now known as FINRA) finding of liability and the sanctions imposed thereon. On or about December 2, 2008, the Gebharts filed a Petition For Review of the SEC’s decision, in the United States Court of Appeals for the Ninth Circuit.

On or about February 17, 2010, the United States Court of Appeals for the Ninth Circuit denied the Gebharts’ Petition for Review. The Gebharts sought further review from the U.S. Supreme Court via Writ of Certiorari. On or about June 21, 2010, the U.S. Supreme Court denied the Writ of Certiorari filed by the Gebharts.

Through the efforts of the Gebharts, a total of 84% of the clients’ funds were returned to them. There was a Class Action lawsuit that resulted in Mutual Service Corporation (“MSC”) and its insurer, CNA, agreeing to pay \$925,000 to the Gebharts’ clients. (The Gebharts were not required to pay any monies relative to the settlement in that case).

In the mutual Arbitration Claims between MSC and the Gebharts, a settlement was reached that involved mutual dismissals between MSC and the Gebharts.

The Gebharts' Claim against First Regional Bank ("FRB") for FRB's negligence in handling the escrows involving the unregistered securities was settled by FRB agreeing to pay the Gebharts \$10,000.

On March 8, 2011, Donna Gebhart paid the sum of \$20,141.21 to FINRA in satisfaction of the penalties and costs imposed on her.

### ***Other Business Activities***

Form ADV Part 2B, Item 4

Donna T. Gebhart is separately licensed as an independent insurance agent. In this capacity, she can effect transactions in insurance products for his clients and earn commissions for these activities. The fees you pay our firm for advisory services are separate and distinct from the commissions earned by Mrs. Gebhart for insurance related activities. This presents a conflict of interest because Mrs. Gebhart may have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Mrs. Gebhart serves on the board of directors for several non-profit organizations. Neither Gebhart & Associates, Inc. nor Mrs. Gebhart receives compensation for their respective board positions.

### ***Additional Compensation***

Form ADV Part 2B, Item 5

Mrs. Gebhart does not receive any additional compensation for providing advisory services beyond that received as a result of her capacity as Secretary of Gebhart & Associates, Inc.

### ***Supervision***

Form ADV Part 2B, Item 6

Both Donna T. Gebhart, Secretary, and Alvin W. Gebhart, President of Gebhart & Associates, Inc., form investment decisions and recommendations on a joint basis. All investment advisory accounts and financial plans are reviewed by Donna T. Gebhart and Alvin W. Gebhart. You may contact Donna Gebhart at (760) 731-9441.

Nonetheless, Gebhart & Associates, Inc. has established written supervisory procedures that are reasonable designed to detect and prevent violations of the securities laws, rules and regulations.

***Requirements for State-Registered Advisers***

Form ADV Part 2B, Item 7

Mrs. Gebhart's disciplinary information is listed above. See page 2 of this Supplement, entitled "Disciplinary Information". Mrs. Gebhart does not have reportable arbitration claims and has not been the subject of a bankruptcy petition.