

Business Name:

Governance Holdings Co
d/b/a GMI Ratings
d/b/a GMI
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This brochure provides information about the qualifications and business practices of GMI Ratings. If you have any questions about the contents of this brochure, please contact us at (207) 874-6921. 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.

Material Changes

New Filing

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Advisory Business***Business Overview***

GMI Ratings is the combined entity of GovernanceMetrics International, The Corporate Library and Audit Integrity, which all merged in December 2010. For more information please visit www.gmiratings.com.

GMI Ratings is a leading independent provider of corporate governance, ESG and accounting research and analytics. GMI Ratings provides a unique perspective on companies that is not covered in traditional investment research. Asset managers use our products to inform investment decisions, monitor risks and incorporate Environmental, Social and Governance (ESG) metrics into their stock selection and portfolio construction processes.

Products***GMI Analyst***

GMI Analyst is our web-based platform delivering our comprehensive research and analytics to asset managers. It is updated daily and covers more than 18,000 companies worldwide. GMI Analyst includes our market leading governance data and research including detailed company reports, event-driven analyses, litigation/regulatory actions and insider trading. GMI Analyst provides tools for searching, creating watch lists and email alerts. The platform contains our ESG model, Accounting and Governance Risk (AGR) model, Financial Distress model and Litigation Risk model, along with over 200 supporting metrics.

ESG Model

GMI Ratings' ESG model rates companies based on environmental, social and corporate governance factors. The ESG model covers more than 4,300 companies in 45 countries including 1,900 North American companies. It is designed to evaluate the degree to which the board and management of a company appear to be safeguarding the interests of investors and other stakeholders. The ESG model helps identify companies whose business practices are aligned with long-term sustainable performance as well as identify ESG risks which could impact performance.

AGR Model

GMI Ratings' AGR model provides a percentile ranking of companies based on forensic accounting and governance factors. The AGR model covers more than 18,000 companies in 27 countries including over 7,000 North American companies. A forensic assessment of financial statements is the foundation of AGR. This is complemented by an analysis of factors measuring several key aspects of governance and corporate behavior including executive compensation and board independence. In addition, GMI provides a Financial Distress model which helps predict bankruptcies and identify companies in severe financial distress, and a Litigation Risk model which is an indicator of future securities-related litigation.

3D

Diverse Director DataSource (3D) is GMI Ratings' new database of diverse and international

prospective candidates for board of director positions. As the leader in global corporate governance, including board compensation and diversity, we view this project as a vital tool in helping improve the diversity of talent on corporate boards. With this tool, candidates can build their own detailed profiles to include their board and professional experience. 3D also has an advanced search function designed for search firms and nominating committees that identifies candidates based on very specific criteria and enables continued refinement after the initial search.

Other Miscellaneous Products

GMI Ratings also sells raw data, research reports and mailing lists to clients.

Delivery

GMI Ratings provides its models and supporting metrics via its web based products; GMI Analyst, GMI Ratings' data files and integrated with third-party research and investment management platforms. GMI Ratings also provides historical AGR model data files.

Education and Business Standards

General standards of education or business experience that GMI Ratings requires of those involved in determining or giving investment advice to clients is four years of college and three years of industry related experience. GMI Ratings is a signatory of the United Nations-backed Principles for Responsible Investment Initiative (PRI), a network of international investors and service providers committed to incorporating ESG research into the investment process.

Principals who provide general investment advice

Richard Bennett, Executive Chairman, Governance Holdings Co. since November 2010. Born: 1963, Graduate of Harvard University and the University of Southern Maine. 1996-2004, State Senator, State of Maine. 1997-2006, Governance Consultant, Lens Governance Advisors, 2004-Present, Director of Trucost, plc. Director, Biddeford Internet Corporation d/b/a Great Works Internet. June 2006-November 2010 Chief Executive Officer and Member of The Corporate Library, LLC.

Robert A. G. Monks is a shareholder activist and co-founder of Institutional Shareholder Services, Lens Investment Management, Lens Governance Advisors, and The Corporate Library. He currently resides on GMI's Board of Directors. He is the author of *Corporacy* and *The New Global Investors*, and with Nell Minow, *Watching the Watchers*, *Corporate Governance, Power and Responsibility*. Monks was educated at Harvard College and Cambridge University, and was partner in a Boston law firm. Monks has written widely about corporate governance and has published more than a hundred papers in publications around the world. He was the recipient for the Award for Outstanding Financial Executive from the Financial Management Association in 2007.

Kimberly Gladman, Director Research and Ratings since January 2008. Born: 1968. Graduate of Yale University (Bachelor of Arts, 1990) and New York University (Ph.D., 2001). 2005-2007: Research Associate Manager and Lead SRI Analyst, European Equities, Domini Social Investments, New York, NY. 2002-2005: Shareholder Advocacy Associates, Domini Social Investments, New York, NY.

Ric Marshal, Chief Analyst since 2003. Born: 1954. Graduate of the University of North Carolina. 1996-1999, CIO of Lens Investment Management. 1999-September 2003, Chief Executive Officer of The Corporate Library, LLC.

Paul Hodgson, Chief Communications Officer and Senior Research Associate since 2003. Born 1962. Graduate of the University College (Cardiff Wales) and University College (Durham, UK). 2000-2001 Freelance Writer. 1991-2000, Assistant Editor of Incomes Data Services (London). 2001-2003 Senior Research Associate of The Corporate Library, LLC.

Item 5 - Fees and Compensation

GMI Ratings offers investment advisory services based on hourly charges, fixed fees, and subscription fee. Subscription fees are payable in advance. Each client contract is individually negotiated, and our policies concerning cancellation terms, including pro-rated fee refunds are addressed in within the individual contracts.

GMI Analyst: A comprehensive web-based global public company research database for integrating ESG into investment analysis, compliance, and risk management, GMI Analyst is designed to inform decisions and identify critical areas of risk for corporations and stakeholders. Enterprise access priced at \$180,000.

Diverse Director DataSource (3D) is our database of prospective candidates for board of director positions. 3D will give shareholders, corporations and recruiters a broader universe of talent to choose from and an opportunity to propose qualified candidates for nomination to the board. Enterprise priced at \$40,000 per year.

GMI Ratings' Executive Pay Scorecard offers shareholders a tool for making critical Say on Pay voting decisions. The 2012 Executive Pay Scorecard covered the Russell 3000 index. Priced at \$7,500 for one annual seat.

Customer Research Reports are typically priced on a project or retainer basis, depending upon the scope of the project, as well as the data required and staff involved. For some projects, work may be billed at hourly research rates ranging from \$250-\$1,000 per hour, based upon the level of expertise of the personnel contributing to the project. Hourly rate and per job billing options available on request.

Item 6 - Performance Based Fees and Side by Side Management

GMI Ratings does not have performance based fees or Side by Side Management.

Item 7 - Types of Clients

Generally GMI Ratings provides services to Banks or thrift institutions; Investment companies; Pension and profit sharing plans; Insurance companies; law firms, universities, compensation consultants, and executive research firms.

Item 8 – Methods of Analysis

GMI Ratings main source of information include financial newspapers and magazines, inspection of corporate activities; Annual reports, prospectuses, filings with the Securities and Exchange Commission. GMI Ratings assesses governance risk on public firms in the Russell 3000 and TSX 60 Exchanges and tracks leadership on all US publicly traded firms and S&P Global 1200 companies.

Item 9– Disciplinary Information

GMI Ratings does not have any legal or disciplinary events to report.

Item 10 - Other Financial Activities

GMI Ratings currently has application pending to register as a pension consultant with respect to assets of plans having an aggregate value of at least \$200,000,000 that qualifies for the exemption in rule 203A-2(a).

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

The mission of GMI Ratings is to provide its clients with timely and high-quality news, data, and analysis on corporate governance issues. One of GMI Ratings greatest strengths is its independence: GMI does not offer consulting services to the companies it rates or analyzes for its subscription products (“Subject Companies”), unless the subject matter of such services is not the Subject Company, nor does it license or endorse such services provided by third parties. Thus, it is of paramount importance that persons affiliated with GMI adhere to practices that both substantively protect the exercise of independent judgment and ensure those clients, companies, and the public view GMI as independent. It is also crucial that GMI exhibit fairness and integrity in its dealings with Subject Companies, clients, the media and other constituencies.

GMI Ratings has a Code of Conduct which identifies persons responsible for all compliance issues and specifies their obligations. A copy will be made available to clients or prospective clients upon request.

Item 12 – Brokerage Practices

GMI Ratings is not a broker-dealer.

Item 13 – Review of Accounts

GMI Ratings does not provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services.

Item 14 – Client Referrals and Other Compensation

GMI Ratings may from time to time pay a cash fee for client solicitations. Any such payments are made in accordance with Rule 204(4)2 under the Investment Advisors Act of 1940.

Item 15 - Custody

GMI Ratings does not have custody of client funds or securities.

Item 16 – Investment Discretion

GMI Ratings does not accept discretionary authority to manage securities accounts on behalf of clients.

Item 17 – Voting Client Securities

GMI Ratings does not accept authority to vote client securities.

Item 18 – Financial Information

Attached Schedule A.

Item 19 – Requirements for State-Registered Advisers

None

Schedule A – Balance Sheet**GOVERNANCE HOLDINGS CO. AND SUBSIDIARIES****Consolidated Balance Sheet****December 31, 2010**

ASSETS		
Current assets:		
Cash and cash equivalents	\$	1,822,210
Accounts receivable, net of allowance of \$62,000		1,079,810
Prepaid expenses		107,744
Investment - restricted		209,218
Total current assets		3,218,982
Property, plant and equipment:		
Furniture, fixtures and equipment		311,349
Computer equipment		700,867
Computer software		2,142,851
Leasehold improvements		107,571
Less: accumulated depreciation and amortization		(2,036,168)
Net property, plant and equipment		1,226,470
Other assets:		
Intellectual property, net		13,371
Security deposits		23,118
Due from related parties		31,799
Total other assets		68,288
Total assets	\$	4,513,740
LIABILITIES AND ACCUMULATED DEFICIT		
Current liabilities:		
Accounts payable		199,644
Accrued expenses		316,868
Unearned revenue - current		3,998,828
Total current liabilities		4,515,340
Other liabilities:		
Unearned revenue - net of current		63,480
Deferred rent		118,640
Deferred compensation		150,000
Total other liabilities		332,120
Total liabilities		4,847,460
Accumulated deficit:		
Common stock		14,374
Additional paid in capital		25,478,209
Accumulated deficit		(25,826,303)
Total stockholders' equity		(333,720)
Total liabilities and stockholders' equity	\$	4,513,740

See accompanying notes to consolidated financial statements.