



Ellis Capital Management

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This Brochure provides you information about the qualifications and business practices of Ellis Capital Management. If you have any questions about the contents of this Brochure, please contact Kathleen Matteson, our Chief Compliance Officer, at (231) 728-2406 or kmatteson@elliscapitalmgmt.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.

We are a registered investment adviser. Registration of an adviser does not imply any level of skill or training.

Additional information about us also is available on the SEC's website at www.adviserinfo.sec.gov.

TABLE OF CONTENTS

COVER PAGE.....	i
TABLE OF CONTENTS.....	ii
ADVISORY BUSINESS	1
FEES AND COMPENSATION	3
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	5
TYPES OF CLIENTS.....	6
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	6
DISCIPLINARY INFORMATION.....	8
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	8
CODE OF ETHICS.....	9
BROKERAGE PRACTICES.....	9
REVIEW OF ACCOUNTS	11
CLIENT REFERRALS AND OTHER COMPENSATION	11
CUSTODY	11
INVESTMENT DISCRETION	12
VOTING CLIENT SECURITIES	12
FINANCIAL INFORMATION	12

ADVISORY BUSINESS

Our Owners and Principals

We are a Michigan corporation founded in 2003 by David Ellis. We have two locations: our main office in Muskegon, Michigan and a satellite office in Grand Rapids, Michigan.

We must inform you of anyone owning twenty-five percent (25%) or more of our firm's common stock. Mr. Ellis is our sole principal and owns more than twenty-five percent (25%) of our firm's common stock.

Our Advisory Services

We offer discretionary investment management, financial planning services, and monitoring service of your accounts with outside investment managers. Our specific services, terms of our compensation, method of payment, and other important information are described below, as well as important disclosures. Please do not hesitate to ask us if you have any questions or concerns about these matters.

Investment Management Services

If you select us to provide you with discretionary investment management services, we gather information from you which is necessary for us to understand your financial needs and circumstances. Based upon this information, we work with you to determine an appropriate investment strategy. We utilize this investment strategy to select, in our discretion, securities from various asset classes and place orders with one or more unaffiliated brokerage firms to buy, sell or exchange those securities. Under our agreement with you, you grant us the discretion to make these decisions without contacting you on each purchase or sale, but you may impose reasonable restrictions, in writing, on our discretionary authority or place limitations on the types of investments for your account. From time to time, we may also make adjustments in the various securities and investment strategies we recommend or use in managing your accounts. Once we determine your investment strategy, we discuss this strategy and the status of your account with you at least annually or upon your request.

Monitoring Outside Investment Professionals

You may also hire us to monitor accounts that you have invested with other outside investment advisors or broker-dealers. If you hire us to monitor such accounts, we will communicate with your investment professionals at least quarterly, and discuss your account and investment strategy with you, at least annually or at your request.

Third-party Portfolio Managers

We provide individualized non-discretionary advisory services to our clients through the recommendation of third-party portfolio managers. If you request a third-party manager, we will utilize the information we have gathered from you and help you select from the third-party

manager's investment offerings. At the outset of our relationship, you will enter into an investment management agreement with us; receive our Brochure and privacy policy. We also expect that you will have an agreement with the third-party manager. If you sign an agreement delegating advisory services to a third-party manager, you will receive a copy of the third-party manager's Part 2A of Form ADV or other similar firm brochure and their privacy policy.

We will be responsible for the primary relationship with you and as a part of our normal consultation will meet with you to discuss your goals, objectives and risk tolerance. You will promptly notify us, in writing, if your financial situation, goals or objectives change. Typically, the third-party manager will exercise discretionary authority in the management of your account. All securities transactions are selected and placed by the third-party manager.

Financial Planning Services

If you choose us to provide financial planning, we offer a diverse menu of services including but not limited to:

Investment Product and Services Planning	Tax Planning
Financial Planning with Needs Analysis	Estate Planning
Insurance Planning	Business Planning
Estate Planning (other than legal services)	Real Estate and Mortgage Analysis
Personal and Business Budgeting	Purchase Recommendations
Cash Flow Management	Retirement Planning

When providing you with financial planning services, we enter into a Financial Planning and Consulting Agreement with you setting forth the terms and conditions of our engagement, describing the scope of our services and our fee. We consult with you to discuss your goals, objectives, risk tolerance, and any special or particular unique circumstance. After analyzing your individual circumstances, objectives and risk profile, we present you with our recommendations, and, if appropriate, a written financial plan.

To implement our advice, we may also recommend that you work with other professionals, such as attorneys or accountants, or utilize various financial products, such as insurance or securities, to implement our recommendations and to obtain your financial goals. Also, if you choose to engage us to provide other services, such as investment management, you will sign a separate investment management agreement and pay a separate and additional fee.

Assets Under Management

As stated above, we manage your assets on a discretionary basis. As of December 31, 2011, we managed \$36,373,500 in client assets on a discretionary basis.

FEES AND COMPENSATION

Fee Schedule for Investment Management & Monitoring Outside Investment Professionals

Generally our fee for discretionary investment management services is as follows:

Asset Level	Annual Fee
\$0 - \$1,000,000	1.00%
\$1,000,001 – \$2,000,000	0.85%
\$2,000,001 – \$4,000,000	0.70%
\$4,000,001 and above	0.50%

Our fee for monitoring outside investment professions is in addition to the fee charged by the outside investment professional. Please consult with your outside investment professional for additional information regarding their fees. Generally our fee for monitoring outside investment professionals is as follows:

Asset Level	Annual Fee
\$0 - \$1,000,000	0.75%
\$1,000,001 – \$3,000,000	0.55%
\$3,000,001 and above	0.40%

We bill our fee monthly, in advance, based on a percentage of the market value of the assets in your account(s) under our management. We will calculate our fees using the balance of the assets in your account(s) on the first day of the previous month prior to the opening of the stock market.

Third-Party Portfolio Managers

Our management fee which you pay is established under your arrangement with us. In addition, if you utilize a third-party portfolio manager, you will establish the investment management fee in a separate agreement. Third-party manager arrangements may cost the client more or less than purchasing such services separately. However, if the client has a direct relationship with the third-party manager, we will not provide consultative services.

The management fee is calculated on a pro-rated bases using the number of days the assets were in custody and billing on the first day of the first quarterly billing cycle following custody. At the same time (the first day of the first quarterly billing cycle) the fee is billed in

advance for the next quarter using the market value of the assets on the last day of the previous quarter, as determined by the custodian.

Generally our fee for consulting with third-party portfolio managers is as follows:

Asset Level	Annual Fee
\$0 - \$1,000,000	0.500%
\$1,000,001 – \$2,000,000	0.425%
\$2,000,001 – \$4,000,000	0.350%
\$4,000,001 and above	0.250%

There may be other fees associated with the client's account charged by the custodian for maintenance, client requests, or other specific fees.

Financial Planning Services Fees

Our fees for financial planning services vary depending upon the scope of services we provide you, the complexity of the process undertaken, the types of issues you need addressed and the frequency of our services. Our fee is negotiable, but typically our fee ranges from \$115 - \$170 per hour depending upon your stated needs, goals, and the complexity of your personal and financial situation. We generally charge for financial planning services on an hourly basis and bill our fee monthly in arrears. We establish our fee with you at the time we sign the Financial Planning and Consulting Agreement.

Additional Information About Our Fees

Our minimum annual fee for investment management services and monitoring outside investment professionals is \$1,800, which we may waive in our discretion. The custodian for your account values all securities and other assets in your account on the last day of the previous month. We do not independently value your assets. For assets that have no readily ascertainable market value reported by your custodian, we will discuss and agree upon an appropriate valuation method in advance.

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses incurred in connection with providing investment advisory services to you. Mutual funds and ETFs also charge internal management fees, which are disclosed in the fund's prospectus. Such charges, fees and commissions are in addition to our fee.

If you signed an investment management agreement with us for our investment management or monitoring outside investment professional services, you authorize us in that agreement to bill our fees directly to the custodian for your account, and for the custodian to directly deduct our fees from your account. If you provide us such authorization, at the same

time we submit our request for payment to your custodian, you will be sent a notice from us, in writing, stating the exact amount of the withdrawal and the specific manner or basis on which we calculated our fee. The notice will also advise you that you have an opportunity to object to the invoiced amount and how to do so. Your account custodian sends you account statements at least quarterly showing our fee deductions. You may terminate this authorization at any time by giving us or your account custodian written notice.

If you signed an investment management agreement with the third-party manager, you authorize the third-party manager in that agreement to bill both of our fees directly to your custodian for your account. We receive a portion of the investment management fee for our consultative services and the third-party portfolio receives a portion for their investment advisory services. You may terminate this authorization at any time. In cases where fee deduction is not available, the client will receive an invoice for fees due within 10 days.

In certain circumstances, fees may be negotiated. We may negotiate our fee, taking into consideration such factors as the number and size of your accounts, your relationship with other clients, length of our relationship with you, complexity of your personal circumstances or desired investment strategies, and other factors. Negotiated fees may be higher or lower than those described in this Brochure. In these circumstances, we will establish the negotiated fee schedule in your agreement with us.

Termination of Our Agreement

You may terminate your agreement with us within the first five business days after signing our agreement, without penalty, by giving us written notice, and we will provide you with a full refund of our initial fee. After that, either of us may terminate our agreement at any time by providing the other party with written notice. Termination of our Investment Management Agreement is effective 7 days after written notice is given. We prorate and charge you our fees and any transaction charges incurred as of the effective date of termination. Termination of a Third-Party Portfolio Management arrangement is effective 7 days after written notice is given. If a client terminates third-party portfolio management services before the end of a calendar quarter, we will coordinate a refund of unearned investment fees. Termination of our Financial Planning and Consulting Agreement is effective ten days after written notice is given. It is your responsibility to pay any costs associated with transferring assets from your account to a different account. After the termination date, we will have no further duties or obligations to you under our agreement.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

TYPES OF CLIENTS

We provide investment management and financial planning services to individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, and corporations or other business entities.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

We utilize fundamental analysis to evaluate investments. Fundamental analysis is a technique that attempts to determine a security's value by focusing on the economic well-being of a financial entity as opposed to only its price movements. When conducting fundamental analysis, we will review a company's financial statements and consider factors including, but not limited to, whether the company's revenue is growing, if the company is profitable, if the company is in a strong enough position to beat its competitors in the future, and if the company is able to repay its debts. Because it can take a long time for a company's value to be reflected in the market, the risk associated with this method of analysis is that a gain is not realized until the stock's market price rises to the company's true value.

We also utilize technical analysis to evaluate potential investments. Unlike fundamental analysis, technical analysis does not analyze the company's value, but instead analyzes the stock's price movement in the market. Charting is a form of technical analysis in which the various technical factors are diagrammed in order to illustrate patterns. Technical analysis studies the supply and demand in the market in an attempt to determine what direction, or trend, will continue in the future. However, there are risks involved with this method, including the risk that the trends will change unpredictably, which is why we use a combination of methods and obtain information from a variety of sources.

We obtain information from a number of sources, both public and by purchase, including financial newspapers and magazines, research materials prepared by third-parties, corporate rating services, annual reports, prospectuses and filings with the SEC and company press releases. We believe these resources for information are reliable and regularly depend on these resources for making our investment decisions; however, we are not responsible for the accuracy or completeness of this information.

Investment Strategies

Depending on your investment strategy, we may recommend using either long-term purchases (held at least a year) or option writing (selling an option) or a combination of both to meet your investment goals and objectives. We may recommend implementing these strategies using stocks, bonds, mutual funds (held directly or held within variable annuities or life insurance products), municipal securities, options contracts, futures contracts, partnership

interests investing in real estate or oil and gas interests and other types of investments. We often recommend mutual funds of different kinds to promote portfolio diversification within various asset classes, such as industry sectors, domestic/international, or equities/bonds. We may recommend periodic purchases, sales, and exchanges of those mutual fund shares within mutual fund families and between different mutual fund families when there are changes in your needs, market conditions, or economic developments.

Types of Investments and Risk of Loss

We offer advice about a wide variety of investment types, including mutual funds, index funds, exchange traded funds and fixed and variable annuities, each having different types and levels of risk. We also review partnership interests invested in real estate and oil and gas industries upon request. We will discuss these risks with you in determining the investment objectives that will guide our investment advice for your account, and explain and answer any questions you have about these kinds of investments, which present special considerations such as the following.

Investing in securities involves risk of loss you should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We work with you to attempt to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy.

Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or assure you that no losses will occur in your investment portfolio. Past performance is one relatively important consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

Mutual Funds, Index Funds and Exchange-Traded Funds

Mutual funds and ETFs typically charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. These separate fees and expenses are disclosed in each fund's current prospectus, which is available from the fund or we can provide it to you upon request.

Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. However, we primarily recommend "no-load" mutual funds, which do not have a commission or sales charge because the shares are distributed directly by the investment company, instead of going through a secondary party. Generally speaking, most mutual funds may be purchased directly, without using our services and without incurring our advisory fees.

Variable Annuities

Variable annuities are highly complex financial products offered by insurance companies. Investment in a variable annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses. Variable annuities are regulated under both securities and insurance laws and related rules and regulations. Variable annuities offer various benefits and features which may or may not have value to you depending on your circumstances, which we can discuss with you. Like other types of investments, commissions are paid for the purchase of variable annuities and there may be substantial surrender charges. These commissions, surrender charges, and other expenses are disclosed in the prospectus.

Like mutual funds, insurance companies charge a variety of fees and charges against the assets invested in the separate accounts of their policy holders. As noted above, this means that there are two layers of advisory fees paid – one layer to the insurance company and one layer to our firm for our advisory services.

DISCIPLINARY INFORMATION

As a registered investment adviser, we must inform you of all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As a registered investment adviser, we must inform you about our business activities, other than giving investment advice, our other activities in the financial industry, and any arrangements with related persons that are material to you or our advisory business. In his personal capacity and separate from our firm, Mr. Ellis is also an independent trustee and provides various trust and estate administration services to some of our advisory clients. Our firm does provide Mr. Ellis with administrative support for his independent trustee services, but this does not interfere with our advisory services to you or our other clients. Also, if we recommend you utilize a trustee or trust and estate professional, we do not require you to use Mr. Ellis and you may utilize an independent professional of your choice.

We must also inform you if we receive cash or other economic benefits from a third-party in connection with advising you. We do not receive any cash or other economic benefits from a third-party in connection with providing investment advice to you.

CODE OF ETHICS

We have adopted a Code of Ethics describing the standards of business conduct we expect our owners, managers, directors, employees, and advisory representatives to follow. The Code also describes certain reporting requirements that particular individuals associated with or employed by us must comply with.

We may buy or sell securities that we recommend to you and our other clients for our own accounts, otherwise known as proprietary accounts. Also, our officers and related persons may hold a position in a security that we recommended to you. This may cause similarities in portfolio holdings among proprietary and affiliated accounts and clients' accounts. Our Code recognizes that these people owe you a fiduciary duty to conduct their personal securities transactions in a way that does not interfere with your transactions or take unfair advantage of our relationship. Also, in order to mitigate any conflict of interest, we require our owners, managers, directors, employees and advisory representatives to report their securities holdings and transactions so we can ensure you are not adversely affected.

You may request a copy of our Code by contacting Kathleen Matteson, our Chief Compliance Officer, at (231) 728-2406 or kmatteson@elliscapitalmgmt.com.

BROKERAGE PRACTICES

Directed Brokerage & Soft Dollars

Although we do not require you to use a specified broker-dealer, we have established brokerage relationships with Fidelity Brokerage Services, LLC and U.S. Bancorp Investments, Inc., registered broker-dealers. When we decided to recommend Fidelity and U.S. Bancorp we considered their commission rates, execution capabilities, financial responsibility and responsiveness to instructions, and custodial services. If you choose to use Fidelity or U.S. Bancorp as the custodian for your account you may pay commissions in excess of those which another broker may charge. We do not receive any additional services from Fidelity or U.S. Bancorp except execution services. Also, we have not and do not intend to enter into any contractual third-party soft-dollar arrangements, such as where we commit to place a specific level of brokerage with a specific firm in return for which the brokerage firm will pay for various research related products or services for us that are generally available for cash purchase.

You may direct us to utilize a specified broker-dealer, of your choosing, to effect transactions for or with your account. You should understand that, in the case of such a directed brokerage arrangement:

- You will be solely responsible for negotiating the terms and arrangements on which those brokers and dealers are engaged, and we will have no responsibility for reviewing the fairness of those terms and arrangements;

- We will not seek better execution services or prices from other brokers and dealers in connection with transactions for your account;
- We will not be able to “batch” or “aggregate” transactions for your account with transactions for our other clients not subject to a similar such arrangement;
- We will not monitor the performance of or the services provided by the brokers and dealers so designated; and
- As a result, you 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.

However, we may seek better execution services or prices from other brokers or dealers or “batch” your transactions for execution if such action is required by law or fiduciary duties, including but not limited to, the fiduciary duty provisions under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), if you are a plan subject to ERISA, or if the designated broker or dealer is unable or unwilling to effect a particular transaction or transaction, which may occur with certain transactions involving fixed-income securities.

Aggregation of Orders

We have adopted a trade allocation policy to govern how we handle the aggregation of orders for more than one client’s account. From time to time and only where appropriate, we aggregate orders for securities transactions for more than one client. In doing so, we strive to treat each client fairly and will not favor one client account over another client. When executed, we allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is for our administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately.

We will not aggregate orders for a client having a directed brokerage relationship with a client who does not have a directed brokerage relationship with the same broker-dealer. A consequence of not aggregating your order with other orders for the same securities is that you may not obtain as good a price or as low a cost in a separate transaction as clients whose orders have been aggregated.

Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by our firm in that security on a given business day. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client’s part of the aggregated order, regardless of the total size of the aggregated order. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on a pro rata basis.

REVIEW OF ACCOUNTS

Reviews

At least twice per year we review your investment plan to make sure it is being implemented in the following areas: asset allocation, risk tolerance, goals, time horizon, and cash available for anticipated withdrawal needs. Mr. Ellis, our president, conducts the reviews for all accounts and all investment advisory services using account reports from our internal software.

If we are providing you with investment management services, we discuss your account and investment strategy with you at least annually, or upon your request.

If we are monitoring your accounts invested with outside investment professionals, we discuss your account and investment strategy with you at least annually, or upon your request, and communicate with your investment professionals at least quarterly.

Reports

We send you quarterly statements summarizing your current holdings, transactions for the period and performance information. Also, as described in more detail in the section titled “**CUSTODY**” beginning on page 11, you will receive a quarterly statement from the custodian for your account.

CLIENT REFERRALS AND OTHER COMPENSATION

We must inform you if we receive an economic benefit from a third party, who is not a client, for providing investment advice or other advisory services to our clients. We are also required to disclose if we compensate anyone who is not a supervised person of our firm for client referrals. We do not receive any such benefits or have any referral or solicitation arrangements.

CUSTODY

You will receive statements from the broker-dealer, bank or other qualified custodian that holds and maintains your investment assets at least quarterly. We urge you to carefully review such statements and compare such official custodial records to the account statement we provide to you, as described in the “**REVIEW OF ACCOUNTS**” beginning on page 11. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

INVESTMENT DISCRETION

We generally receive discretionary authority in writing from clients at the outset of an advisory relationship in the investment management agreement. Discretionary authority grants us the ability to determine, without obtaining your specific consent, the securities to be bought or sold for your portfolio, the amount of securities to be bought or sold, and in most cases, the broker or dealer to be used and the commission rate to be paid. As described in more detail in the “**ADVISORY BUSINESS**” beginning on page 1, you may establish written investment guidelines and restrictions. When selecting securities and determining amounts, we observe these investment policies, limitations and restrictions. In all cases, however, we exercise such discretion consistent with your investment objectives for your account and by considering the size of your account and your risk tolerance.

Also, you will likely sign an agreement with your custodian which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within the account, but not direct the assets outside of the account.

VOTING CLIENT SECURITIES

As a matter of firm policy and practice, we will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in your account. Proxy solicitation materials will be forwarded to you for response and voting.

FINANCIAL INFORMATION

As a registered investment adviser, we are required to provide you with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.

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