

**Firm Brochure  
(Parts 2A & 2B of Form ADV)**

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**This brochure provides information about the qualifications and business practices of Carlson Financial Advisors. If you have any questions about the contents of this brochure, please contact us at: 650-508-2020, or by email. 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. Registration does not imply a certain level of skill or training.**

**Additional information about Carlson Financial Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Carlson Financial Advisors is 121264.**

**DATE  
June 29, 2011**

## **Item 2: Summary of Material Changes**

Pursuant to the California Department of Corporations new Rules, we will annually ensure that all of our current clients receive this Brochure, in its entirety.

This Brochure:

- (1) Provides additional disclosures regarding material conflicts of interest which may exist, and how we manage those conflicts in order to keep your best interests paramount at all times. Specifically, we provide enhanced disclosures regarding our relationships with qualified custodians (i.e., discount brokerage firms) and certain investment product providers whom we recommend to you. Please refer to Items 5, 11 and 12 of this Brochure.
- (2) Provides a more extensive review of our investment policies and practices, and the risks attendant to those strategies, and the risks of specific asset classes or investment products we may recommend to you. Please refer to Item 8 of this Brochure.
- (3) Further detail on our practices with regard to non-custody of client assets. We have chosen to utilize independent qualified custodians, for the safety of your funds. These qualified custodian(s) provide separate monthly or quarterly statements, directly to you, detailing your account holdings. Please refer to Item 15 of this Brochure. We also encourage you to carefully review the account statements received from your custodian, and to compare those statements to the portfolio statements we provide.
- (4) We will also include the new Form ADV, Part 2B (each individual's "Financial Advisor Biography") for each of our investment advisers who directly provide advice to you, or who may assist in the management of your investment portfolio. Please refer to each Form ADV, Part 2B Financial Advisor Biography, included with this Brochure.

We suggest that you review this Firm Brochure with us, during your next conference

In the future this Summary of Material Changes will discuss only the material changes since the last annual update of this Brochure.

Whenever you would like to receive a complete copy of our, please contact us by telephone at: 650-508-2020 or by email.

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## **Item 4: Advisory Business**

We provide financial planning and investment advisory services to individual clients, as well as trusts, endowments, qualified retirement plan sponsors, and business entities. We are a fee-only firm.

Advice is provided through consultation with you and includes: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

We manage securities accounts on your behalf. We have the authority to determine, without obtaining your specific consent, the securities to be bought or sold. We do not act as a custodian of your assets. You always maintain asset control. We place trades for you under a limited power of attorney.

Investment advice is an integral part of financial planning. In addition, we advise you regarding cash flow, college planning, retirement planning, tax planning and estate planning.

We generally recommend institutional-class stock mutual funds with low annual expense ratios, and extremely low internal transaction costs. At times we may recommend other low-cost investment solutions, such as ETFs, low cost bond funds, individual fixed income securities, and other products. For more on our investment philosophies, and the risks of our strategies and/or specific investments recommended, please refer to Item 8.

We actively seek to avoid, or at least minimize, conflicts of interest which may exist between our firm and you. We sell no products. We accept no commissions. We do not recommend any fund which possesses a 12b-1 fee. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, we have adopted policies which seek to keep your best interests paramount at all times. See Items 4, 5, 11 and 12 of this Brochure, and other items, which explore in further detail how we act to keep your best interests first at all times during the course of relationship with you.

### **Our Firm's History**

We were founded in 1992 by William N. Carlson.

### **Our Principal Owner**

William N. Carlson is the sole proprietor and is the Chief Compliance Officer of the firm.

### **Assets under Management**

As of December 31, 2010, we managed approximately \$30,700.000 in assets.

## Types of Advisory Services

### Financial Planning

Depending on your needs and interests, we provide advice in the form of a Financial Plan. The Financial Plan will assess the likelihood of you achieving various goals and objectives dependent on various personal and financial assumptions, including portfolio design, lifestyle, work and retirement plans, pursuit of charitable and/or family goals and normal savings and consumption behavior. Depending on your needs, the Plan may also address elements of tax and estate planning and insurance, including life, disability, health and long term care insurance.

A financial plan is designed to help you with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts; including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes; if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

A personal financial plan does not include recommendations on specific individual investments, preparation of any kind of income tax return, or preparation of any legal documents. Specific investment recommendations are considered part of the investment management service. We do not provide legal or tax advice.

Once an initial plan is completed, you have several options with regards to ongoing financial planning services:

1. You may feel that your questions have been adequately addressed and that there is no need for further assistance from us;
2. You may wish to have access to ongoing services, such as periodic meetings to discuss changes in your financial situation or in the financial environment;
3. You may wish to initiate contact with us as new questions arise.

Compensation for future services will be at our then hourly rate, or on retainer, depending on the situation.

Alternatively, you may choose to take advantage of our Investment Management Services.

### Our Fees

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The minimum fee is \$500.00 and is negotiable. Since financial planning is a discovery process, situations occur wherein you are unaware of certain financial exposures or predicaments.

In the event that your situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. You must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation is billed separately at the rate of \$200.00 per hour.

## Asset Management

We provide investment supervisory services, also known as asset management services; and furnish investment advice through consultations.

On more than an occasional basis, We furnishes advice to you on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

Assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. We do not receive any compensation, in any form, from fund companies.

We do not invest in wrap fee programs or manage assets for any wrap fee accounts.

We do not invest in Initial public offerings (IPOs).

## Our Fees

We base our fees on a percentage of assets under management.

We, in our sole discretion, may waive our minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with you, etc.).

Assets Under Management	Annual Fee %
First \$1,000,000	1.0%
Next \$4,000,000	0.50%
Next \$5,000,000	0.25%

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice

presentation. Fees are usually deducted from an account designated by you to facilitate billing. You must consent in advance to direct debiting of your investment account.

## **Management of Conflicts of Interest between Clients**

Our relationship with you is non-exclusive; in other words, we provide investment advisory services and financial planning services to multiple clients. We seek to avoid situations in which one client's interest may conflict with the interest of another of our clients.

## **How Fees are Calculated**

Billing amounts are based upon the value (market value or fair market value in the absence of market value) of the client's account(s) (including both securities and cash) at the end of the previous quarter (or, for new clients, upon a date agreed to by us and you). Valuations are derived from recognized and independent pricing sources, such as Charles Schwab Institutional, or other custodians.

## **Other Fees or Expenses Paid in Connection with Advisory Services: Custodians.**

All fees paid to us for investment advisory and financial planning services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, mutual funds incur transaction costs and addition, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the fund's prospectus or Statement of Additional Information, but which may be estimated.

You will incur transaction fees or commissions in connection with trading of mutual fund, ETF, individual stock and bonds (and/or principal mark-ups and mark-downs for principal trades), which are charged by the custodian (brokerage firm holding safekeeping of your assets for safekeeping. Accordingly, the client should review both the fees charged by the funds (including transaction and opportunity costs within funds which are not included in a fund's annual expense ratio), the transaction fees charged by the custodian, as well as the fees charged by us, to fully understand the total amount of fees and costs paid by you, in connection with any recommended transaction. For a discussion of our practice in recommending brokers (custodians) to you and negotiating brokerage fees on your behalf, please see Item 12.

## **Comparable Services**

We believe that the charges and fees offered are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources.



## **Proper Management of Conflicts of Interest Relating to the Fees We Receive from You.**

The vast majority of our clients pay us fees based upon a percentage of the assets we advise upon. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (we do not accept commission-based compensation of any nature, nor do we accept 12b-1 fees). Asset-advised-upon percentage method of compensation can still at times lead to conflicts of interest between our firm and you as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.), and the amount of funds to place in non-managed cash reserve accounts. Our goal is that our advice to you remains at all times in your best interests, disregarding any impact of the decision upon our firm.

Each time such a potential conflict may arise, we will give you written notice of the conflict in that given situation if our advice regarding the proposed transaction would impact our compensation

## **Our Services are Tailored to Meet Your Needs and Any Imposed Investment Restrictions.**

In general, advisory services are tailored to meet your needs. While model portfolios may be utilized for some clients. For most clients each investment portfolio is individually designed. Additionally, financial planning, estate planning, tax planning, and risk management planning services are generally delivered upon your engaging us for such services, with planning issues prioritized and then addressed, either all at one time or over the course of several conferences. As appropriate you will have a conference with us at least annually (and sometimes more often) to review any changes to your financial situation, the investment portfolio upon which advice is provided by us, and planning issues.

After consultation with us, you may impose restrictions on investing in certain securities or types of securities. This most often occurs when you request certain social investing needs be addressed, such as through the use of mutual funds which avoid investments in certain companies. Other restrictions may be imposed by you with respect to the (average or longest) maturity or credit quality of fixed income investments.

Our Agreement with you may not be assigned without your consent.

## **Item 5: Fees and Compensation**

Please refer to the discussion about our fees under Item 4.

## **Cancellation and Termination of Agreements**

Either party may terminate the agreement without penalty upon notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Termination of an agreement will not affect: (a) the validity of any action previously taken by us under the agreement; liabilities or obligations of the parties from transactions initiated before termination of the agreement; or your obligation to pay advisor fees (prorated through the date of termination). Upon the termination of the agreement, we will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in your account.

### **Item 6: Performance Based Fees**

Our fees are not based on a share of the capital gains or capital appreciation of managed securities. We do not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to you.

### **Item 7: Types of Clients**

We provide investment advice primarily to individuals and their families, including high net worth individuals, and trusts. We also may provide investment advice to pension and profit sharing plans and plan participants as well as foundations and other institutions, and to business entities.

The minimum account size is generally \$200,000, but is negotiable. In addition, there is a one-time set up fee of \$500. The minimum yearly fee for services is generally \$2,000, but is negotiable.

### **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis**

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Expansive academic research, investment information, and certain proprietary analyses are drawn upon by us, in order to provide innovative investment advisory services. Each of our clients receives a written Investment Policy Statement, which sets forth a recommended strategic asset allocation.

Specific no-load (no commissions, no 12b-1 fees) mutual funds and other investment products and securities are then recommended to you. Your portfolios are then periodically monitored, and changes to investment portfolios are suggested when appropriate. A disciplined approach to rebalancing is employed in order to maintain asset class exposures within desired risk tolerances, subject to reduction, tax planning or other reasons.

This information becomes the basis for the strategic asset allocation plan which we believe will best meet your stated long term personal financial goals. The strategic asset allocation provides for investments in those asset classes which we believe (based on historical data and our proprietary analysis) will possess attractive combinations of return, risk, and correlation over the long term.

The investment advice which we provide is based upon long-term investment strategies which incorporate the principles of Modern Portfolio Theory. The utilization of several different asset classes as part of an investor's portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility (i.e., the standard deviation of the portfolio returns) over long periods of time. We allocate and diversify your assets among various asset classes and then among individual investments, following the investment policy agreed to by you.

Our investment approach is firmly rooted in the belief that markets are fairly efficient (although not always rational) and that investors' gross returns are determined principally by asset allocation decisions. A focus is provided on developing and implementing globally diversified portfolios, principally through the use of low-cost and tax-efficient passively managed stock mutual funds that are generally available only to institutional investors and clients of advisers granted access to such funds.

Investment policy and overall portfolio weightings as between equities and fixed income investments are based upon your needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. Your portfolio may then follow models designed by us to fit the overall weightings of equities (stocks, stock mutual funds, etc.) and fixed income investments (notes, bonds, bond funds, CDs, etc.) in your portfolio. For other clients, the investment portfolio's strategic asset class allocation is customized to meet the specific circumstances of a client, the presence of investments in 401(k) or other accounts, as well as a perception of the client's understanding of the fundamental forces affecting risk and return in the capital markets.

## **Methods of Analysis; Sources of Information**

Our security analysis is based upon a number of factors including those derived from commercially available software technology, securities rating services, general economic and market and financial information, due diligence reviews, and specific investment analyses that clients may request. The main sources of information include commercially available investment information and evaluation services, financial newspapers and journals, academic white papers and periodicals. Prospectuses, statements of additional information, other issuer-prepared information, and data aggregation services (Morningstar Advisor, etc.) are also utilized. Investment Committee members and advisors also attend various investment and financial planning conferences

## Types of Investments

You typically receive an investment portfolio which consists mainly of no-load stock and bond mutual funds.

Your investment portfolio may also include individual fixed income investments (bonds, C.D.'s, etc.) and/or bond funds (primarily from Vanguard). For clients with a substantial fixed income allocation, we generally recommend a combination of bond funds and individual fixed income investments, with recommended actual investments dependent upon our view of the risk/return relationship for various forms of fixed income investments or bond funds. We will typically request discretionary authority from you to manage individual fixed income assets, as such may be necessary to enable us to purchase or sell such assets in a timely manner at quoted prices.

Publicly traded real estate investment trusts (REITS) and commodities index or passive mutual funds or ETFs may be recommended to you if you desire to include real estate or commodities in your asset allocation strategy.

Insurance products such as annuities and various types of life insurance products may also be evaluated. Recommendations may be undertaken for you to invest in low-cost, no-load (no commission) variable or fixed deferred or immediate annuities when appropriate to your circumstances and tax situation. More often, this occurs when you possess an existing high-cost variable annuity, and a rollover of the annuity is indicated rather than redemption for tax planning purposes, in order to seek to lower the total fees and costs paid by you and/or provide different investment choices. At times you may be advised to retain an existing annuity, previously purchased by you, or undertake partial or full surrenders of same (and/or tax-free exchanges), following an evaluation of the annuity contract, riders thereto, investment alternatives within the annuity and their fees and costs, including any surrender fees which may be imposed by the insurance company.

Your existing investments are evaluated in light of the desired investment policy objectives. We work with you to develop a plan to transition from your existing portfolio to the desired portfolio. Investment advice may be offered on any investments held by you at the start of the advisory relationship. Your portfolio holdings and strategic asset allocation are then monitored periodically, taking into account your cash flow needs. Review meetings with you are held regarding your investment assets under management and other personal financial planning issues.

## Risk of Loss, Generally

Investing in securities involves a risk of loss that you should be prepared to bear. The investment recommendations seek to limit risk through broad global diversification in equities (through broadly diversified stock mutual funds and/or separate account management programs) and investment in high quality fixed income securities or diversified bond funds.

However, the investment methodology will still subject you to declines in the value of your portfolios which can at times be dramatic. We believe there exists a high probability in most

market environments of a long-term (15-year or greater) outperformance of small cap and value stocks, relative to large cap and growth stocks, and hence the stock (equities) portion of an investor's portfolio may be "tilted" toward small cap and value stocks. Accordingly, the normally greater expected returns of the equity portion of the portfolio will in turn often permit the overall allocation to equities (stocks, stock mutual funds) to be reduced, and the allocation to fixed income investments increased. We believe this is the best manner to temper the shorter-term volatility of the stock market, especially, for clients who derive cash flow from their portfolios (such as clients who are in retirement years).

Given the long-term nature of the expected equity premium (i.e., the additional expected return for investing in the overall stock market, relative to less "risky" U.S. Treasury bills), and the long-term nature of the expected value and small cap effects, our investment philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds. Even then, investing is inherently uncertain as to future returns. While both macroeconomic and microeconomic risks are evaluated, for purposes of weighing risks and returns and for the computation of the expected returns of various asset classes (for use in financial planning decision-making), we do not generally engage in market-timing activities. We believe the equity, value and small cap effects are highly likely to occur in the future, over long periods of time. However, there can be no assurance that these effects will occur over any given time period. While we seek to reduce non-compensated risks to which you may be exposed, other risks (including but not limited to the risk of a general stock market decline) may be assumed in order to seek to attain the client's longer-term financial goals and objectives; however, we cannot provide any guarantee that the client's goals and objectives will be achieved.

### **Risk of Loss, Certain Higher-Risk Securities**

Certain securities recommended, such as U.S. small cap value and mid cap value stock mutual funds, U.S. small cap and micro-cap mutual funds, and similar pooled investment vehicles inside variable annuities, possess higher levels of volatility (as individual asset classes within a portfolio). We may employ these securities as part of an overall strategic asset allocation for you, and when such is undertaken we possess a reasonable belief that the risk-return relationship for these securities will likely be beneficial you over the long term.

### **Cash Balances in Client Accounts**

Cash in your investment accounts are typically swept into the bank or money market mutual fund accounts of the institution (Charles Schwab Institutional). We discuss with you, during the time of review conferences and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not the practice to encourage you to maintain a large amount of cash in your accounts, such may be undertaken at your request, to facilitate our billing of periodic fees, or for other reasons. Upon your request, cash balances will be maintained for temporary or short-term purposes.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events of their firm or certain management personnel which would be material to your evaluation of us or our integrity in management of your investment portfolio.

We possess no legal or disciplinary events which, in the judgment of our Chief Compliance Officer, are required to be disclosed under the guidelines for such disclosure promulgated by the U.S. Securities and Exchange Commission

## **Item 10: Other Financial Industry Activities and Affiliations**

### **Financial Industry Activities**

William N. Carlson is a licensed Real Estate Broker in the state of California since 1977. It is our policy that he will not receive commissions or referral fees from advisory or financial planning clients. Mr. Carlson holds the license primarily to affect principal transactions for his own account.

We are not involved in any other financial industry activities.

### **Affiliations**

We have no arrangements that are material to our advisory business or you with any other entity.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We seek to avoid material conflicts of interest. Accordingly, neither we nor our representatives receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies.

However, some additional services and non-direct monetary or other forms of compensation are offered and provided to us as a result of our relationships with custodian(s) and/or providers of mutual fund products. For example, our investment advisors and employees may be invited to attend educational conferences and/or entertainment events sponsored by such brokerage firms or custodians or mutual fund companies. Other services may be provided as outlined below. We believe that the services and benefits actually provided to us by brokerage firms (custodians) and mutual fund providers do not materially affect the investment management recommendations made to you. However, in the interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Although we believe that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to

manage appropriate any material conflicts of interest that may remain, you should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

### Our Code of Ethics

We have adopted a Code of Ethics, to which all investment advisor representatives and employees are bound to adhere. The key component of our Code of Ethics states:

We and our employees shall always:

- Act in the best interests of each and every client;
- Act with integrity and dignity when dealing with clients, prospects, and others;
- Strive to maintain and continually enhance our high degree of professional education regarding Modern Portfolio Theory, strategic asset allocation, and financial, tax, estate, and risk management planning; and
- Seek at all times to preserve our firm's independence and to maintain our complete objectivity with respect to our advisory services and each recommendation made to our clients.

We further adopted a detailed Code of Ethics expressing our commitment to ethical conduct, which is adopted by reference by us, and which is utilized to guide the personal conduct of our various team members. This detailed Code of Ethics describes our fiduciary duties and responsibilities to you and sets forth our practice of supervising the personal securities transactions of employees with prior or concurrent access to client trade information.

A copy of the Code of Ethics is available to you and prospects upon request.

### Participation or Interest in Client Transactions and Personal Trading

Our Code of Ethics provides that individuals associated with our firm may buy or sell securities for their personal accounts identical or different than those recommended to you. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to yours nor make personal investment decisions based on your investment decisions.

To supervise compliance with the Code of Ethics, we require that anyone associated with us and who possesses access to advisory recommendations (before or at the time they are entered into) ("access persons") to provide annual securities holding reports and quarterly transaction reports to our Chief Compliance Officer. We also require access persons to receive advance approval from our Chief Compliance Officer prior to investing in any initial public offerings or private placements, and with regard to trading of certain individual securities.

The Code of Ethics further includes our policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.



## **Item 12: Brokerage Practices**

### **Use of Brokerage Firms (Custodians), Generally**

We utilize the services of Charles Schwab Institutional. The custodian provides us with access to institutional trading and custody services, which services are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis and at no charge to them.

We participate in the advisory services program of Charles Schwab Institutional. While there is no direct linkage between the investment advice given and participation in the program, economic benefits are received which would not be received if we did not give investment advice to you.

### **Discussion of Benefits to Adviser, to us as to Custodians**

The benefits provided by Charles Schwab Institutional include assistance with practice management and assistance with the management of client accounts, including but not limited to: (a) receipt of duplicate client confirmations; (b) receipt of electronic duplicate statements; (c) access to a trading desk serving investment adviser firm participants exclusively, and providing research, pricing information, and other market data; (d) access to the investment advisor portion of their web sites which includes practice management articles, compliance updates, and other financial planning related information and research materials (including, for example, rating reports on individual companies from Standard and Poors' or other sources); (e) access to other vendors (such as insurance or compliance providers, or providers of research or other materials) on a discounted fee basis through discounts arranged by the custodians; (f) permitting us to access an electronic communication network for client order entry and to access clients' account information and which may otherwise assist us with its back-office functions, including recordkeeping and client reporting; and (g) conferences at which advisors and employees of our firms may attend (with no registration fees) and receive education on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance, and information technology.

Participation in the custodians programs also provides access to certain mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

The benefits received through participation in the custodians programs may depend upon the amount of transactions directed to, or amount of assets placed in custody with Charles Schwab Institutional.

Generally, many of these services may be utilized to service all or a substantial number of our clients' accounts. Educational, research, or other services provided by custodians (i.e., Charles Schwab Institutional, etc.) or mutual fund companies may benefit all of our clients, or may benefit only some clients.



### Our Recommendations of Brokerage Firms

You are permitted to direct us to utilize your desired brokers. However, if such brokers are utilized, we may not possess access to certain mutual funds and other investments that are generally available only to institutional investors or which would require a significantly higher minimum initial investment, and commission rates paid or transaction fees paid may be higher than the fees negotiated by us.

While as a fiduciary, we endeavor to act in your best interests, our desire that you maintain much of your assets in accounts at Charles Schwab Institutional may be based in part on the benefit to our firms of the availability of some products and services (previously described) at no cost to us, or at reduced costs, and not solely on the nature, cost, or quality of custody and brokerage services provided by the brokers, and this may create a potential conflict of interest. You may, therefore, pay higher transaction fees, commissions (for individual stock and ETF trades), and principal mark-ups and mark-downs (relating to purchases and sales on a principal, as opposed to an agency, basis), than those charged by other discount brokers. However, we have negotiated fees with the custodians we recommend, and we have selected these custodians for their generally low fees relative to another large custodian. Also, please note that we prefer to recommend custodians whom possess significant size and financial resources, for purposes of enhanced safety of your funds. For all of these reasons, the lowest cost custodian for you may not be recommended to you by us.

### Soft Dollars

We do not receive any soft dollar benefits from broker/dealers acting as custodian for your accounts.

### Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

## Item 13: Review of Accounts & Reporting

Investment accounts are reviewed no less often than quarterly as part of the monitoring/reporting process. Confirmations and monthly or quarterly statements are provided to you by the broker/dealer, investment sponsor, or custodian. You receive reports from us at least quarterly showing the cash flows in and out of the account, time weighted rates of return, summary of investments, and an asset allocation analysis. You are encouraged to contact us with any changes in your goals, needs, and priorities.

You are strongly encouraged to review the monthly or quarterly statements you receive from custodians. Despite the best efforts of any firm to safeguard client's assets, fraud could still occur. While we hope that you trust our firm and advisors, and we have never had an instance of theft of client funds, we believe it is nevertheless important for you to verify your investment holdings.

We also encourage clients to timely compare the account statements received from us with those received directly from Schwab, or other custodians. Should you detect any unauthorized trading in an account, or unauthorized transfers of cash or securities, you are asked to contact William Carlson, Chief Compliance Officer.

## **Item 14: Payment for Client Referrals**

### **Incoming Referrals**

We have been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

### **Referrals Out/Other Compensation**

We do not receive any commissions or referral fees for any recommendations we make to other professionals.

## **Item 15: Custody**

Assets are generally held in custodial accounts at Charles Schwab & Co., Inc., The Vanguard Group, and TIAA-CREF, among others. Any charges that may be assessed by the custodians are paid directly by you. All fees paid to us for investment advisory services are separate from the fees charged by the investment companies to their shareholders. These fees are described in each fund's prospectus. You can invest in mutual funds directly without our services.

However, with your consent, we may be provided with the authority to seek deduction of our fees from your accounts; this process generally is more efficient for both you and us, and there may be tax benefits for you to this method when fees can be paid from certain tax-deferred accounts of clients.

## **Item 16: Investment Discretion**

We maintain a limited power of attorney for your accounts. The limited power of attorney authorizes us to execute securities transactions on your without prior approval. As a business practice, all transactions are executed in accordance with your stated investment objectives and have been previously discussed with you.

You approve the custodian to be used and the commission rates paid to the custodian. We do not receive any portion of the transaction fees or commissions paid by you to the custodian on certain trades.

## **Item 17: Voting Client Securities**

We do not vote proxies. Therefore, although we may provide investment advisory services relative to your investment assets, you maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. We and/or you shall correspondingly instruct each custodian of the assets to forward to you copies of all proxies and shareholder communications relating to your investment assets.

## **Item 18: Financial Information**

We do not require the prepayment of more than \$1,200 in fees per client, six months or more in advance.

We accept limited forms of discretion over your accounts, as described in Item 16 of this Brochure. Due to this acceptance, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. We currently possess no such financial condition. We have never been the subject of a bankruptcy proceeding.

## **Additional Information**

### **California Disclosures**

The California Code of Regulations (10 CCR Section 260.235.2) imposes two notice requirements upon financial advisers: (a.) lower cost comparable services may be available from others, and (b.) the possibility exists for a conflict of interest between your interests and ours. You are under no obligation to purchase advice or services from us.

All material conflicts of interest under CCR Section 260.238 (k) have been disclosed regarding the adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

### **Business Continuity Plan**

We have a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. The Business Continuity Plan covers natural and manmade disasters.

Electronic files are backed up daily and archived offsite.

## Privacy Notice

We are committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us. The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information will be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver our Privacy Policy to you annually, in writing.

## **Brochure Supplement (Part 2 B of Form ADV)**

**William N. Carlson dba  
Carlson Financial Advisors  
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Belmont, CA 94002**

**PHONE  
650-508-2020**

**FAX  
650-508-2022**

**EMAIL  
Bill Carlson (bill@carlsonadvisors.com)**

This brochure supplement provides information about William N. Carlson that supplements the Carlson Financial Advisors brochure. You should have received a copy of that brochure. Please contact us if you did not receive Carlson Financial Advisors's brochure or if you have any questions about the contents of this supplement.

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

**DATE  
June 29, 2011**

## Education and Business Standards

Advisory affiliates are required to be Certified Financial Planner Licensees. Advisors are also required to meet minimum annual CFP Board educational requirements plus additional hours in specializations such as retirement, pension, trusts, estate and investment planning.

## Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

**Certified Financial Planner (CFP®):** Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP® certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

## **William N. Carlson, CFP**

### **Item 2. Educational Background and Business Experience:**

#### **Educational Background:**

- \* Year of birth: 1949
- \* Institutions  
College for Financial Planning; Denver, CO; 1989  
San Diego State University; BA Psychology; 1974

#### **Business Experience:**

- \* William Norman Carlson, Registered Investment Advisor; Sole Proprietor, October 1992 to Present

### **Item 3. Disciplinary Information**

None

### **Item 4. Other Business Activities:**

None

### **Item 5. Additional Compensation:**

None

### **Item 6. Supervision:**

William Carlson is the Sole Proprietor and Chief Compliance Officer. As such, William Carlson is responsible for all advice provided to clients.