



Form ADV - Part II

*Uniform Application for
Investment Adviser Registration*

Form ADV - Part II

Alpha Analytics Investment Group, LLC (AAIG) is a federally registered investment adviser under the Investment Advisers Act of 1940. The following information responds to the questions set forth in Part II of Form ADV, the form on which investment advisers register with the Securities and Exchange Commission. AAIG's address is 1901 Avenue of the Stars, Suite 1100, Los Angeles, CA 90067. Its telephone number is (310) 556-0389.

1. Advisory Services and Fees

- A. Advisory Services and Fees. AAIG provides investment supervisory services (approximately 95% of total advisory billings) and furnishes investment advice through other consultations (approximately 5% of total advisory billings) in the manner described on Schedule F.
- B. AAIG does not call some of the services it provides "financial planning" or some similar term.
- C. AAIG offers investment advisory services for (1) a percentage of assets under management or (2) fixed fees

2. Types of Clients

AAIG generally provides investment advice to individuals, corporations and retirement accounts.

3. Types of Investments

AAIG offers advice on:

- A. Equity Securities (exchange listed securities, securities traded over the counter and foreign issues).
- B. Corporate debt securities
- C. Commercial paper
- D. Certificates of deposit
- E. Municipal securities
- F. Investment company securities (variable annuities, mutual fund shares)
- G. United States government securities
- H. Options contracts on securities
- I. Partnerships ("hedge funds"), that may invest in private equity, publicly traded equity and fixed income securities, publicly traded options, and futures contracts on market indices.

- 4. Methods of Analysis, Sources of Information, and Investment Strategies**
 - A. AAIG's uses fundamental security analysis and other methods as described on Schedule F.
 - B. The main sources of information AAIG uses are (1) financial newspapers and magazines (2) research materials prepared by others (3) corporate rating services (4) annual reports, prospectuses, filings with the Securities and Exchange Commission.
 - C. The investment strategies used to implement any investment advice given to clients may include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions and option writing, including covered options, uncovered options or spreading strategies.
- 5. Education and Business Standards**

AAIG requires certain standards of education or business experience that each employee involved in determining investment advice to clients must have. See Schedule F for a description of these standards.
- 6. Education and Business Background**

See Schedule F for a description of the education and business backgrounds of certain AAIG principal executive officer.
- 7. Other Business Activities**

The principal business of one of AAIG's principal executive officers involves something other than providing investment advice, as explained on Schedule F.
- 8. Other Financial Industry Activities or Affiliations**

AAIG has arrangements that are material to its advisory business or its clients with a related person who is an employee of a law firm. This relationship is described further on Schedule F.
- 9. Participation or Interest in Client Transactions**

Persons related to AAIG may buy or sell for itself securities that it also recommends to clients. This is further described on Schedule F.
- 10. Conditions for Managing Accounts**

AAIG does provide investment supervisory services, manage investment advisory accounts or present itself as a company that provides financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account. This is further described on Schedule F.
- 11. Review of Accounts**

Transactions in accounts are reviewed by AAIG on a daily basis. Client accounts are reviewed, at a minimum, on a calendar quarter basis or more frequently if circumstances warrant. Regular reports are provided to clients on a quarterly basis or more(less) frequently if requested by a client.
- 12. Investment or Brokerage Discretion**
 - A. If agreed to with client in writing, AAIG or its related person has the authority to determine, without obtaining specific client consent, the (1) securities to be bought or sold (2) amount of the securities to be bought or sold (3) broker or dealer to be used or (4) commission rates to be paid. (see Schedule F)
 - B. AAIG or its related person does suggest brokers to clients. (see Schedule F)

13. Additional Compensation

- A. It is contrary to AAIG policy for either AAIG or a related person to have any oral or written arrangements where it or they are paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients and neither AAIG or any related person does so. Also, AAIG does not directly or indirectly compensate any person for client referrals.

Schedule F

Item 1.D.

Advisory Services Provided

AAIG provides investment advisory services on either a discretionary basis or a non-discretionary basis. Such services are provided within guidelines formulated with each client, based upon mutually agreed upon investment objectives. These services may include the recommendation of cash, money market instruments, mutual funds, exchange traded funds, debt instruments, equity securities and other securities that are deemed appropriate for a client based upon a review by AAIG of that client's investment circumstances.

Advisory Fees

Fees are based upon either (1) a percentage of assets under management or (2) a negotiated fixed fee. For fees based upon assets under management, the basic annual fee schedule is:

0.5% fee of the first \$10,000,000
0.4% fee thereafter

The basic annual fee schedule for assets reviewed but not under direct management is:

0.25% fee of the first \$10,000,000
0.20% fee thereafter

AAIG maintains a minimum quarterly fee. In certain cases, minimum fees may be waived in whole or in part in AAIG's discretion. Fees are charged quarterly and in arrears, and fees may be negotiated. Advisory contracts may be terminated, in writing, by a client or AAIG at any time upon thirty (30) days prior written notice of termination. Any fees paid in advance of termination will be prorated to the date of termination and any unearned portion will be refunded to client.

Item 4

Methods of Analysis, Sources of Information, and Investment Strategies

In addition to fundamental analysis, the Company used quantitative methods for analysis.

Item 5

Education and Business Standards

AAIG requires that each employee involved in determining investment advice to clients must have at a minimum have a Bachelors degree from an accredited college or university.

Item 6*Education and Business Background***Robert E. Gipson, CFA** (born 1946)*President of AAIG (since 1998)*

Received his A.B. degree in Government from Harvard and his J.D. in 1973 from Yale Law School. From 1976 until 1982, he was with the law firm of Armstrong, Hendler & Hirsch. Since 1982, he has been associated with the law firm Gipson Hoffman & Pancione as founding partner and 'of counsel'. Robert is a member of the CFA Institute and a holder of the Chartered Financial Analyst charter.

Jack McNally (born 1955)*Vice President of AAIG (since 1998)*

Since 1989, Mr. McNally has also been Vice President, Finance for Corporate Management Group, Inc., a family office which provides specialized financial services to wealthy families, individuals and their related companies and trusts. Mr. McNally began his professional career in 1981 as a certified public accountant (CPA) with a national CPA firm and has over 25 years of investment and financial industry experience. He received his undergraduate degree in accounting from the University of Southern California in 1979.

Item 7*Other Business Activities*

Robert Gipson, President of AAIG, spends a substantial part of his time on business activities other than his investment advisory activities. Mr. Gipson is president of Gipson, Inc., a legal services firm. As such, through his legal services, there may be a trust relationship created that results in internally referred clients. Mr. Gipson is also Chairman of the Board of First California Bank and serves on the board of directors of Business First Bank located in Santa Barbara California.

Item 8*Other Financial Industry Activities or Affiliations*

Robert Gipson, President of AAIG, is also president of Gipson, Inc., a legal services firm. He is also "of counsel" to Gipson Hoffman & Pancione, a legal professional corporation.

Item 9*Participation or Interest in Client Transactions*

AAIG, its principals and employees adhere to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute, of which Mr. Robert Gipson (a principal of AAIG) is a member. Pursuant to that Code of Ethics and other AAIG policies and procedures with regard to confidentiality, and the avoidance of potential conflicts of interest, all transactions executed at AAIG, including those on behalf of its principals and employees, are reviewed daily to prevent the misuse of material non-public information by AAIG, its principals and employees and other violations of law or conflicts of interest.

From time to time, AAIG, as well as principals and employees of AAIG, including Mr. Gipson, may have positions or may engage in transactions, in the same securities as those purchased or sold for advisory clients. To avoid any potential conflicts of interest, transactions effected for principals or employees of AAIG within the same time frame as those for clients will be executed at an average price identical to that paid by or to clients.

As a matter of policy, AAIG prohibits its principals and employees from executing transactions immediately prior to or immediately after transactions in the same security that are executed for clients.

Item 10*Conditions for Managing Accounts*

AAIG maintains a minimum quarterly fee of \$1,500. In certain cases, minimum fees may be waived in whole or in part in AAIG's discretion.

Item 12*Investment or Brokerage Discretion*

In the case of managed accounts over which the Company is granted discretion, the Company will generally determine which securities are to be purchased and sold, the total amount of securities to be purchased or sold, the broker or dealer ("broker") through which the securities are to be purchased or sold, and the commission rates, if any, at which transactions are to be effected for the account involved.

In making the decision as to which securities are to be purchase or sold and the amounts thereof, the Company is guided by the general guidelines that are set up at the inception of the advisor-client relationship in co-operation with the client. These general guidelines cover such matters as the relative proportion of debt and equity securities to be held in the portfolio, the degree of risk which the client wishes to assume, and the types and amounts of securities to be held in the portfolio. The Company's authority may be further limited by specific instructions from the client which may restrict or prohibit transactions in certain securities.

Concerning brokerage, it has been the Company's experience that clients often prefer that the Company determine the broker or dealer through whom securities transactions for their accounts are executed. In such cases, the Company may seek, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts where the Company deems this to be appropriate, in the best interests of client accounts and consistent with the applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account will participate at the average share price for the bunched order on the same business day, and transaction costs will be shared pro rata based on each client's participation in the bunched order. When a bunched order is only partially, filled, the securities purchased will be allocated on a pro rata basis to each account participating in the bunched order based upon the initial amount requested for the account, subject to certain exceptions, and each participating account will participate at the average share price for the bunched order on the same business day. Affiliated Accounts may also participate in a bunched order.

Alpha may recommend that clients establish brokerage accounts with the Schwab Institutional Division of Charles Schwab & Co., Inc. (Schwab), a registered brokerdealer, Member SIPC/NYSE, to maintain custody of the clients' assets and to effect trades for their accounts. Schwab Institutional provides Alpha with the access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisors' clients' account assets are maintained at Schwab Institutional. Schwab Institutional services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab Institutional also makes available to Alpha other products and services that benefit Alpha but may not benefit its clients' accounts. Some of these other products and services assist Alpha in managing and administering clients' accounts. (These include software, other technology, and client account data such as trade confirmations and account statements,)facilitate trade execution, provide research, pricing, information and other market data, facilitate payment of Alpha's fees from its client accounts, and assist with back office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Alpha's accounts. Alpha does not receive any soft dollars from Charles Schwab, nor is it compensated for Schwab products.

The Company will also accept direction from clients as to which broker or brokers is/are to be used. Any such direction must be in writing. Clients who, in whole or in part, direct the Company to use a particular broker to execute transactions for their account should be aware that, in so doing, they may adversely affect the Company's ability to, among other things, obtain volume discounts on bunched orders for its clients, the Company may attempt, when the circumstances are appropriate, to include transactions of clients who have directed the use of a particular broker in the bunched order. In such transactions the executing broker must agree to transfer that portion of a bunched order relating to a client who has directed the use of a particular broker to the broker specified by the client. If the executing broker does

not agree to make this transfer a particular broker will be effected through the specified broker, and the cost of the transaction may be greater.

Where the Company is given authority to select brokers to execute securities transactions, the Company will consider a variety of factors, including best price and execution, the full range of brokerage services provided by the broker, as well as the capital strength and stability of the broker and the quality of the research and research services provided by it. Subject to the criteria of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"), the Company may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage and research services provided by the broker. The Company believes it is important to its investment decision-making process to have access to independent research.

In those instances in which clients direct the Company to use a particular broker to execute securities transactions for their accounts, such clients may nonetheless derive benefits from research services obtained from the brokerage for those clients who make no such direction, as research furnished by brokers may be used to service any or all of the Company's clients and may be used in connection with amounts other than those making the payment to the broker providing the research, as permitted by Section 28(e).

It is the Company's policy to seek the best execution at the best security price available with respect to each transaction, in light of the overall quality of brokerage and research services provided to it or its clients. The best price means the best net price without regard to the mix between purchase or sale price and commissions.

Generally, research services provided by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues.

Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to the Company by or through brokers. Such brokers may pay all or a portion of computer hardware and software costs relating to the pricing of securities.