

**ITEM 1. COVER PAGE FOR
PART 2A OF FORM ADV:
FIRM BROCHURE
MAY 2012**

**CALIFORNIA CAPITAL MANAGEMENT
4729 LANKERSHIM BLVD.
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This brochure provides information about the qualifications and business practices of California Capital Management. If you have any questions about the contents of this brochure, please contact by telephone at (818) 766-0660 or email at shemmann@calcapmgt.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. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees. Please note that the use of the term "registered investment adviser" or being "registered" does not imply a certain level of skill or training. Additional information about California Capital Management also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

California Capital Management is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Our last annual updating amendment was filed March 25, 2011.

Effective January 2012, we offer Asset Management Services. We emphasize continuous and regular account supervision and management services on a discretionary basis. Our fees range up to 2.95% and are charged quarterly in advance. Our Financial Planning and Consulting services are no longer offered on a flat fee basis. Our hourly fee is \$475.

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Item 4. Advisory Business

We specialize in the following types of services: Financial Planning, Consulting and Asset Management Services. All material conflicts of interest under are disclosed below regarding our firm, our representatives or our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. We disclose that lower fees for comparable services may be available from other sources.

A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a corporation formed in the State of California. Our firm has been in business as an investment adviser since 2004 and is owned as follows:

Bradley J. Salo – 50% owner

Gregory J. Zedlar – 50% owner

B. Description of the types of advisory services we offer.

(i) Financial Planning and Consulting:

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months or less of the client signing a contract with us, assuming that all the information and documents we request from the client are provided

to us promptly. We disclose to our financial planning clients that a conflict of interest exists between us and our clients. The client is under no obligation to act upon the investment adviser's recommendation. If the client elects to act on our recommendations, the client is under no obligation to effect the transaction through us.

(ii) Asset Management Services:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. In certain circumstances a financial plan may be necessary to be provided in portfolio development. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives.

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

(i) Individual Tailoring of Advice to Clients:

We offer individualized investment advice to clients utilizing our Asset Management services offered. Additionally, we offer general investment advice for Financial Planning and Consulting services.

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:

The implementation of recommendations given to financial planning and consulting clients is to be effected by the client. Hence there are no restrictions on investing in certain securities or other types of securities. We usually do not allow Asset Management clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. However, clients will have an opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

D. Participation in wrap fee programs.

We do not offer wrap fee programs.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

We advise on assets of \$102,035,723. We manage \$102,035,723 of assets on a discretionary basis and \$0 on a non-discretionary basis as of May 11, 2012.

Item 5. Fees and Compensation

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally not negotiable. However, in certain circumstances we may negotiate our fees which are determined in the advisory agreement.

A. Description of how we are compensated for our advisory services provided to you.

(i) Financial Planning and Consulting:

We charge on an hourly basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fee is \$475 per hour. High net worth individuals requiring detailed tax or estate planning could result in a higher fee. In certain cases, our firm may request the client pay an up-front retainer against advisory services to be performed. In certain circumstances a financial plan or consulting may be necessary to be provided in portfolio development for asset management clients at no charge.

(ii) Asset Management Service:

<u>Assets Under Management</u>	<u>Annual Percentage of Assets Charge*:</u>
\$0 to \$249,999.99	2.95%
\$250,000 to \$499,999.99	2.50%
Over \$500,000	2.00%

*Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Financial Planning and Consulting:

We may require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

(ii) Asset Management Service:

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees will generally be automatically deducted from your managed account*. As part of this process, you understand and acknowledge the following:

- a) LPL Financial as your custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting fees to be directly paid by these terms;
- c) LPL Financial calculates the advisory fees for all asset management services and deducts them from your account;
- d) Our invoice to you includes a legend that urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

*In certain cases we will direct bill the client.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through (for example stock trades are charged \$9 and we receive no portion of these fees). Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

D. We must disclose if client's advisory fees are due quarterly in advance. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

E. Commissionable Securities Sales.

We sell securities for a commission. In order to sell securities for a commission, our supervised persons are registered representatives of LPL Financial, member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual

funds. You should be aware that the practice of accepting commissions for the sale of securities:

- 1) Presents a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise:
 - a) when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our supervised persons may earn and may not necessarily be in the best interests of the client;
 - b) when recommending commissionable mutual funds, explaining that “no-load” funds are available through our firm if the client wishes to become an investment advisory client.
- 2) In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.

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

We do not charge performance fees to our clients.

Item 7. Types of Clients and Account Requirements

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, limited liability companies and/or other business types

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We generally charge a minimum fee of \$2,500 for written financial plans and a minimum account balance of \$500,000 for asset management service. These minimums are negotiable and generally required throughout the course of the client’s relationship with our firm.

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

We custom tailor portfolios based on the individual client timeframe, risk tolerance and financial goals. We do not primarily recommend any particular method of analysis or strategy or any particular type of security.

Methods of Analysis:

- Charting
- Fundamental
- Technical
- Cyclical

Investment Strategies we use:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Margin Transactions
- Option writing, including covered options, uncovered options or spreading strategies

CCM specializes in the following areas:

- An Investment Management process that seeks to create a balance between potential investment return and risk over the target investment time frame. This typically involves using a mix of the securities described immediately above.
- An Investment management approach that employs quantitative analysis, technical analysis, fundamental analysis, and other disciplines, which are considered together to make decisions.
- Investment management focusing on multiple time frames, i.e. long-term strategies, intermediate-term strategies and short-term strategies. Depending on the specific situation, this may involve having CCM employ a variety of risk-management strategies, including short-term trading, stop orders, index options, protective put options, and holding above-normal cash balances. CCM feels that the variety of risk-management tools it has at its disposal, and its dedication to considering them as needed, is one of CCM's differentiating features in the investment advisory marketplace.
- Investment Management specializing in selection of mutual funds, Exchange Traded Funds (ETFs), Closed-End Funds, equities, fixed income instruments, options, cash equivalents. Other investments, available presently or created at a later date, may also be used in accounts and funds managed or sub-advised by CCM. CCM typically prefers to invest in securities that offer daily liquidity for the majority of the client portfolio investments. Illiquid investments, such as non-traded REITS and non-traded BDC's, if used at all, do not exceed more than thirty percent of a typical client investment portfolio.

Types of Investments:

Based upon the request of an entity or individual who is an asset management client, or the investment objectives and policies of a Fund which is an investment company management

client, CCM will utilize or offer advice on all types of securities, provided that CCM believes it can offer a reasonable opinion based on its investment experience and acumen. The following are some of the general categories of securities CCM can advise.

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange Traded Funds (ETFs)
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Asset Allocation among investments offered within Variable Annuities (but not the evaluation of any non-investment management aspects of annuities or other insurance products)
- Mutual fund shares
- United States government securities
- Options contracts on securities and commodities
- Futures contracts on tangibles and intangibles
- Interests in partnerships investing in real estate, and oil and gas interests
- Managed futures

When providing Asset Management Services, it is not CCM's typical investment strategy to attempt to time the market (which we define as moving from a fully invested position to a 100% cash position) but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior.

Risk of Loss:

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, CCM is unable to represent, guarantee, or even imply that its services and methods of analysis or other unaffiliated, third-party investment advisors can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through CCM's investment management programs or other unaffiliated third-party investment advisors.

Market Risk: Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

Equity (Stock) Market Risk: Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

Company Risk: When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

ETF and Mutual Fund Risk: When the client is invested in an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

Management Risk: Your investment with my firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Foreign Investment Risk: Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. Investing in emerging markets imposes risks different from, or greater than, risks of investing in foreign developed countries.

Foreign Currency Risk: Currency market risk results from the price movement of foreign currency values in response to shifting market supply and demand. Interest rate risk arises whenever a country changes its stated interest rate target associated with its currency. Country risk arises because virtually every country has interfered with international transactions in its currency. Interference has taken the form of regulation of the local exchange market, restrictions on foreign investment by residents or limits on inflows of investment funds from abroad. Restrictions on the exchange market or on international transactions are intended to affect the level or movement of the exchange rate. This risk could include the country issuing a new currency, effectively making the "old" currency worthless.

Interest Rate Risk: Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security may fall when interest rates rise. Securities with longer maturities may be more sensitive to interest rate changes. Certain corporate bonds and mortgage-backed securities may be significantly affected by changes in interest rates. Some mortgage-backed securities may have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile. Because zero coupon securities do not make interest payments, they are considered more volatile than bonds making periodic payments. When interest rates rise, zero coupon securities fall more sharply than interest paying bonds. However, zero coupon securities rise more rapidly in value when interest rates drop.

Options (Derivatives Risk): Even a small investment in options may give rise to leverage risk, and can have a significant impact on the accounts' performance. Derivatives are subject to credit risk and liquidity risk.

Item 9. Disciplinary Information

We have no legal or disciplinary events to disclose that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations

- A. Our firm or our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The details are as follows:

Bradley J. Salo and Gregory J. Zedlar are Registered Representatives with LPL Financial. In such a capacity, they may offer securities and receive normal and customary commissions as a result of securities transactions. They spend 5% of their time on these activities. This presents a conflict of interest to the extent that they recommend that a client invest in a security which results in a commission being paid to them.

- B. Description of any relationship or arrangement that is material to our advisory business or to our clients, that we or any of our management persons have with any related person¹ listed below. We are required to identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how we address it.

¹ Our Related Persons are any advisory affiliates and any person that is under common control with our firm. Advisory Affiliate: Our advisory affiliates are (1) all of our officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by us; and (3) all of our current employees (other than employees performing only clerical, administrative, support or similar functions). Person: A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

Bradley J. Salo and Gregory J. Zedlar are licensed insurance agents through numerous insurance companies. In such a capacity, they may offer insurance products and receive normal and customary commissions as a result of such a purchase. This presents a conflict of interest to the extent that they recommend the purchase of an insurance product which results in a commission being paid to them as an insurance agent. They spend 10% of their time on these activities.

- D. If we recommend or select other investment advisers for our clients and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

We have determined we have nothing to disclose in this regard.

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

- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts². In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair

² For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities within 48 hours of buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

Item 12. Brokerage Practices

- A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

We receive products and services provided by LPL Financial that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars, our interest in making trade allocations may differ from clients' interests in that our firm has an incentive to designate as great a portion of the cost in order to permit payment with soft dollars.

- a. Explanation of when we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

When a broker-dealer provides products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. In making our brokerage selections, we consider those suggestions as part of our evaluation of the factors described above. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but could also exceed that level. This may be in part because the total brokerage business generated by clients exceeds the aggregate amounts requested by all brokers and dealers from which we receive services and products, and in part because the brokers and dealers that provide such services and products may also provide superior execution and may therefore be the most appropriate broker-dealers for particular transactions regardless of whether or not they provided such services and products. In other cases, a broker or dealer may establish credits based on brokerage commissions paid in the past, which may be used to pay, or reimburse our firm for specified expenses.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving best execution.

We benefit from our relationship with LPL Financial. As discussed above, we execute all portions of our advisory clients' brokerage transactions through LPL Financial. Because our expenses would likely increase considerably without this relationship with LPL Financial, this relationship might be considered a "soft dollar" relationship. Under Section 28(e) of the Securities and Exchange Act of 1934, an investment adviser's use of client commission dollars to acquire research and brokerage products and services is not a breach of an investment adviser's fiduciary duty to clients – even if the brokerage commissions paid are higher than the lowest available as long as (among certain other requirements) the investment adviser determines that the commissions are reasonable compensation for both the brokerage services and the research acquired.

LPL Financial may suggest a level of future business in order to continue this relationship. Our execution of securities transactions through LPL Financial may be less than the suggested level but can and often does exceed that level. This relationship may create an incentive for our firm to cause you to effect more transactions through LPL Financial than we might otherwise do in order to meet suggested levels.

We may receive from LPL Financial bonuses on production, awards of stock options to purchase shares of LPL Financial's parent company, LPL Investment Holdings Inc., reimbursement of fees paid to LPL Financial for items such as administrative services, and other things of value such as free or reduced-cost marketing materials, payments in connection with the transition of our association from another broker-dealer or investment advisor firm to LPL Financial, or attendance at the LPL Financial national conference or top producer forms and events. These types of compensation from LPL Financial may be based on my overall business production and/or on the amount of assets services by Messrs. Zedlar and Salo in LPL Financial advisory programs. This means that he may have a financial incentive to recommend LPL Financial as broker-dealer.

- c. Causing clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

We do not recommend other brokers or dealers to execute trades and transactions for client accounts. All trades and transactions are executed through LPL Financial. Our firm's Investment Advisors are registered representatives of LPL Financial. As a result of the individual association of our representatives with LPL Financial, we are generally required to utilize the brokerage/custodial services of LPL Financial for investment advisory accounts.

- d. Disclosure of whether we use soft dollar benefits to service all of our clients' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

- e. Description of the types of products and services our firm or any of our related persons acquired with client brokerage commissions (or markups or markdowns) within our last fiscal year.

This Item is not applicable to our firm as we have not yet completed our first fiscal year.

- f. Explanation of the procedures we used during our last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits we received.

This Item is not applicable to our firm as we have not yet completed our first fiscal year.

2. Brokerage for Client Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage)

Our firm does not receive brokerage for client referrals.

3. Directed Brokerage.

- a. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.

In certain instances, clients may seek to limit or restrict our discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Any such client direction must be in writing (often through our advisory agreement), and may contain a representation from the client that the arrangement is permissible under its governing laws and documents, if this is relevant.

We provide appropriate disclosure in writing to clients who direct trades to particular brokers, that with respect to their directed trades, they will be treated as if they have retained the investment discretion that we otherwise would have in selecting brokers to effect transactions and in negotiating commissions and that such direction may adversely affect our ability to obtain best price and execution. In addition, we will inform you in writing that your trade orders may not be aggregated with other clients' orders and that direction of brokerage may hinder best execution.

- b. If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

We generally do not allow client-directed brokerage.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

Item 13. Review of Accounts or Financial Plans

- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

Asset Management clients will receive quarterly reports from their account custodian. We review Asset Management accounts on at least a quarterly basis for our clients. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

As also mentioned in Item 13A of this Brochure, financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately

contract with us for a post-financial plan meeting or update to their initial written financial plan.

We generally provide written reports to Asset Management client who may include performance reports, summary of assets, etc. We attempt to meet with clients twice per year at which time verbal reports are given, however more frequent reports may be given.

Item 14. Client Referrals and Other Compensation

- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

Investment or Brokerage Discretion

We provide discretionary portfolio management services where the investment advice provided is custom tailored to meet the needs and investment objectives of each client. Accordingly, we are authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. We do not have discretionary authority over the broker or dealer to be used.

Suggestion of Brokers to Clients

We shall recommend LPL Financial, the broker-dealer with which our representatives are also associated. As a result of the individual association of our representatives with LPL Financial, we are generally required to utilize the brokerage/custodial services of LPL Financial for investment advisory accounts. Our general policies relative to the execution of client securities brokerage transactions are as follows:

Execution of Brokerage Transactions (when applicable)

If requested, we will arrange for the execution of securities brokerage transactions for the account through broker-dealers that we reasonably believe will provide "best execution". In seeking "best execution", the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. We also take into consideration the full range of a broker-dealer's services including execution capability, commission rates, and responsiveness. Although we will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.

Over-the-Counter (OTC) securities transactions for our clients are generally effected based on two (2) separate broker-dealers: (1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for the client's account. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-

up/down, the client may also incur the transaction fee imposed by the executing broker-dealer. We do not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine or "batch" such orders to obtain "best execution", to negotiate more favorable commission rates, to allocate fairly among the clients' differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our principals) and/or associated persons) may invest, we shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, SMC Capital, Inc. We shall not receive any additional compensation or remuneration as a result of the aggregation.

When referring clients to dealers, we will only refer clients to dealers registered in states where the clients reside.

Additional Compensation

We may receive from LPL Financial, a mutual fund company or variable annuity company, without cost and/or at a discount, support services and/or products, to assist us to better monitor and service client accounts maintained at such institutions. Included within the support services we may receive investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by us to assist us in our investment advisory business operations.

Our clients do not pay more for investment transactions effected and/or assets maintained at LPL Financial as result of this arrangement. There is no commitment made by us to LPL Financial or any other institution as a result of the above arrangement.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

Item 15. Custody

- A. If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

As discussed previously, certain associated persons of California Capital Management are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about California Capital Management clients, even if the client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Scott Hemmann at (818) 766- 0660 or email at shemmann@calcapmgt.com.

Item 16. Investment Discretion

We maintain discretion over certain client accounts. Our clients need to sign a discretionary investment advisory agreement with our firm for the management of their account. This type of agreement only applies to our Asset Management clients. We do not take or exercise discretion with respect to our other clients.

Item 17. Voting Client Securities

- A. If we have, or will accept, proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Item 18. Financial Information

- A. If we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year.

- B. If we are an SEC-registered adviser and have discretionary authority or custody of client funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

We have nothing to disclose in this regard.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.