DAVID LERNER ASSOCIATES, INC.
The Sensible Middle Ground of Investing®

Potential Conflicts of Interest Disclosure

David Lerner Associates, Inc. ("DLA") is a broker-dealer registered with the Securities and Exchange Commission (SEC), a member of the Financial Industry Regulatory Authority (FINRA), and a member of the Securities Investor Protection Corporation (SIPC). DLA primarily offers a select product line consisting of municipal securities, mutual fund, unit investment trusts, and various insurance products to retail investors. Some of the mutual funds are proprietary and are offered exclusively through DLA.

DLA Investment Counselors ("ICs" or "representatives") are responsible for making suitable recommendations, in your best interest, accepting orders and executing transactions in your account. When making an investment recommendation, DLA ICs are obligated to take into consideration, among other things, your disclosed investment objectives; risk tolerance; time horizon; liquidity needs; and personal/financial profile at the time of purchase. Although DLA ICs make every effort to make certain that investment recommendations are in your best interest and are consistent with your disclosed investment objectives, risk tolerance and financial profile, it is important to understand that you or your agent (ie. power of attorney, guardian) must provide all instruction to effect transactions and are responsible for making all investment and account related decisions. It is also important that you are aware of certain potential conflicts-of-interest arising from compensation/incentive arrangements, summarized below, which will be present and that you should consider prior to making your investment decisions.

Compensation
DLA representatives are generally compensated by DLA on a transaction-by-transaction basis (as opposed to any type of asset-based or other continuing fee arrangement). As such, DLA ICs do not act in the capacity of Investment Advisers under the Investment Advisers Act of 1940 and, also, do not undertake to act in a fiduciary capacity

DLA Branch Managers also do not act in the capacity of Investment Advisers under the Investment Advisers Act of 1940 and, therefore, also do not undertake to act in a fiduciary capacity.

While DLA provides training to its ICs, maintains reasonable supervisory systems and has compliance procedures to ensure that DLA ICs and DLA Branch Managers serve you in a manner that is consistent with, among other things, the firm's obligation to ensure suitability, the best interest standard, principles of fair dealing and high standards of integrity, it will not be possible to detect and/or address every conflict of interest that will arise. For example, given DLA's selective product line, it is possible that your DLA representative will be more inclined to recommend DLA's proprietary investments products, which will potentially provide greater financial consideration for the DLA representative, the DLA Branch Manager and the firm than non-proprietary investment products.

Spirit of America Investment Funds, Inc. (Proprietary Mutual Fund)
DLA ICs are encouraged, but not required, to introduce potential investors, where suitable, appropriate, and in your best interests, to the Spirit of America family of Mutual Funds, ("Spirit"), which is known as a "proprietary fund". DLA ICs may also recommend, from time to time, where appropriate, mutual funds offered by non-Spirit fund families ("outside funds") which DLA believes fit the DLA investment philosophy and are in the investor's best interests. Investors may, on their own initiative, instruct their IC to purchase other mutual funds.

Investors should be aware that the sale of Spirit as opposed to an outside fund, indirectly benefits the Spirit of America Investment Fund's investment adviser, as a management fee is paid by Spirit to the Sprit Fund's investment adviser based on the dollar amount of assets under management at the Spirit Fund. Each time an investor purchases shares of a Spirit fund, the assets under management at Spirit increase. The adviser is a company called Spirit of America Management Corp. and is owned, individually, by David Lerner. David Lerner is the founder of David Lerner Associates, Inc. While DLA provides training, maintains reasonable supervisory systems and compliance procedures that seek to ascertain that an investment is suitable for a client at the time of purchase, it will not be possible to detect and/or address every possible conflict of interest that may arise. While the IC has a continuing obligation to act in your best interest, it is possible that the proprietary Spirit Fund will be suggested over outside funds in order to increase the management fees paid by the Spirit Fund to the adviser.

Each Spirit Fund has adopted a Plan of Distribution (or 12b-1 Plan), pursuant to Rule 12b-1 under the 1940 Act. Each 12b-1 Plan permits the Fund or class, as applicable, to pay the Distributor from its owns assets for the Distributor's services and expenses in distributing shares of each Fund ("12b-1 fees") and providing personal

services and/or maintaining shareholder accounts ("services fees"). Since 12b-1 fees are paid out of the assets of each respective class or Spirit Fund on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of fund charges. The Distributor of Spirit Funds is David Lerner Associates, Inc. While DLA provides training to its ICs, maintains reasonable supervisory systems and compliance procedures that seek to ascertain that an investment is suitable and in the client's best interests at the time of purchase, it is possible, although unlikely, that despite efforts to tailor investment recommendations to make certain that those recommendations are in the best interests of the investor and are consistent with the investor's disclosed investment objectives and financial profile, your DLA representative will suggest the proprietary Spirit Fund over outside funds in order to potentially increase consideration paid to DLA and its representatives.

It is also important to note that, to date, no other broker-dealers, other than DLA, have held Spirit shares in customer accounts. It is not currently anticipated that any broker-dealers, other than DLA, will do so in the immediate future. Currently, shares of Spirit are not DTCC (Depository Trust & Clearing Corporation) eligible. The firm does not anticipate that Spirit shares will be DTCC eligible in the future. It is important to note that for as long as you own Spirit shares, you will be required to maintain a DLA account. In the case of non-qualified customer accounts, DLA will assess your account with a customer account maintenance fee regardless of whether you conduct additional business beyond your initial purchases of Spirit shares and for as long as your own the shares. Individuals that purchase Spirit in qualified accounts will be charged a $35 annual maintenance fee regardless of whether you conduct additional business beyond your initial purchases of Spirit shares and for as long as your own the shares.

General Sales Contests and Promotions

Periodically over the course of the year, DLA conducts general sales contests based on the total production achieved by the representative for a defined period of time for all his/her clients for all securities products that DLA offers to investors. Each product is counted equally for purposes of the contest. DLA does not assign any additional weight to any particular product. The incentives provided as a result of these contests typically consist of expense-paid business trips to various vacation resorts; cash compensation; and/or recognition by the firm. While DLA's sales contests are structured to carefully comply with all laws, rules and regulations governing the firm's securities activities, it is possible that a potential conflict will arise as a DLA representative could be motivated to recommend securities products to the investor in the interest of qualifying for the incentives the contest offers. While DLA provides training to its ICs, maintains reasonable supervisory systems and compliance procedures that seek to ascertain that an investment is suitable and in the client's best interests at the time of purchase, it may not be possible to detect and/or address every possible conflict of interest which may arise.

Unit Investment Trusts

DLA receives third-party payments from unaffiliated Unit Investment Trust sponsors to help offset seminar costs. To mitigate potential conflicts, DLA does not directly compensate DLA personnel utilizing these payments.

Insurance/Annuity products

DLA representatives are encouraged, but not required, to introduce various insurance and annuity products to potential investors, where suitable and appropriate. When effecting insurance and annuity transactions, DLA utilizes unaffiliated third party companies such as MassMutual Financial Group; Nationwide Mutual Insurance Company; Prudential Financial, Inc.; Allianz Life Insurance Company of North America and a life insurance general agency called Advisors Insurance Brokers (AIB). Through its selling agreements with the aforementioned unaffiliated third party companies, DLA seeks to maintain competitive compensation rates. Compensation for insurance and annuity transactions is paid to the DLA representative and to SRLA, a DLA affiliate, which is owned by a relative of David Lerner. DLA also receives third-party payments from one or more of the aforementioned unaffiliated third-party companies to compensate DLA in its sales efforts and to help offset seminar costs. These payments are not directly used to compensate ICs.

While DLA provides training to its ICs, maintains reasonable supervisory systems and compliance procedures to ensure that DLA representatives soliciting insurance and annuity products serve you in a manner that is consistent with, among other things, the firm's obligation to ensure suitability, principles of fair dealing and high standards of integrity, and the client's best interests, it will not be possible to detect and/or address every conflict of interest that could arise. For example, given the differing compensation structure set forth in the selling agreements with the above referenced unaffiliated third party companies, it is possible that your DLA representative will be more inclined to recommend an insurance and/or annuity product from a specific unaffiliated third party company that provides potentially increased consideration for the DLA representative, DLA and/or SRLA.