

Firm Brochure

Part 2A of Form ADV

March 21, 2012

Clelland & Company, Inc.

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Since 1989, Clelland & Company, Inc. has provided investment consulting and investment management services for a select group of clients throughout the western United States. We are a Registered Investment Advisor headquartered in La Jolla, California.

This brochure provides information about the qualifications and business practices of Clelland & Company, Inc. If you have any questions about the content of this brochure, please contact us at (858) 587-8700 and/or info@clelland.com. 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. Clelland & Company, Inc. is registered as an investment advisor with the SEC; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Clelland & Company, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

As required by the SEC, the Firm Brochure is updated annually and any material changes since Clelland & Company's last annual update of March 16, 2011 are discussed here.

Pursuant to the new SEC rules, Clelland & Company will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the end of the year. In the interim, if there are any changes that could affect the advisory relationship or any disciplinary information, an additional disclosure will be sent. If you would like to receive a full copy of the Clelland & Company, Inc. Brochure at no charge please call us at (858) 587-8700 or email info@clelland.com.

Material Changes in the Firm Brochure dated March 21, 2012:

1) Item 4 Advisory Business

It is required that Regulatory Assets under Management be updated at least annually.

The following changes were made in the way that Clelland & Company reports its Assets under Management under the revised instructions provided by the SEC:

- a) Non-fee paying accounts have been included in Assets under Management.
- b) Certain non-investment real properties have been removed from Assets under Management.

December 31, 2011
Assets under Management

Discretionary:	\$ 63,982,751
Non-Discretionary:	<u>\$ 184,539,300</u>
Total:	\$ 248,522,051

2) Item 12 Brokerage Practices

Several changes were made to the wording of Clelland & Company's Brokerage Practices section. This section was rewritten to further explain Clelland & Company's process of selection of brokers and custodians.

(The new section was attached to the Material Changes Summary sent to clients)

3) Item 14 Client Referrals and Other Compensation

Associates As of April 1, 2011, the Company no longer has any arrangements with outside individuals, known as Associates. Currently there are no Associates affiliated with Clelland & Company.

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Item 4 Advisory Business

Investment Advisory and Consulting Services Clelland & Company, Inc. provides investment advisory services to individual investors, foundations, endowments and pension funds for a fee based upon a percentage of assets under management. Clelland & Company may also offer one-time or on-going consulting advice on investments for a specified project fee or annual retainer fee.

Since 1989, Clelland & Company, Inc. has provided investment consulting and investment advisory services for a select group of clients throughout the western United States. We are an employee owned Registered Investment Advisor headquartered in La Jolla, California. Clelland & Company is dedicated to identifying only the highest quality investment opportunities and providing the necessary experience, talent and attention to implement them to a successful conclusion.

Our range of expertise and experience includes investments in U.S. equity funds and securities, foreign equity funds, U.S. government and corporate debt funds, municipal bonds and municipal bond funds, real estate investment trusts and funds, and alternative strategies including hedge funds, commodities, distressed debt, private equity, and futures contracts.

In addition to investment advice and management, we offer wealth and life planning services that include estate planning, retirement planning and cash flow analysis. Working with other professionals such as estate attorneys, CPA's, independent trustees, executives of charitable organizations, and employee benefit professionals, we become part of our clients' wealth advisory team.

The officers and majority shareholders of Clelland & Company, Inc. are Robert B. Clelland, President, and Rebecca A. Clelland, Corporate Secretary. The Company's investment decision-makers and associates are required to have a minimum of a college degree plus work experience and to have an understanding of investments and portfolio management techniques. They are also required to pass the Uniform Investment Adviser (Series 65) Examination or equivalent, or be making progress towards passing. Our employees hold other relevant securities designations such as the Chartered Financial Analyst® (CFA®), Certified Investment Management AnalystSM (CIMA®), or Certified Private Wealth AdvisorSM (CPWA®) designations. See the Brochure Supplement (Part 2B of Form ADV) for the educational background and business experience of employees who manage portfolios for our clients.

December 31, 2011**Assets under management:**

Discretionary:	\$ 63,982,751
Non-Discretionary:	<u>\$ 184,539,300</u>
Total:	\$ 248,522,051

Item 5 Fees and Compensation

Investment Advisory Services Fees are payable quarterly in arrears and may be negotiated based on individual circumstances. Our advisory fees are deducted directly from client accounts or invoiced, whatever is most convenient. Our current standard annual fees are based on a tiered schedule as follows: 1.00% on accounts up to \$1,000,000; 0.75% from \$1,000,000 to \$5,000,000; 0.50% from \$5,000,000 to \$10,000,000; and negotiable on accounts over \$10,000,000. We negotiate discounted rates for our charitable and non-profit clients. Upon 30 day's written notice, a client may terminate Clelland & Company's services with fees prorated to date of termination and transfer of assets.

Investment Consulting Services Fees are negotiable, depending on the nature and complexities of services provided, and are agreed upon in advance with clients. For clients on an annual retainer, these fees will be invoiced quarterly, after services are provided. The Company does not receive commissions, rebates, administrative fees or other compensation (soft-dollar or otherwise) for its consulting services.

All fees paid to Clelland & Company for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, and from those fees charged by money managers, banks, custodians, Exchange Traded Funds, securities commissions and all other vendors of investment services. These fees are described in each fund's prospectus or in such vendor's literature. The client should review both the fees charged by the funds and other service providers as well as the fees charged by Clelland & Company to fully understand the total fees to be paid by them. Clelland & Company does not share in any fees, commissions, or other charges levied by these institutions.

Item 6 Performance-Based Fees and Side-By-Side Management

Clelland & Company does not accept performance based fees (where a manager is paid an additional percentage of the positive growth in an account). Clelland & Company also does not engage in Side-By-Side management (where a manager charges a performance based fee to some accounts and another type of fee for others).

Item 7 Types of Clients

Clelland & Company provides investment supervisory services to high net worth individuals and families, personal trusts, pension and profit sharing plans, benefit trusts, charitable organizations, corporations and other business entities. Our minimum account size is \$1,000,000, although under special circumstances, the minimum may be waived.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Investment Methodology Clelland & Company's methodology includes the design of asset allocation strategies that develop diversified portfolios; calculating asset class weightings, returns and risk levels; computing the optimal mix of investment for alternative investment strategies; screening and selecting mutual funds, exchange traded funds, hedge funds and/or investment managers from a broad range of investment firms.

Risks Clelland & Company invests primarily in stock and bond mutual funds, which are subject to the multiple risks associated with the stock and bond markets, any of which could cause an investor to lose money.

Funds that invest in equities are subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Funds that invest in foreign markets are also subject to the following risks associated with direct investments in foreign stocks: country/regional risk, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of companies in any one country or region; and currency risk, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Country/regional risk and currency risk are especially high in emerging markets.

Bond funds are subject to bond risks: interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates; income risk, which is the chance that the underlying fund's income will decline because of falling interest rates; credit risk, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline, thus reducing the underlying fund's return; and call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The underlying fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. For mortgage-backed securities, this risk is known as prepayment risk.

A portfolio may also be subject to asset allocation risk, which is the chance that the selection of underlying funds, and the allocation of assets to them, will cause the portfolio to underperform others with a similar investment objective. Any investment in individual securities, mutual funds, exchange traded funds, or other types of investment vehicles are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. These investments carry risks of loss of principal and must be approached with caution.

Item 9 Disciplinary Information

Clelland & Company and its management have never had an investment-related legal (civil or criminal) nor disciplinary action taken against it by any government regulatory agency, court or self-regulatory agency (SRO). There have been no legal or disciplinary actions taken or outstanding against any individual member of the Company.

Item 10 Other Financial Industry Activities and Affiliations

Clelland & Company is an independent investment advisory firm, wholly owned by its employees. We are not affiliated with any brokerage firm, investment advisor, bank or other types of financial services providers. Our independence allows us to provide objective advice and guidance to our clients.

Other Business Activities The investment professionals of Clelland & Company may serve as expert witnesses from time to time. This activity is separate and distinct from investment advisory and consulting services provided by the Company. Compensation is quoted based on the nature of the case on hourly and daily rates that are typical for this type of service.

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

The Clelland & Company Code of Ethics sets forth standards of conduct expected of all company personnel. It is based on the principle that all employees of the Company have a fiduciary duty to place the interest of our clients ahead of their own and that of the Company. These standards are considered to be the minimum level at which our employees will conduct themselves.

Clelland & Company has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Company and its personnel adhere to the highest standards of conduct and integrity, a duty of loyalty, fairness and good faith towards the Company's clients, and the obligation to adhere to the Code and its general principles. The Code covers a range of topics including: general ethical principles, reporting of personal securities trading, reporting of ethical violations, review and enforcement processes, and supervisory procedures. The Company will provide a copy of the Code of Ethics to any client or prospective client upon request.

In addition to always operating in an ethical manner, each employee signs a certificate promptly upon becoming employed or otherwise associated with the Company that evidences his or her receipt of this Code of Ethics.

All actions of Clelland & Company's employees with regard to client assets will be for the sole benefit of the client. Investment of client funds will be made in accordance with the client's Investment Policy Statement or plan. This document will provide investment guidelines that will be faithfully followed by each employee.

Personal Securities Trading Our portfolio managers and employees may from time to time purchase or sell the same securities for their own accounts that are recommended for purchase or sale for client accounts. In order to assure that client interests take precedence over the personal securities trading interests of others with the Company's control, transactions for client accounts will receive preference in terms of execution and price over transactions effected at or about the same time for the personal accounts of the Company, portfolio managers or employees.

No trade will be made in an employee's personal account that will cause a market impact on securities held by a client of Clelland & Company. The Company requires each employee to report on a periodic basis their personal securities holdings and transactions to ensure that client accounts are not disadvantaged by their personal securities transactions.

Item 12 Brokerage Practices

How We Select Brokers Clelland & Company evaluates the quality of brokerage services and rate structures as provided by various firms. Brokerage services will be obtained only from those firms that meet industry standards of execution, who maintain a reasonable capital position, and can be expected to reliably and continuously supply a broad range of services at the lowest cost of execution. The full range and quality of brokerage services is considered in making these determinations. Our selection also considers the capabilities of their back office support and trading platform and by our having direct access to their securities traders for more challenging trades.

Clelland & Company receives no commissions, rebates or other forms of remuneration for selection or use of specific brokers. All trades are subject to the Company's and other sub-advisory managers' duty to obtain "best execution" as described in their sub-advisory contracts and mutual fund prospectuses. Although we may recommend your account be maintained at Charles Schwab & Company, Inc. (Schwab), we can still use other brokers to execute trades for your account, as described in the 'Directed Brokerage' section.

Clelland & Company is independently owned and operated and not affiliated with these firms.

Custody, Research and Other Services Schwab Advisor Services, an arm of Charles Schwab & Company, serves independent investment advisory firms like ours. They provide us and our clients with access to institutional brokerage trading, custody, reporting, research and related services – many of which are not typically available to Schwab retail customers. These services are made available to Clelland & Company on an unsolicited basis, at no charge to us, and are not contingent upon our committing to any specific amount of business (assets in custody or trading).

For Clelland & Company client accounts maintained at Schwab, there are generally no separate charges for custody. Schwab is compensated by account holders through mutual fund expenses, commissions or other transaction-related fees for securities trades that are executed. Commission rates applicable to our client accounts have been negotiated based on our level of overall clients' assets maintained with the custodian. We make no contractual commitments as to the level of assets that will be maintained, so these rates are subject to change.

Firms like Schwab also make available other products and services that benefit us generally in managing and administering clients' accounts, but may not be a benefit to all individual client accounts. These include software and other technology that provide access to client account and portfolio data (such as trade confirmations, performance reporting and account statements), facilitate trade execution, provide research, pricing information and other market data, and assist with the back-office functions such as taking fees, recordkeeping and client reporting. In addition, these institutions make available other services intended to help us manage and further develop our business enterprise, including discounted shipping services, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing.

Company personnel may attend educational seminars, meeting and conferences offered by these companies. On occasion, our employees may be provided with food, lodging and entertainment at these events that are incidental to the educational purpose of such seminars. In other cases, we may be provided with other benefits such as occasional business entertainment of our personnel.

Directed Brokerage or Trading with Other Brokers Although we work with a select number of brokers, in some cases our clients will express a preference for trading with a specific broker. We make clients aware that by directing to brokers of their choice they may limit their ability to get best execution or negotiated commissions. Also, if Schwab is the custodian, they may charge a flat dollar amount as a “prime broker” or “trade away” fee for each trade that is executed by a different broker-dealer and is settled (deposited) into the Schwab custody account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we generally direct Schwab Brokerage execute most trades for your account.

Clelland & Company endeavors to always act in our clients’ best interests, although our recommendation that clients maintain their assets in accounts at these firms may be based in part on the benefit to the Company of the availability and discounted cost of some of the foregoing products and services and not solely on the nature, cost or quality of custody, investment and brokerage services provided by these firms, which may create a potential conflict of interest.

Item 13 **Review of Accounts**

Our investment personnel monitor and review all client accounts on an on-going basis. Client requested actions, such as contributions or withdrawals from their accounts will be handled in a timely manner. These types of actions take into account available cash balances, types of investments, taxes and liquidity requirements. These transactions are seen as an opportunity to rebalance account investments to target levels.

On a monthly basis, we conduct a review of portfolios in order to determine whether a rebalancing is required in order to assure that the account is at or near its asset allocation targets.

Quarterly, we review portfolio and individual investment performance, asset allocation and the appropriateness of the allocation based on the clients’ goals and objectives. These goals are described in the Investment Policy Statement that is created and maintained for each discretionary client account.

Clients receive monthly statements which include a summary of assets, asset allocation, and securities and cash transactions. We encourage them to review these statements for accuracy and completeness.

On a quarterly or annual basis, most clients receive a package which includes economic highlights and an overview of each asset category and/or portfolio in which the client is invested. This review discusses the investment objective, portfolio characteristics, performance and asset allocation.

Based on the client’s desire, we will have face-to-face meetings on a periodic basis. For our individual clients, this tends to be annually and with institutional investors, on a quarterly basis.

Item 14 Client Referrals and Other Compensation

Associates The Company may enter into arrangements with outside individuals, known as Associates. These supervised Associates will be paid a percentage of the fee paid by client referrals on an on-going basis. This arrangement is disclosed to and approved in writing by our clients prior to establishment of an account with us. The compensation paid to the Associate is dependent upon individual facts and circumstances and will not increase the advisory fee paid by the client. Currently, there are no associates affiliated with Clelland & Company.

The Company has also entered into a solicitation agreement with SEI Investment Management Company to provide services for clients with investable assets of \$50 million or more. We receive a fee which is a percentage of the fee charged by SEI, fully disclosed as required by rule 206(4)-3 under the Investment Advisers Act of 1940. Currently, this agreement affects one client.

Item 15 Custody

As an investment advisor, Clelland & Company provides investment management and oversight for our client portfolios. We do not directly hold client assets that we manage. This is the job of a securities “custodian.” We primarily work with Charles Schwab Company, Inc. (Schwab) and the SEI Private Trust Company. These firms are termed “qualified custodians.” They provide security safekeeping, income collection from investments, online account access and client reporting. The custodians take instructions from Clelland & Company to purchase and sell the investments in our client accounts. The custodian sends quarterly, or more frequent, account statements directly to clients and those statements should be carefully reviewed. This custodial system provides our clients with a high level of security and safety.

We currently recommend that our clients use Charles Schwab & Company, Inc. (Schwab), member SIPC, as our preferred qualified custodian/broker dealer. While we recommend that you use Schwab, it is your final decision. With our assistance, you will open account(s) with Schwab by entering into account agreement(s) directly with them.

When authorized in advance by a client, Clelland & Company has the ability to authorize the custodian to debit its quarterly fees directly from clients’ accounts. When we take our fees in this manner (as opposed to direct invoicing), we are deemed to have ‘constructive custody’ of client assets under rule 206(4)-2 of the Advisors Act. We are solely allowed to receive these fees and are not authorized to request any other amounts from client accounts. Clients are urged to carefully review all fees and other data on custodial statements and compare them to the documents and reports provided by Clelland & Company.

Item 16 Investment Discretion

Where our clients authorize us to exercise discretionary authority over the trading activity in their investment advisory accounts, we take responsibility to determine the type and amount of securities to be held and transacted in their account, within the guidelines jointly established in advance. These guidelines are usually described in the Investment Policy Statement that contains target allocations for asset classes, ranges around those targets and any specific restrictions on those investments. These targets and ranges will be updated from time to time based on the client’s changing goals and/or market conditions. Clients are contacted frequently to discuss account asset allocation and specific portfolio holdings.

Investment consulting or retainer advisory clients receive services on a non-discretionary basis, meaning that they request information and recommendations from us. All final decisions regarding the implementation of these services will be made by the client.

Item 17 Voting Client Securities

Our clients have the option to vote their own proxies or have us do it for them. It is our general policy to vote proxies in a manner that maximizes shareholder value and is in the best interest of our clients. When authorized by our clients to vote their proxies, we will provide them with information about how their proxies were voted. When we are directed to not vote proxies, the proxy information will be sent directly to the client and voting responsibility will be theirs.

It is the Company's view that proxy voting is a fiduciary obligation subject to the requirement of acting in the client's best interest. Our full Proxy Policy is available on request.

Item 18 Financial Information

Clelland & Company, Inc. is a privately held California 'C' Corporation whose ownership is held by active Company employees. The Company has been in continuous operation since 1989. We do not publish financial statements, but maintain appropriate liquidity for operations.

Item 19 Requirements for State-Registered Advisers

Clelland & Company, Inc. is not a state-registered adviser. Advisors with more than \$100 million in assets under management, like Clelland & Company, are required to be registered with the Securities and Exchange Commission (the SEC).