

**ITEM 1: Cover Page**

**FIRM BROCHURE**  
(Part 2A of Form ADV)

April 10, 2012

**Elm Money Management, LLC**  
**d/b/a Gordon Carlson & Associates**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Elm Money Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (949) 528-6712. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Elm Money Management, LLC is registered as an investment adviser with the SEC and will transfer registration to the California Department of Corporations; 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 Elm Money Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2: MATERIAL CHANGES

This Brochure dated April 10, 2012 is updated document prepared in accordance with the new requirements and rules adopted by the United States Securities and Exchange Commission ("SEC"). Previously, investment advisers provided clients and prospective clients with a copy of Form ADV Part II, which was in a "check-the-box" format with certain narrative explanations included on Schedule F. On July 28, 2010, the SEC adopted revisions to Form ADV, which require investment advisers to provide narrative, plain English disclosures regarding their advisory business in order to provide clients and prospective clients with more meaningful information about the adviser and its business practices. Accordingly, this Brochure is materially different in structure and requires certain new information that the previous brochure did not require.

Elm Money Management LLC, d/b/a Gordon Carlson & Associates ("GCA") is changing its registration from the SEC to the Department of Corporations in the State of California. This is due to the change in federal legislation requiring certain advisors under \$100 million in assets to register at the state level.

Since GCA last updated its Form ADV Part 2A, Gordon Carlson, GCA's Managing Member, no longer has any arbitration pending which allege damages in excess of \$2,500. The previously disclosed matter is being expunged because the allegations were found to have been false.

Gordon Carlson resigned as a registered representative of Purshe Kaplan Sterling Investments ("PKS") on November 3, 2011.

Because of the amount of new details provided within the brochure, Gordon Carlson & Associates ("GCA") encourages each client to read this brochure carefully and to call us with any questions you may have. In particular, please note the following items are either entirely new to the Brochure or contain new information:

### **Advisory Business**

### **Performance-Based Fees and Side-by-Side Management**

### **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Disciplinary Information**

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

### **Custody**

Pursuant to new SEC Rules, GCA will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of GCA's fiscal year. Additionally, as GCA experiences material changes in the future, GCA will send you a summary of our "Material Changes" under separate cover. For more information about GCA, please contact us at (949) 528-6712.

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## ITEM 4: **Advisory Business**

### **Description of Firm**

Elm Money Management, LLC (“Elm” or the “Firm”) d/b/a Gordon Carlson & Associates (“GCA”), was founded in 2009 and formed under the laws of the State of California. GCA provides customized investment management services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business organizations. As discussed more fully below, GCA assists clients in investment management and consultation, financial planning, portfolio management, pension consultation and selection of other advisers. Some of the investment instruments GCA advises its clientele on include, among other things, mutual funds, exchange traded funds ("ETFs"), equities, securities traded over-the-counter, warrants, bonds, treasuries, commodities, real estate, variable life insurance, variable annuities, private equities, hedge funds and/or interests in oil and gas.

GCA is in the process of transferring the investment advisor registration from the SEC to the California Department of Corporations. The Firm conducts business in California, and is wholly owned by Gordon Carlson.

### **Types of Advisory Services Offered**

GCA provides investment management services; financial advisory and consulting services; and pension and profit sharing consulting services; each of which is more fully described below.

#### **Investment Management Services**

GCA provides its clients with personalized discretionary and non-discretionary Investment Management Services. To begin the process, GCA works with its clients to identify their investment goals, objectives and risk tolerances in order to create an initial portfolio allocation designed to complement client goals and objectives. Based upon this, GCA creates or recommends a portfolio consisting of individual stocks, bonds, exchange-traded funds (“ETFs”), mutual funds and other securities.

Some of the investment strategies that GCA may pursue include long term buy and hold, short-term trading, short sales and option writing strategies. Each portfolio will be initially designed to help meet the client’s particular investment goals. Each client will have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. GCA’s strategy, generally, is to attempt to meet client investment objectives while providing clients with access to personal advisory services on a periodic basis, at least annually, depending upon the agreement between the GCA and the client.

If deemed practical and to be in the best interest of the client, GCA may refer clients to other Third Party Advisers (TPAs), where the TPA will be responsible for designing an investment portfolio and providing ongoing investment management services at rates and terms that will be fully disclosed and subject to review and approval by the client. GCA shall generally recommend that investment management accounts be maintained at the TPA’s place of business

or another qualified custodian. Factors that GCA considers in recommending a TPA to clients include their respective financial strength, reputation, execution, pricing, reporting, research, and service. Please refer to Client Referral section (Item 14), below for more information on GCA's arrangements with TPAs.

#### Financial Advisory and Consulting Services

GCA provides a variety of Financial Advisory and Consulting Services to individuals, families, businesses and other clients regarding the management of their financial resources, including a detailed initial and periodic review of the client's financial position taking into consideration the stated financial goals and objectives of the client. Under this service, GCA may provide a comprehensive evaluation and analysis of the information provided by the client and recommend a personalized financial strategy, including business, retirement and education goals, insurance, risk and liability management, as well as tax, charitable and estate planning. Alternatively, clients may also request a financial evaluation that is more limited in scope, whereby the client will be provided with a "segmented" or limited review of his/her financial and business affairs.

GCA will typically provide a personalized consultation regarding the client's financial position, including a review of all holdings and asset categories; specialized analysis; recommendations affecting asset positions; purchases and/or sales; repositioning of assets; cash flow; and/or long term asset strategies for all investment types. The type of evaluation and analysis prepared for the client will vary depending upon the individualized services desired by the client.

Financial consultation provided to the client will usually include 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. GCA may also refer clients to an accountant, attorney or other specialist to facilitate the implementation of the client's financial plan. GCA can also provide a written summary of client's financial situation, and GCA's observations, and recommendations. While these services are generally offered at no additional charge to investment management clients, clients who desire Financial Advisory and Consulting Services as a standalone service are typically charged on an hourly or monthly basis. Financial Planning clients are under no obligation to act on the investment adviser's recommendation and if the client elects to act on any recommendations, the client is under no obligation to effect the transaction through the investment advisor. Please refer to Fees and Compensation section (Item 5), below, for more information on GCA's fees and compensation.

#### Pension and Profit Sharing Consulting Services

GCA's Pension and Profit Sharing Consulting Services consists of assisting employer plan sponsors to establish, monitor and review their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advice could include: investment options, plan structure and participant education. Under this service, GCA may also assist companies in starting-up and/or managing existing retirement plans tailored to the specific needs of the sponsor firm and its employees. During the first stage of the process, GCA will meet with the

plan sponsor to understand the investments currently offered and thereafter will provide a strategic assessment of the investment options to help meet the client's goals and objectives. GCA may then conduct a comprehensive review of the plan's recordkeeping, administration, and other needs, providing guidance and comparison of possible service providers to help meet the needs of the participants and plan sponsor. GCA may also formulate a communications campaign and monitor employee education to help ensure employee satisfaction.

### **General Information About GCA's Advisory Services**

As indicated above, GCA's services are customizable to the individual needs, objectives, and financial goals of its clients. Shortly after establishing a relationship with a client, GCA will typically document each client's investment objectives, risk tolerance, time horizons and other important and necessary information, including any investment guidelines, in the client's file. This information, together with any other information relevant to the client's overall financial circumstances, will be used by GCA to determine the most appropriate asset allocation and investment strategy to best meet the client's financial goals. There may be times when a client places certain restrictions, which prevent GCA from accepting or continuing to service the client's account. GCA reserves the right to not accept and/or terminate a client's account if it feels that the client imposed restrictions would limit or prevent the GCA and/or the client from meeting and/or maintaining their respective objectives.

GCA does not assume any responsibility for the accuracy of the information provided by the client. GCA is not obligated to verify any information received from the client or from the client's other professionals (*e.g.*, attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying GCA of any material changes to the client's financial situation, investment objectives, time horizon, tax status, risk tolerance or other material information that GCA may have relied upon in rendering its services. In the event that a client notifies GCA of such changes, GCA will review the changes and may recommend revisions to the client's financial plan and/or portfolio.

### **Wrap-Fee Programs**

GCA does not provide portfolio management services to any wrap fee programs.

### **Assets Under Management**

As of December 31, 2011, the following represents the amount of client assets under management by GCA on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management
Discretionary	\$24,007,600
Non-Discretionary	\$24,094,600
Total:	\$48,102,200

## ITEM 5: FEES AND COMPENSATION

### Compensation for GCA's Services

Prior to engaging GCA to provide advisory services, the client will be required to enter into a written agreement with GCA setting forth the terms and conditions, including those fees and compensation for which GCA will render its services. GCA's fees are subject to negotiation under certain circumstances and at the sole discretion of GCA.

The fees will vary depending upon the complexity of the client's financial situation and the anticipated amount of work to be done. The fees will be established by GCA and disclosed to the client prior to performing the services. The fees for GCA's services are generally based upon either:

- A flat fee ranging from \$250 to \$10,000 as agreed upon between the GCA and client; or
- An hourly or monthly fee calculated and based upon the amount of time spent by GCA in reviewing and evaluating the client's financial data and investment objectives, preparing a financial evaluation, analyzing the client's financial condition, objectives and assets, and/or updating an existing plan for the client's financial strategy.

In the event that a flat fee is negotiated between GCA and the client, the flat fee will be payable monthly in arrears. The first payment is due at the end of the month of the execution of the advisory agreement, and will be assessed on a pro-rata basis. Subsequent payments will be assessed and due by the end of each subsequent calendar month or on another periodic basis as agreed upon between GCA and the client. Flat fees may be negotiable and may vary depending on client activity. Flat fees may be paid in a manner agreed upon between GCA and the client or upon client's written authorization; fees may be automatically deducted from the client's account. Clients will be provided with a statement upon request or as provided by the custodian or entity holding the client's account reflecting deduction of the advisory fee.

#### Flat Fee Schedule

Clients who plan to utilize GCA's Investment Management Services have the option to have their monthly fees calculated upon their investment assets. Investment assets may include outside assets, such as real estate or retirement accounts. A one and one-half percent (1.5%) rate of investment assets is used to determine the annual fee, which is billed monthly in arrears. For one-time or irregular services, the Advisory Client is provided an estimate for expected work based at a rate of \$250 per hour. Client is billed on a one-time or monthly basis in arrears, according to terms of the client agreement.

The hourly fee for services provided by GCA may vary but will generally be computed at the base rate of \$250 per hour, which may be negotiable depending on the nature and complexity of each client's circumstances. The hourly fees are determined after considering many factors, such as the level and scope of the services. Upon request by client, an estimate for total hours may be provided for reference purposes only. Hourly fees are negotiable and may vary depending on client activity. Hourly fees may be paid in a manner agreed upon between GCA and the client, or upon client's written authorization fees may be automatically deducted from the client's

account. Clients will be provided with a statement upon request or as provided by the custodian or entity holding the account reflecting deduction of the advisory fee.

#### Hourly Fee Schedule

Advisory Client is charged based upon actual hours worked based at a rate of \$250 per hour in arrears. Client is billed on a one-time or monthly basis in arrears, according to terms of the client agreement. GCA records and documents hours worked on the invoice of each hourly fee client. Client is provided a copy and GCA maintains one.

#### **Other Fees and Expenses**

Clients should understand that the fees described above are exclusive to GCA and do not include certain charges imposed by third parties such as custodial fees, execution costs, mutual fund fees and expenses, and management fees charged by TPAs. Client assets also may be subject to transaction fees; brokerage fees and commissions; retirement plan administration fees (if applicable); deferred sales charges on mutual funds initially deposited in the account; 12b-1 fees; odd-lot differentials; transfer taxes; wire transfer and electronic fund fees; and other fees and taxes on brokerage accounts and securities transactions. For mutual funds and ETFs, clients will generally be charged internal management fees, distribution fee and other expenses. Please refer to the mutual funds' respective prospectuses for additional information on the fees and expenses associated with these investments. Note that GCA does not receive any portion of these other fees and expenses.

Clients should understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account and are in addition to the advisory fees charged by GCA.

Mr. Carlson is also a licensed insurance agent/broker who can represent various insurance companies/agencies (California Insurance License # OB92640). He may receive the normal commissions for insurance sales in his separate role(s) as insurance agent/broker.

GCA may have arrangements with certain TPAs whereby GCA receives a percentage of the fees charged by such TPAs. If GCA refers a client to a TPA where GCA receives compensation based on a percentage of the fees charged by such TPA, GCA may be compensated for its services by receipt of a referral fee paid directly by the TPA to GCA. Any such fee will be paid solely from the TPA's investment management fees and will not result in any additional charge to the client. Please refer to Client Referral Section (Item 14), below, for more information on the compensation GCA may receive for client referrals.

#### **Important Considerations**

Prior to or contemporaneously with the execution of an investment advisory agreement, GCA will provide a brochure and relevant brochure supplements to each client or prospective client. Clients are advised that lower fees for comparable services may be available from other sources.



In accordance with the terms of the agreement, either party may terminate the relationship at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within five (5) business days of signing the GCA's investment advisory agreement. After five (5) business days, clients will receive pro-rata charges, which take into account work completed by GCA on behalf of the client. The client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Refunds will be given on a pro-rata basis.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

GCA does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, GCA does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as on a flat fee). As described above, GCA provides investment management services only on a fixed fee or hourly charge basis.

## **ITEM 7: TYPES OF CLIENTS**

GCA provides advisory services primarily to individuals; high net worth individuals; pension and profit sharing plans; trusts; estates; charitable organizations; corporations and other business organizations.

While GCA does not impose a minimum portfolio size or investment size to open an account, GCA does reserve the right to accept or decline a potential client for any reason in its sole discretion.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

Generally, GCA uses a variety of analytical information to assist with its security analysis. Such information may include charting, fundamental and technical analysis, and from time to time cyclical analysis. Individual security and/or mutual fund analysis sources may include research reports/ratings from third parties research and data available commercially and to the public via the internet. GCA's proprietary resources may also be used to help identify potential investments.

GCA utilizes a fundamental approach to investment analysis which includes such factors as economic conditions; earnings; industry outlook; political conditions (as they relate to the investment); historical data; price/earnings ratios; dividends; general level of interest rates; company management and tax benefits may also be used. The primary sources of information used by GCA include market news reports; financial newspapers and magazines; corporate rating services; outside research reports; annual reports; prospectuses; SEC filings and company press releases.

Typically where a TPA is selected for a client's investments, GCA's analysis is limited to due diligence and review of the TPA's investment process. In these cases, the TPA is responsible for security analysis and selection.

GCA also offers advice and investment strategies for purchasing and managing residential and commercial real estate. When evaluating a client's potential acquisitions and to assist in obtaining financing, refinancing, credit and loan workout solutions, GCA utilizes real estate centered financial planning tools to assist in analyzing a client's real estate portfolio. GCA will review a client's income; expenses; cash flow; assets; liabilities and net worth to determine the possibility of real estate investing as a means to achieving clients' financial goals and objectives. GCA has also developed certain proprietary systems, which assist the Firm in analyzing potential real estate investments.

## **Material Risks**

### **General Risks of Investing**

Investing in securities involves significant risk of loss that clients should be prepared to bear. GCA's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk and consequently, the value of the client's account may at anytime be worth more or less than the amount invested.

Prior to entering into an agreement with GCA, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of five to seven years, (2) that volatility from investing in the stock market can occur, and (3) that over time the client's assets may fluctuate and at anytime be worth more or less than the amount invested.

GCA typically invests for long-term objectives and does not engage in high frequency trading. Nevertheless, TPAs selected or recommended by GCA may employ such strategies, and as a result, such frequent trading may result in increased brokerage and other transaction costs. Clients should be aware that over time increased brokerage and other transaction costs generally reduce the overall return of investments.

### **Risks Associated with Investing in Real Estate**

From time to time, GCA may advise clients on investments in real estate. The following list highlights some, but not all, of the risks associated with investing in real estate:

- Liquidity Risk: Real estate is not a liquid asset. Unlike stocks, bonds, certificates of deposit and other more liquid assets, an investment in real estate cannot be quickly converted to cash should the need arise.
- Geographical Risks: Real estate is a localized investment. Its value can fluctuate based on numerous factors that are beyond the investor's control, including downturns in the local economy, a shift in the demographics that may make the location less desirable, local codes and ordinances, local real estate tax codes and natural disasters such as floods, fires, earthquakes or hurricanes.
- Risks Associated with Developed Property: Developed real estate typically involves renting the property out, which provides the investor with both rental income and the tax advantage of depreciation. The risk with rental property is the ability and willingness of the tenant to pay the rent on time. Upkeep on rental property can also add to the cost basis of the real estate.
- Risks Associated with Undeveloped Property: Undeveloped land has a unique set of risks in that its investment potential is based solely upon appreciation. Undeveloped land cannot be depreciated and generates little or no income from rent. Unless the land is in a desirable location where developers intend to build, the investor may have to be prepared to hold the property for an extended period of time in order to recoup the investment.

Risks Associated with Investing with Margin:

Margin trading increases your level of market risk. Margin trading increases your buying power, allowing you to purchase a greater amount of securities with your investing dollar. Therefore, your exposure to market volatility increases – a declining market could result in even greater losses. A decline in the value of your securities that you purchase on margin may require you to provide additional funds to the Custodian in order to avoid the forced sale of those securities in your account.

**ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as GCA are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of GCA or the integrity of its management.

Please refer to Requirement for State Registered Advisors (Item 19) for details.

**ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**Other Financial Industry Activities**

Mr. Carlson is also a licensed insurance agent/broker who can represent various insurance companies/agencies (California Insurance License # OB92640). A conflict is present when an advisory client is recommended an insurance product that would be sold by Mr. Carlson in his capacity as an insurance agent. He may receive the normal commissions for insurance sales in his separate role as insurance agent/broker of these various insurance agencies. Disclosure will be made prior to sale that the advisory client is under no obligation to purchase insurance

products through the investment advisor. Insurance activities require less than ten percent of Mr. Carlson time.

Mr. Carlson is an active real estate professional and is involved in several business entities that manage and own real estate. The current list of these business entities is as follows: Sea Island Holdings LLC, MRN 2 LLC, MRN 3 LLC, MRN 4 LLC and MRN Advisors LLC. These entities are real estate holding companies that own rental properties. Mr. Carlson is involved in property management and oversight. These activities may constitute over half of Mr. Carlson's time.

The real estate activities of Mr. Carlson may be subject to an emergency that may cause his attention to be conflicted with that of his advisory business. Normal business for his real estate activities is done after consideration for the advisory business. A conflict exists when an advisory client is referred to Results Advisors, Inc., where Mr. Carlson has an investment ownership. Gordon Carlson informs client that Results Advisors, Inc. is an entity under common control.

RESULT\$ Advisors, Inc. ("RAI") is a residential and commercial real estate brokerage company licensed in California (DRE # 01861252). RAI endeavors to help responsible people who are facing the threat of foreclosure or bankruptcy. RAI's multifaceted approach offers clients several layers of analysis and defense. The majority of RAI's clients are real estate investors. RAI employs only experienced, licensed, professionals to achieve results for its clients. RAI specializes in real estate transactions, property and loan analysis, debt resolution and credit repair to improve client cash flow and net worth. RAI takes no advance fees for its services. Gordon Carlson has a personal investment in RAI and has assisted in the formation of the company. Mr. Carlson provides oversight and guidance from time to time.

### **Recommendations of TPAs and Related Conflicts**

GCA may recommend the services of certain Third Party Advisors (TPAs) as part of its overall asset allocation for certain client accounts. Prior to the selection and referral of a TPA for client consideration, GCA will make sure that the other investment advisers are properly registered.

GCA may have arrangements with certain TPAs whereby the Firm receives a percentage of the fees charged by such managers. If GCA refers a client to a TPA where a GCA investment professional receives compensation based on a percentage of the fees charged by such TPA, that investment professional may be compensated for its services by receipt of a referral fee paid directly by the TPA to GCA in accordance with the requirements of California, and any corresponding state or federal securities laws, rules, regulations, or requirements. Any such fee will be paid solely from the TPA's investment management fees and will not result in any additional charge to the client.

A conflict in interest arises as the sharing of fees creates a financial incentive for the investment professional to recommend that clients invest with certain TPAs that customarily allow a GCA investment professional to share in the investment management fees or to invest with TPAs with a higher percentage splits of fees to an investment professional of GCA. This conflict is

managed by the supervision of all TPA recommendations on behalf of clients by GCA's Management to ensure the recommendation is within the parameters outlined by the client's stated financial objectives, the GCA's method of analysis, GCA's Code of Ethics and fiduciary responsibility to each client.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics Summary**

Government regulations impose a fiduciary duty on all investment advisers to act in the best interest of their clients. As a registered investment adviser, GCA's clients therefore entrust us to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. GCA's fiduciary duty compels GCA and all of its employees to act with integrity in all dealings with clients. To that end, GCA has adopted personal securities transaction policies in the form of a Code of Ethics (the "Code"), which all GCA associated persons must follow. The Code also contains procedures for reporting violations and enforcement, and it is reviewed and distributed to Firm personnel annually. GCA will provide a copy of the Code to any client or prospective client upon request. To obtain a copy of GCA's Code, please contact GCA at (949) 528-6712

The following is a brief description of the Code's provisions that GCA has established in order to ensure its fiduciary responsibilities to its clients are met:

- A representative of GCA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by their role as an investment advisor representative of GCA, unless the information is also available to the investing public on reasonable inquiry. In no case, shall a representative of GCA prefer their own interest to that of their clients;
- GCA emphasizes the unrestricted right of its clients to decline to implement any advice given;
- GCA requires personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances; and
- GCA recognizes it must act in accordance with all applicable federal and state regulations governing registered investment advisor practices.

### **Participation or Interest in Client Transactions**

Mr. Carlson may buy or sell for their personal account(s) investment products identical to those recommended to clients. In order to mitigate this potential conflict of interest, it is the expressed policy of GCA that neither GCA, nor a representative may purchase or sell any individual stock or bond prior to a transaction(s) being implemented for a client's account. This policy is meant to prevent GCA and its representative from benefiting as a result of transactions placed on behalf of advisory accounts. In addition, GCA's Code governs reporting personal securities trades; exempt transactions and securities; reportable securities; initial public offerings and private placements; ethical violations; distribution and annual review of the Code of Ethics and

enforcement processes. GCA's Management will also periodically review employee transactions to help ensure compliance with the Code and fulfillment of GCA's fiduciary obligations.

## **ITEM 12: BROKERAGE PRACTICES**

Except in limited situations where GCA permits clients to direct brokerage (as described in Item 12.C, below), GCA will determine the broker-dealer to be used and the commission rates at which transactions for client accounts will be effected. When GCA places orders for the execution of portfolio transactions for client accounts, transactions are allocated to brokers and dealers for execution in various markets and at prices and commission rates that, based upon good faith judgment, will be in the best interest of the client. The following discussion summarizes the material aspects of GCA's practices for the selection of broker-dealer custodians to execute client transactions.

### **Selection Criteria**

When performing Investment Management Services, GCA generally effects all transactions through Schwab. However, it is the policy and practice of GCA to strive for the best price and execution that is competitive in relation to the value of the transaction ("best execution"). Accordingly, GCA periodically evaluates the commissions charged and the service provided by the broker-dealer custodian and compares those with other broker-dealer custodians to evaluate whether overall best qualitative execution could be achieved by using alternative providers. Other factors GCA may consider when evaluating its choice of custodian include:

- Ability to trade mutual funds and other investments that GCA determines suitable for a client's portfolio;
- Any custodial relationship between the client and the broker-dealer;
- Quality of customer service and interaction with GCA;
- Discount transaction rates; and
- Reliability and financial stability.

For those clients who are permitted to direct brokerage and select broker-dealer custodians not recommended by GCA, clients should be aware that GCA may not be able to negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and GCA will have limited ability to ensure that the broker-dealer custodian selected by the client will provide best possible execution.

### **Research and Other Soft Dollar Benefits**

GCA may select a broker-dealer custodian in recognition of the value of various services or products, beyond transaction execution, that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer custodian can provide best execution. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars." The amount of

compensation paid to such broker-dealer may be higher than what another, equally capable broker-dealer might charge.

The receipt of such services may benefit GCA, because GCA does not have to produce or pay for the research or other products or services because they are either partially or entirely paid for through client commissions. Although customary, these arrangements present potential conflicts of interest in allocating business to broker-dealers in exchange for soft dollar benefits, including an incentive to select or recommend a broker-dealer based on GCA's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. Additionally, GCA may have an incentive to effect more transactions than might otherwise be the case in order to obtain these soft dollar benefits. The agreements between GCA and its clients generally authorize GCA to use client soft dollars for a wide range of purposes. The extent of any such conflict depends in large part on the nature and uses of the services and products acquired with soft dollars. GCA does not attempt to match a particular client's trade executions with broker-dealers who have provided research services, which have directly benefited that client's portfolio. Rather, research services and other soft dollar benefits received by GCA are generally used for the ultimate benefit of all of its clients. Alternatively, some of the services may benefit only a specific segment of the GCA's clients.

Schwab provides GCA with access to their institutional trading and custody services, which are typically not available to Schwab retail investors. Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For GCA's clients' accounts maintained in their custody, Schwab does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees or securities trades that are executed through Schwab or that settle into Schwab. Schwab also makes available to GCA other products and services that may benefit GCA but which may not benefit its clients. These types of services will help GCA in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e. trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of GCA's fees from its clients' accounts; and assist with back-office functions, record-keeping, and client reporting. Many of these services may be used to service all or a substantial number of GCA's accounts. It is important to note that Schwab does not maintain supervisory relationships with respect to GCA, and GCA is independently owned and operated.

During 2011, Schwab was the only broker-dealer that provided soft dollar services to GCA. The custodial relationship of Schwab provided benefits mentioned above without additional cost to the clients of GCA. Furthermore, Schwab was compared to other custodial broker-dealers for best execution, financial stability, and customer services. In its review, GCA concluded that Schwab remains a preferred provider for custodial and execution services.

### **Directed Brokerage**

GCA generally directs clients to maintain investment accounts with Schwab. In limited situations GCA may accept direction from a client regarding the use of a particular broker-dealer

to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and GCA will not seek better execution services or prices from other broker-dealers or be able to “bunch” client transactions for execution through other broker-dealers with orders for other accounts managed by GCA (as described below) and GCA will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, GCA may decline a client’s request to direct brokerage if, in GCA’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

GCA does not consider, select or recommend broker-dealers in exchange for client referrals from a broker-dealer or third party

### **Trade Aggregation and Allocation**

GCA considers transactions for each client account independently. However, when able to, GCA (and/or selected or recommended TPAs) may aggregate trades of accounts. Trade aggregation, or “bunching of orders,” may result in better execution and/or better realized prices. Because GCA’s Investment Management Services utilize various types of investments and securities, it may not be possible to bunch all orders. Alternatively, even when possible, GCA may not be able to execute all shares of an aggregated trade because of prevailing market conditions and other variables, in which case GCA will allocate the trade among participating accounts in an equitable manner determined prior to execution of the trade. Ordinarily, the executing broker-dealer will provide an average price, and where possible, average transaction costs that will be allocated to all accounts participating in the aggregated trade. In certain cases, GCA (and/or selected or recommended TPAs) may not be able to purchase or sell the same security for all clients that could transact in the security, which is generally based on various factors such as the type of security, size of the account, cash availability and account restrictions. For clients requiring directed brokerage, typically GCA may not be able to effectively “bunch” orders on the client’s behalf, which could impact the possible advantage clients derive from the aggregation of orders.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **Periodic Reviews**

While client accounts are monitored on an ongoing basis, Gordon Carlson, CCO undertakes reviews of client accounts at least annually. Accounts and financial plans are reviewed for consistency with the investment strategy and other parameters set forth for the client’s profile and compared against applicable benchmarks. Adjustments are made as needed. Client accounts are also reviewed upon request.



### **Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews are triggered when a client notifies GCA of changes in his/her personal, tax or financial status, investment objectives, risk tolerance and time horizon. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify Gordon Carlson of any changes in their personal financial situation that might affect their investment needs, objectives, risk tolerance, tax status, time horizon or other material information GCA may have relied upon during the course of providing its services.

### **Regular Reports**

Written brokerage statements are generated at least quarterly and are sent directly from the account custodian. These reports list the account positions; activity in the account over the covered period; and other related information. Clients are also sent confirmations following each brokerage account transaction. In addition to the regular statements clients receive from their custodian, GCA may send clients detailed reports on a periodic basis concerning relevant account and/or market-related information as well as an inventory of account holdings and account performance, as agreed to with the client. Clients are urged to compare the statements received from GCA to those sent by the account custodian and other third parties.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **Economic Benefits Received**

As further described in Item 12.B, Directed Brokerage section, above, GCA maintains relationships with, and recommends the services of various qualified third party broker-dealer custodians, specifically Schwab. In connection with these relationships, GCA may receive certain benefits. Such benefits may include research reports; services and seminars; computer software; and other products and services to assist GCA in research and other facets of its day-to-day activities. These services are paid for in soft dollars. GCA's receipt of soft dollar services and products benefit GCA since client brokerage commissions are used to obtain such benefits and GCA does not have to produce or pay for the research, products or services. Consequently, GCA may have an incentive to select or recommend a broker-dealer custodian based on these benefits rather than in the clients' interest in receiving most favorable execution. These practices may also cause clients to pay commissions that are higher than those that another qualified broker-dealer custodian might charge to effect the same or similar transaction. Some of these services are provided to GCA as part of a "bundled package" from the broker-dealer. GCA does not attempt to match a particular client's trade executions with broker-dealers who have provided research services which have directly benefited that client's portfolio. Rather, research services and other soft dollar benefits received by GCA are generally used for the ultimate benefit of all of its clients. Alternatively, some of the services may benefit only a specific segment of GCA's clients.

To help mitigate the conflicts of interest created by GCA's receipt of soft dollar benefits and to help ensure that broker-dealer custodians recommended by GCA are conducting overall best qualitative

execution, GCA will periodically (and at least annually) evaluate the trading process and brokers utilized. GCA will review the brokerage firm's services, their value added to GCA's investment process, along with the broker's ability to affect trades in a fair and timely manner at competitive commission rates. At that time brokerage firms not currently utilized will be considered for inclusion if the Chief Compliance Officer of GCA deems that such brokerage firms will significantly improve GCA's overall management of client accounts.

Gordon Carlson may also be paid a portion of the advisory fee billed through TPAs, as described in the Fees and Compensation section (Item 5), above.

### **Compensation for Client Referrals**

If a client is introduced to GCA by either an unaffiliated or an affiliated solicitor, GCA may pay that solicitor a referral fee in accordance with the requirements of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from GCA's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to GCA by an unaffiliated solicitor, the solicitor shall provide the client with a copy of GCA's Form ADV Part 2 or other written disclosure brochure and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement, including the compensation to be paid. The solicitor is required to obtain the client's signature acknowledging receipt of GCA's disclosure brochure and the solicitor's written disclosure statement. Any affiliated solicitor of GCA shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of GCA's Form ADV Part 2 or other written disclosure brochure at the time of the solicitation. In California, a solicitor is required to be registered as an investment adviser representative. GCA has developed internal controls for ensuring its solicitors are registered as required.

As indicated in the Advisory Business section (Item 4), above, GCA may recommend the services of certain TPAs as part of its overall asset allocation for certain client accounts. In these circumstances, GCA may have arrangements with the recommended TPAs whereby GCA receives a percentage of the fees charged by such managers. If GCA refers a client to a TPA where GCA or its investment professional has an arrangement to receive compensation based on a percentage of the fees charged by such TPA, that investment professional may be compensated for its services by receipt of a referral fee paid directly by the TPA to GCA. Any such fee will be paid solely from the TPAs investment management fees and will not result in any additional charge to the client.

A conflict of interest arises as the sharing of fees creates a financial incentive for the investment professional to recommend that clients invest with certain TPAs that customarily allow an investment professional of GCA to share in the investment management fees or to invest with TPAs with a higher percentage splits of fees to an investment professional of GCA. This conflict is managed by the supervision of all TPA recommendations on behalf of clients by Gordon Carlson. Furthermore, GCA strives at all times to put the interest of its clients ahead of its own.

## **ITEM 15: CUSTODY**

Under government regulations, GCA is deemed to have custody of client funds because GCA has the authority and ability to debit its fees directly from clients' accounts. GCA follows safeguards during this process. A copy of the invoice is sent to the client at the same time it is provided to the custodian. All disbursements including the amount of advisory fees are detailed in the statement provided by the custodian. GCA obtains written authorization from each client authorizing deduction of advisory fees. To mitigate any potential conflicts of interests, all GCA's client account assets will be maintained with an independent qualified custodian. As stated above, GCA generally recommends that clients custody their assets with Schwab.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains client's assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by GCA, as well as any statements received directly from the TPA or program sponsor managing the client's assets. Statements provided by GCA may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 16: INVESTMENT DISCRETION**

### **Discretionary Authority; Limitations**

Unless otherwise agreed upon at the inception of the client relationship and memorialized in the client's advisory agreement, all Investment Management Services performed by GCA are rendered on a discretionary basis. In exercising its discretionary authority, GCA has the ability to determine the type and amount of securities to be transacted and whether a client's purchase or sale should be combined with those of other clients and traded as a "block." Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance and time horizon. In addition, GCA's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. Clients are permitted to impose reasonable limitations on GCA's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to GCA in writing.

### **Limited Power of Attorney**

Unless clients specifically request in writing that GCA manage all or part of their account on a non-discretionary basis, by signing GCA's advisory agreement, clients authorize GCA to exercise full discretionary authority with respect to all Investment Management Services transactions involving the client's account. Pursuant to such agreement, GCA is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes GCA to give instructions to third parties in furtherance of such authority.

## **ITEM 17: VOTING CLIENT SECURITIES**

GCA's policy and practice is to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the client retains the responsibility for receiving and voting all proxies for securities held within the client's account. GCA shall not be deemed to have proxy-voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

## **ITEM 18: FINANCIAL INFORMATION**

GCA does not require or solicit prepayment of more than \$500 in fees per client, six (6) months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. GCA does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.

## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

### **Principal Executive Officers and Management Persons**

Gordon Carlson is GCA's Chief Compliance Officer. Please refer to Item 4, Advisory Business section, of this brochure, and his Form ADV Part 2B Brochure Supplement for information on his business background and formal education.

### **Other Business Activities**

Outside their involvement with GCA, Mr. Carlson is actively engaged in other business activities. Please refer to Item 10, Other Financial Industry Affiliation section, above and the applicable Form ADV Part 2B Brochure Supplements for a description of these activities.

### **Performance Based Fees**

As stated previously on page 9, GCA does not charge performance based fees.

### **Disciplinary Events**

A former customer of Mr. Carlson filed a complaint in May of 2009 alleging unauthorized purchases of reverse convertible securities. Mr. Carlson disputes the merits of these claims and believes the ultimate finding will be in his favor.

### **Relationship With Outside Issuers**

Mr. Carlson does not have any relationships with companies or issuers of securities other than incidental ownership in his outside businesses disclosed on pages 11-12.