

## **Merit Advisors, Inc.**

**13905 Quail Pointe Drive, Suite A  
Oklahoma City, Oklahoma 73134-1002**

**Phone: 405-748-5335**

**Fax: 405-748-5015**

**[www.meritadvisors.com](http://www.meritadvisors.com)**

**4/12/2011**

### **FORM ADV PART 2 BROCHURE**

**This brochure provides information about the qualifications and business practices of Merit Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 405-748-5335. 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 Merit Advisors, 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 Merit Advisors, Inc. is 113999.**

**Merit Advisors, 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.**

## Summary of Material Changes

Form ADV Part 2A, Item 2

This brochure 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. Beyond the change in format, and the new information, we have made the following material changes to this brochure since our last annual update, January 7, 2011.

### **Item #4 – Advisory Business**

- We deleted reference to Equity Index Fund accounts using a seasonal timing service which we no longer provide.
- We changed the name of our services from Equity Index Fund Services/Accounts and High Yield and Multi-Sector Bond Fund Services/Accounts to Equity Management Service/Account, High Yield Bond Management Services/Accounts, and Multi-Sector Bond Management Services/Accounts.
- We corrected the fee for Equity Management Accounts from 2.40% to 2.20% on the first \$250,000.

### **Item #5 – Fees and Compensation**

We have added the category, "Compensation for the Sale of Insurance Products" and provided information regarding an associated person's insurance business activities.

## Table of Contents

<b><i>Advisory Business</i></b> .....	<b>1</b>
<b><i>Fees and Compensation</i></b> .....	<b>3</b>
<b><i>Performance-Based Fees and Side-By-Side Management</i></b> .....	<b>3</b>
<b><i>Types of Clients</i></b> .....	<b>4</b>
<b><i>Methods of Analysis, Investment Strategies and Risk of Loss</i></b> .....	<b>4</b>
<b><i>Disciplinary Information</i></b> .....	<b>6</b>
<b><i>Other Financial Industry Activities and Affiliations</i></b> .....	<b>6</b>
<b><i>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</i></b> .....	<b>6</b>
<b><i>Brokerage Practices</i></b> .....	<b>7</b>
<b><i>Review of Accounts</i></b> .....	<b>8</b>
<b><i>Client Referrals and Other Compensation</i></b> .....	<b>8</b>
<b><i>Custody</i></b> .....	<b>9</b>
<b><i>Investment Discretion</i></b> .....	<b>9</b>
<b><i>Voting Client Securities</i></b> .....	<b>9</b>
<b><i>Financial Information</i></b> .....	<b>10</b>
<b><i>Requirements for State-Registered Advisers</i></b> .....	<b>10</b>
<b><i>Additional Information</i></b> .....	<b>10</b>

## Advisory Business

Form ADV Part 2A, Item 4

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

We are a state registered investment adviser based in Oklahoma City, Oklahoma. We are organized as a Subchapter S corporation under the laws of the State of Oklahoma. We have been providing investment advisory services since 1987. Paul Cunningham and Donald Dillingham are our principal owners. We provide investment timing services utilizing high yield and multi-sector bond funds.

The following paragraphs describe our services and fees. 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.

We offer discretionary investment timing services to our clients and prospective clients. If you want to retain our firm for investment management services, we will arrange for an interview with you in person or by telephone to discuss our philosophy, investment strategy and other relevant information. After our interview, if you decide to retain us you will enter into an asset management agreement with us. We use the suitability information we gather from the asset management agreement to determine the appropriate service (also "strategy") for you. We do not tailor our services per client but rather place you in one of our model strategies. Your account will be invested according to a suitable model strategy and we will automatically rebalance your account on a periodic basis as required based on the service described below.

High Yield Bond Management Service: Under limited trading authority (discretion), we periodically make exchanges in your account between selected high yield bond funds and money market funds based on buy and sell signals generated by our high yield market-direction timing model. The objective is to position your accounts in high yield bond funds while the high yield bond market is flat or rising and in cash equivalents or inverse high yield bond funds while the market is declining.

Multi-Sector Bond Management Service: Under limited trading authority (discretion), we periodically make exchanges in your account between selected multi-sector bond funds and money market funds based on buy and sell signals generated by our multi-sector bond market-direction timing model. The objective is to have your accounts positioned in multi-sector bond funds while the multi-sector bond market is flat or rising and in cash equivalents while the market is declining.

Equity Management Service: Under limited trading authority, we will manage your account utilizing an unaffiliated third-party's model and/or our own proprietary model. The unaffiliated third-party model takes positions in both long and inverse funds that track various index funds and our firm's proprietary model trades index funds that track the *S&P 500 Index*.

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, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Our fee for investment timing services is based on a percentage of your assets we manage as set forth in the following fee schedule\*:

	<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
High Yield and Multi-Sector Bond Management Accounts:	On first \$250,000.....	1.60%
	On next \$749,999.....	1.20%
	On amounts over \$1 million.....	Negotiable
Equity Management Accounts:	On first \$250,000.....	2.20%
	On next \$749,999.....	2.00%
	On amounts over \$1 million.....	Negotiable

*\*Our management fee is in addition to the fees charged by the mutual funds or variable annuities you hold. See the Fees and Compensation section of this brochure for more information.*

Our annual management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. The amount of our initial fee covers the time remaining in the current quarter, plus the next full quarter.

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 management fee based on the available breakpoints in our fee schedule stated above.

You have the option of paying the management fee directly to us or by authorizing us to deduct it from your account. We will deduct our fee directly from your account 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.

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.

You or our firm may terminate the Investment Advisory Agreement within five days of signing the agreement at no penalty or expense to you. Thereafter, either party may terminate the agreement with 30 days' written notice to the other party. However, it is our practice to waive the 30 days and to terminate our services immediately once we receive your termination request. You will incur a pro rata charge for services rendered prior to the termination of the Investment Advisory 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.

### **Types of Investments**

We only offer advice on investment company securities (mutual funds) and variable annuities.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of March 31, 2011, we manage \$12,528,772 in client assets on a discretionary basis. We do not manage accounts on a non-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 for the services we offer. Lower fees for comparable services may be available from other sources.

### **Additional Fees and Expenses**

As part of our investment management services, we may invest, or recommend that you invest, in mutual funds. We will invest your account, when suitable, in no load mutual funds. The fees that you pay to our firm for investment management services are separate and distinct from the fees and expenses charged by mutual 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 whom your account transactions are executed. We do not receive compensation for fund recommendations nor do we share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. If your funds are held in a variable annuity, you will be subject to the fees and expenses charged by the issuer who is also separate and distinct from our investment management fees. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, variable annuities, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this Brochure.

### **Compensation for the Sale of Insurance Products**

Matthew Spangler who provides investment advice on behalf of our firm is licensed as independent insurance agent. He will earn commission-based compensation for selling insurance products, including insurance products he sells to you. Insurance commissions earned by Mr. Spangler are separate and in addition to our advisory fees. This practice presents a conflict of interest because Mr. Spangler 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 Mr. Spangler.

## ***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 \$25,000 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 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.

*\*Our client accounts below \$50,000 that are held at a brokerage firm or mutual fund will be required to share the cost of early redemption fees [50/50] which will increase the overall management fee you pay by approximately .20% to .25% annually.*

## **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 and Technical Analysis – Charting analysis involves the gathering and processing of price information for a particular security. This price information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to help identify changes in price patterns and trends of both the overall market and specific securities. 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.
- 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.
- Short Term and Frequent Trading – involves selling securities within 30 days of purchasing the same securities and frequent trading to take advantage of short-term market gains and avoid significant losses during a volatile market. Most, if not all, short term transactions will generate a short term gain or loss. Frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

We are limited to using the types of securities specified in our asset management agreement with you (and any amendments made to it). However, we have the discretion to substitute one security for another as long as the securities are of the same type. Your restrictions and guidelines may affect the composition of your portfolio.

We utilize active management strategies in providing investment advice to you. Active management is the strategy of making buy or sell decisions of financial assets by attempting to predict future market price movements. Our predictions are based on interpreting current trends and price changes in securities we use for our clients accounts.

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. Your custodian uses the FIFO accounting method as the default 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 our strategies will be profitable or will be better than a buy and hold method. Past performance is in no way an indication of future performance.

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

As discussed in the Advisory Business section in this Brochure, we primarily recommend the following types of investment company securities: high-yield bond funds, multi-sector bond funds and equity index mutual funds. In addition, we may recommend that you purchase and/or exchange a variable annuity. You should be advised of the following risks when investing in these types of securities:

Mutual 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 generally provide diversification, the funds which we utilize carry increased risks as they are focused in a particular sector of the market rather than balancing the fund with different types of securities. Our strategies do not focus on credit risk of the high yield bond market and the risk of default in a bond portfolio of high yield mutual funds may be subject to greater default than higher grade funds. In addition, the returns on mutual funds can be reduced by the costs to manage the funds. 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. Our firm only uses open end, no-load funds or Class A shares where the load has been waived for our clients.

Index Funds may be more volatile than investing in broadly diversified funds. When using leveraged index funds, the use of leverage by a fund increases the risk. The more a fund invests in leveraged instruments the more the leverage will magnify gains or losses on those investments. Inverse and leveraged mutual funds are complex financial instruments that provide greater flexibility to pursue short-term capital gain opportunities and implement hedging tactics. However, due to the effects of compounding, their performance over long periods of time can differ significantly from their stated objectives, which is why they are typically unsuitable for retail investors who plan to hold them longer than one trading session. However, our firm has a sophisticated, professional, investment management team with experience using these securities. We understand the effects of compounding, leverage, and consequences of using them in our investment management activities.

## ***Disciplinary Information***

Form ADV Part 2A, Item 9

Merit Advisors, Inc. has been registered and providing investment advisory services since 1987. Neither our firm nor any of our associated persons has any reportable disciplinary information.

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

Form ADV Part 2A, Item 10

### **Financial Industry Activities**

Donald Dillingham, a Vice-President of Merit Advisors, is President of Oakhill Securities, Inc. member FINRA and SIPC. Oakhill Securities is not affiliated with Merit Advisors and our firm's clients are not recommended to Oakhill Securities for their brokerage services.

Donald Dillingham is Owner/President/CCO of Avondale Investments, LLC, a registered investment adviser. Avondale Investments is not affiliated with Merit Advisors and our firm's clients are not recommended to Avondale for investment advisory services.

Matthew Spangler, a Vice-President of Merit Advisors is licensed as an insurance agent and appointed to do business through several insurance companies. Mr. Spangler will earn commission-based compensation for selling insurance products, including insurance products he sells to you. Insurance commissions earned by Mr. Spangler are separate from our advisory fees. This practice presents a conflict of interest because Mr. Spangler 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 Mr. Spangler.

## ***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. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also 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 Paul Cunningham, President and Chief Compliance Officer at 405-748-5335.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account.

We believe that effecting transactions in mutual funds recommended to you cannot conflict with your interest in the same funds because open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, our personal transactions in mutual funds are not likely to have an impact on the prices of the fund shares in which you invest.

## ***Brokerage Practices***

Form ADV Part 2A, Item 12

We regularly recommend broker-dealers, mutual funds and life insurance companies to our clients who can offer high yield and index funds that (a) allow frequent exchanges, (b) whose transaction costs are competitive, and (c) who allow us to exercise trading authority on the account. The final choice of custodian rests with the client. While we choose to recommend broker/dealers we feel can do the best job of executing trades at the lowest possible transaction costs, we cannot guarantee that such transaction costs are the lowest possible. You may pay higher commissions and/or trading costs than those that may be available elsewhere. Our criteria for the recommendation of a broker-dealer include: (a) availability of suitable mutual funds, (b) efficient execution of orders, (c) competitive commission rates, and (d) the financial strength and reputation of the broker-dealer.

If your account is held in a variable annuity, we check to see what types of funds are offered by the existing insurance company and what their exchange policies are. If we cannot manage your annuity at the existing company, and your annuity is no longer subject to a surrender penalty, we can assist you in moving it (through a tax-free transfer called a 1035 exchange) to a company which offers funds utilized/recommended by our firm.

### **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**

You may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this may prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading") because we invest solely in mutual funds which do not trade in blocks.

## ***Review of Accounts***

Paul Cunningham, President and Chief Compliance Officer of our firm, will review each new account for suitability at the time it is established and will conduct account reviews at the end of each quarter and at the end of each year to ensure the investment management services provided to you are consistent with your stated investment needs and objectives. Annual reviews are designed to let you know how your investments have performed over the past 12 months and to update our files with any changes in your financial circumstances or investment goals. 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.

You will receive monthly or quarterly statements directly from the custodian of your account. We will also provide you with written quarterly reports stating the value of your account and the amount of our investment management fee for the next quarter.

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

Form ADV Part 2A, Item 14

We directly compensate individuals and/or entities (solicitors) for client referrals. In order to receive a cash referral fee from our firm, solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a solicitor, you should have received a copy of this Disclosure Brochure along with the solicitor's disclosure statement at the time of the referral. If you become a client, the solicitor that referred you to our firm will receive 50% of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a solicitor are contingent upon you entering into an Asset Management Agreement with our firm. Therefore, a solicitor has a financial incentive to recommend our firm to you for investment management services. This creates a conflict of interest; however, you are not obligated to retain our firm for investment management services. Comparable services and/or lower fees may be available through other firms.

We have entered into contractual arrangements with Donald Dillingham and Matthew Spangler, employees of our firm who receive compensation for the establishment of new client relationships. They must comply with the requirements of the jurisdiction where they operate. The compensation is equal 50% of the advisory fee collected from you for as long as you are a client with our firm, or until such time as our agreement with Mr. Dillingham or Mr. Spangler expires. You will not be charged additional fees based on this compensation arrangement. Incentive based compensation paid to Mr. Dillingham or Mr. Spangler is contingent upon you entering into an advisory agreement with our firm. Therefore, Mr. Dillingham and Mr. Spangler have a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

## ***Custody***

Form ADV Part 2A, Item 15

In the event we debit our advisory fees directly from your account, our ability to do so 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 405-748-5335.

## ***Investment Discretion***

Form ADV Part 2A, Item 16

In order to provide you advisory services, you are required to 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. Before we can buy or sell securities on your behalf, you must first sign our discretionary investment advisory agreement and/or trading authorization forms. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. 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 investment management 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 \$500 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

Paul Cunningham and Donald Dillingham are principal owners. Please refer to the Part(s) 2B for background information about management personnel, time spent on other business activities, and background information on those giving advice on behalf of our firm.

Neither our firm, nor any of our Associated Persons are compensated for advisory services with performance-based fees. Please refer to the "Performance-Based Fees and Side-By-Side Management" section above for additional information on this topic.

Neither our firm, nor any of our Associated Persons have any reportable arbitration claims, civil, self-regulatory organization proceeding or administrative proceedings regarding the following:

- an investment or an *investment-related* business or activity;
- fraud, false statement(s), or omissions;
- theft, embezzlement, or other wrongful taking of property;
- bribery, forgery, counterfeiting, or extortion; or
- dishonest, unfair, or unethical practices.

Neither our firm, nor any of our Associated Persons have a material relationship or arrangement with any issuer of securities.

All material conflicts of interest under California Code of Regulations Section 260.238 (k) are disclosed regarding our firm, our representatives and our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

## **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 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, electronic and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not 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 Paul Cunningham, President and Chief Compliance Officer at 405-748-5335 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.

## **J. Paul Cunningham**

### **Merit Advisors, Inc.**

13905 Quail Pointe Drive, Suite A  
Oklahoma City, Oklahoma 73134-1002

Phone: 405-748-5335

4/12/2011

### **FORM ADV PART 2B BROCHURE SUPPLEMENT**

This brochure supplement provides information about Paul Cunningham that supplements the Merit Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Mr. Cunningham if you did not receive Merit Advisors Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Paul Cunningham is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## J. Paul Cunningham

### ***Educational Background and Business Experience***

**Year of Birth:** 1928

**Formal Education After High School:**

- University of Oklahoma, Bachelor of Science, Education, 1951
- University of Oklahoma, Masters Degree, Education, 1954
- University of Central Oklahoma, Masters of Business Administration, Finance, 1976

**Business Background:**

- Merit Advisors, Inc., President, Chief Compliance Officer, and Chairman of Investment Committee, 11/1988 – PRESENT

### ***Disciplinary Information***

Mr. Cunningham does not have any reportable disciplinary information.

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

Mr. Cunningham does not have any business activities outside of his duties as President and Chief Compliance Officer of our firm.

### ***Additional Compensation***

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

### ***Supervision***

Mr. Cunningham is President and Chief Compliance Officer of the firm and is, therefore, not supervised by other persons.

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

Mr. Cunningham has never been the subject of a bankruptcy petition, arbitration claim or any disclosable regulatory, civil or administrative proceeding.

**Donald L. Dillingham**

**Merit Advisors, Inc.**

13905 Quail Pointe Drive, Suite A  
Oklahoma City, Oklahoma 73134-1002

Phone: 405-748-5335

4/12/2011

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

This brochure supplement provides information about Donald Dillingham that supplements the Merit Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Paul Cunningham if you did not receive Merit Advisors Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Donald Dillingham is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

# Donald L. Dillingham

## ***Educational Background and Business Experience***

**Year of Birth:** 1962

**Formal Education After High School:**

- University of Oklahoma, Bachelor of Business Administration, Accounting, 1986
- Oklahoma City University, Masters of Business Administration, 1988

**Business Background:**

- Merit Advisors, Inc., Vice-President, Member of Investment Committee, Solicitor, 07/2003 – PRESENT
- Avondale Investments, LLC, Owner/President/Chief Compliance Officer, 08/2001 – PRESENT
- Oak Hills Securities, Inc., President, 02/2007 – PRESENT
- Capital West Securities, Inc., Registered Representative, 02/2002 to 10/2006

**Certifications:**

- Chartered Financial Analyst (CFA), 09/2000: This designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA Charter holder candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA charter holders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. Once the designation is issued, no further continuing education is required.
- Certified Public Accountant (CPA) 08/2000: The statutory title of qualified accountants who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. In Oklahoma, the candidate must have earned at least a baccalaureate degree with 150 semester hours to sit for the CPA Exam. Within their coursework hours they must have at least 30 semester hours of mid to upper level accounting courses, 9 semester hours of upper level general business courses, and at least 76 semester hours earned must be upper division courses. In addition to these educational requirements, the state of Oklahoma also requires that their CPA candidates be an Oklahoma resident and obtain continuing education credits of 20 hours per year including 2 hours of ethics.

## ***Disciplinary Information***

Mr. Dillingham does not have any reportable disciplinary information.

## ***Other Business Activities***

Donald Dillingham is the President of Avondale Investments, an unaffiliated registered investment adviser, as well as President of Oak Hills Securities, Inc., an unaffiliated broker-dealer, member of the Financial Industry Regulatory Authority. Mr. Dillingham spends approximately 80% of his time associated with these outside business activities.

## ***Additional Compensation***

Mr. Dillingham does not receive any additional compensation for providing advisory services beyond that received as a result of his capacity as Vice President and Solicitor of Merit Advisors, Inc.

### ***Supervision***

J. Paul Cunningham, President and Chief Compliance Officer of our firm is responsible for supervising the advisory activities of Donald L. Dillingham. Mr. Cunningham monitors client communications and is also Chairman of the investment committee that establishes investment policy and strategy, and sets guidelines on the overall products and services that are provided to advisory clients. Mr. Cunningham can be reached at 405-748-5335.

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

Mr. Dillingham has never been the subject of a bankruptcy petition, arbitration claim or any disclosable regulatory, civil or administrative proceeding.

## **Matthew E. Spangler**

### **Merit Advisors, Inc.**

**13905 Quail Pointe Drive, Suite A  
Oklahoma City, Oklahoma 73134-1002**

**Phone: 405-748-5335**

**4/28/2011**

### **FORM ADV PART 2B BROCHURE SUPPLEMENT**

**This brochure supplement provides information about Matthew Spangler that supplements the Merit Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Paul Cunningham if you did not receive Merit Advisors Inc.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Matthew Spangler is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Matthew E. Spangler

### ***Educational Background and Business Experience***

*Year of Birth:* 1977

*Formal Education After High School:*

- Oklahoma Baptist University, Bachelors of Business Administration, Management, 1999

*Business Background:*

- Merit Advisors, Inc., Vice-President, Investment Adviser Representative, Solicitor, and Investment Committee Member 02/2010 – Present
- Multiple insurance carriers, Independent Insurance Agent, 02/2010 - Present
- John Hancock, Registered Representative and licensed insurance agent, 06/1999 – 02/2010

### ***Disciplinary Information***

Mr. Spangler does not have any reportable disciplinary information.

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

In addition to his duties as Vice-President, Investment Adviser Representative and Solicitor of our firm, Mr. Spangler is separately licensed as an independent insurance agent. In this capacity, he can effect transactions in insurance products (for residents in the states of Oklahoma, Texas, New Mexico, and Kansas only) 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. Spangler for insurance related activities. This presents a conflict of interest because Mr. Spangler 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 Mr. Spangler.

Mr. Spangler spends the majority of his professional time providing investment advisory services through our firm and less than 10% of his time on his insurance business activities.

### ***Additional Compensation***

Mr. Spangler does not receive any additional compensation for providing advisory services beyond that received as a result of his capacity as Vice President and Solicitor of Merit Advisors, Inc.

### ***Supervision***

Paul Cunningham, President and Chief Compliance Officer of our firm is responsible for supervising the advisory activities of Matthew Spangler. Mr. Cunningham monitors client communications and is Chairman of the investment committee that establishes investment policy and strategy, and sets guidelines on the overall products and services that are provided to advisory clients. Mr. Cunningham can be reached at 405-748-5335.

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

Mr. Spangler has never been the subject of a bankruptcy petition, arbitration claim or any disclosable regulatory, civil or administrative proceeding.