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Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page



**FORM ADV PART 2A*
SEC-Required Brochure**

January 2015

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*This brochure provides information about the qualifications and business practices of Malcolm H. Gissen & Associates Inc. If you have any questions about the contents of this brochure, please contact us at telephone 415.749.6565. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority. Additional information about Malcolm H. Gissen & Associates Inc. is available on the SEC's website at www.advisorinfo.sec.gov.

MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A

In 2010, the U. S. Securities and Exchange Commission (“SEC”) adopted revised rules regarding the format and content of the Form ADV Part 2 disclosure brochure. Pursuant to revised requirements, all SEC-registered investment advisors were required to prepare a new ADV Part 2 brochure that is presented in a narrative format and that addresses certain enumerated disclosure topics. Most of these topics were addressed in the Schedule F to Malcolm H. Gissen & Associates Inc. (“MHG&A”) prior ADV Part II and have been re-stated here in a more identifiable and readable presentation.

This amended Form ADV Part 2 contains prior content from the Firm’s Form ADV Part II brochure statement as well as additional required information.

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ADVISORY BUSINESS

Founded in 1985, Malcolm H. Gissen & Associates Inc. is a full-service SEC Registered Investment Advisory (RIA) firm specializing in wealth management and the offering of unique investment opportunities for the affluent investor.

FEES AND COMPENSATION

Malcolm H. Gissen & Associates Inc. manages discretionary accounts utilizing the custodial and brokerage services primarily at Charles Schwab & Co. and Fidelity. MHG&A charges an annual Base Fee of 1% of the assets managed and charges the fee based on the value of the client's account on December 31, March 31, June 30 and September 30 (.25% for each three months). Accounts over \$4M are charged .8% on the excess amount. Fees are generally not negotiable. Applicant introduced a Performance Fee in January 2006 whereby clients will be additionally charged 10% of the annual performance in excess of the average performance of the S&P 500 and Wilshire 5000, provided the client's portfolio appreciates at least 7%. There is a 1% cap on the Performance Fee.

Only account relationships that have total assets being managed by MHG&A of \$1,000,000 or a personal or combined net worth with spouse of \$2,000,000 are eligible for the annual Performance Fee.

As part of the investment management process, MHG&A may invest part or all of a client's account in mutual funds. In particular some client account(s) have retirement or college education accounts that only allow mutual fund investing. It should be noted that these mutual fund investments have their own advisory fees and expenses that are in addition to the management fees that are being paid to MHG&A. Every effort is made to choose mutual funds that meet the investment objectives of the client, while being sensitive to the added advisory and operating expenses of the individual mutual fund.

Clients may terminate the firm's Investment Counsel Agreement at any time. If terminated before service begins, there will be a full refund. If terminated after service begins, the refund will be pro-rated.

PERFORMANCE-BASED FEES

The Performance Fee is calculated after the end of each calendar year and earned only if the total return of the total of Client's assets managed by MHG&A the previous year (or partial year for a new Client) is at least seven percent (7%) and has outperformed the average return the previous year (or partial year for a new client) of two indices, the S&P 500 Index, and the Wilshire 5000 All Market Index. If the total return of all of Client's accounts is greater than the average of these two indices and is at least 7%, MHG&A will earn a Performance Fee of 10% of the amount of the out-performance, after first deducting all the Management Fees paid by the Client during the performance fee period. There will be a cap on the Performance Fee of one percent (1%) of the total assets managed by MHG&A at the beginning of the period for which this Performance Fee is being calculated. Thus the total fees that could be earned in any one year will be two percent (2%) of the money managed by MHG&A from the start of the previous year (or from the time MHG&A begins managing the money of a new client).

TYPES OF CLIENTS

MHG&A provides advisory services for the following types of accounts:

- Individuals
- Trusts
- Estates
- Charitable Organizations
- Individual Retirement Accounts (IRA's)
- Pension and Profit Sharing Plans
- 401(k) Plans
- 403(B), 457(B), & DCP

The minimum account(s) size for advisory services is \$750,000. The total of all accounts to be managed must meet this initial minimum amount.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**METHODS OF ANALYSIS**

Depending upon the type of investment, MHG&A utilizes a combination of fundamental, technical, sector, and cyclical analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. Technical analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns that can be used to predict future activity. Sector and cyclical analysis refers to stocks that are sensitive to business cycles and tied strongly to the overall domestic or global economies (i.e. automobiles, housing, energy, basic materials). In performing these analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals.

INVESTMENT STRATEGY**Initial Public Offerings (“IPOs”)**

While not a substantial part of its investment style, MHG&A does from time to time invest in initial public offerings (“IPO, RTO”) on behalf of client accounts for which such investments are suitable. Some client accounts do not participate in IPOs at all or do not participate in certain volatile IPOs, either due to client instructions, risk tolerance, financial condition or investment objectives.

INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole.

Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

Short-term purchases – While we generally purchase securities with the intent to hold them for more than a year, we may on occasion determine to buy or sell securities in a client’s account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security’s value.

Bond Pricing – The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

Inflation - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

Price Fluctuation - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

Reinvestment of Dividends - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

Mutual Funds with Foreign Asset Holdings – Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

Short Sale Trading – Short Sale Trading, or “shorting” involves a great amount of risk and is not advocated by the Firm, nor is it a part of its investment strategy. In rare cases, short selling may be used as directed by client to achieve specific goals.

Margin Trading –In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client’s custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

Option Trading – Certain clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

IPOs – Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild

fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

Private Equities – We may purchase or recommend the inclusion of shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities may be highly illiquid or may experience losses of liquidity – resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Unless otherwise expressly agreed, we will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk is that MHG&A will base its account values for billing purposes on these positions’ purchase price (unless another methodology is agreed upon with the client), leading to a potential motivation to overvalue said equities. Finally, we may have clients who are executives of said firms or have other financial relationships that may create conflicts of interest. Where such conflicts exist, the Firm will disclose these conflicts in written format to the clients who hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

13. INVESTMENT DISCRETION

Clients appoint MHG&A as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm’s investment strategy and the client’s investment objectives, our portfolio managers are given full discretion to determine:

1. Types of investments;
2. Which securities to buy;
3. Which securities to sell;
4. The timing of any buys or sells;
5. The amount of securities to buy or sell; and
6. The broker-dealer to be used in the transaction

DISCIPLINARY INFORMATION

There is no disciplinary information to disclose.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Malcolm H. Gissen, a Registered Investment Advisor, owns 100% of Malcolm H. Gissen & Associates Inc., an investment advisory firm based in San Francisco, California. Malcolm Gissen owns 50% of Brick Asset Management (BAM), a Registered Investment Advisor and the advisor to the Encompass Fund, an investment company. Marshall Berol owns the other 50% of Brick Asset Management, and he and Malcolm operate BAM as the advisor to the Encompass Fund under a contract with the Fund. The Fund is managed by a Board of Trustees consisting of four trustees. Gissen is one of the trustees and is the President of the Fund; the other three trustees are all independent trustees.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT* TRANSACTIONS AND PERSONAL TRADING

MHG&A, its employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted Employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading policies. Employees with access to the Firm’s investment decision-making and trading activities are required to report all personal securities transactions on a regular basis. All personnel are required to abide by the Firm’s personal trading practices and code of ethics which governs employee trading practices and specifically prohibits employee trading on the basis of inside information and trading ahead of customer orders (front-running). MHGA’s employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Employees may trade in the same securities traded for clients. However, it is Firm policy not to give preference to orders for personnel associated with the Firm regarding such trading. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is purchased or sold for client accounts and employees on the same day, employees will not receive preference and may receive the same price as the client. In some circumstances because of different custodians, prime brokers, currency exchange rates, or outstanding good-till-cancel orders, employees may receive a more favorable price on the same trade day. If purchased or sold on different days, it is possible that employees’ personal transactions might be executed at more favorable prices than were obtained for clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

A copy of MHG&A’s trading policies and code of ethics is available to clients upon request.

BROKERAGE PRACTICES

Malcolm H. Gissen & Associates Inc. (MHG&A) may recommend that clients establish brokerage accounts with the institutional divisions of Charles Schwab & Co., Inc. (Schwab) or Fidelity, both are registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Malcolm H. Gissen & Associates Inc. is independently owned and operated and not affiliated with either Schwab or Fidelity. These institutional broker-dealers provide MHG&A with access to its institutional trading and custody services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at the custodian. Typical institutional 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 MHG&A's client accounts that are held in the custody of Schwab or Fidelity, these accounts are not generally charged separately for custody services, but instead the custodian is compensated through commissions or other transaction-related fees for securities trades that are executed through Fidelity or Schwab. Other fees that may be earned by the custodians could be from the sharing of money market fund expense fees. This may or not be the case for Fidelity or Schwab.

Schwab and Fidelity also may make available to MHG&A other products and services that benefit Malcolm H. Gissen & Associates Inc. but may not benefit its clients' accounts. Some of these other products and services assist MHG&A in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of MHG&A's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of MHG&A's accounts, including accounts not maintained at Schwab or Fidelity. Schwab and Fidelity may make available to MHG&A other services intended to help MHG&A manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab or Fidelity may make available, arrange and/or pay for these types of services rendered to MHG&A by independent third parties. Schwab or Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to MHG&A. While as a fiduciary, MHG&A endeavors to act in its clients' best interests, and MHG&A's recommendation that clients maintain their assets in accounts at Schwab or Fidelity may be based in part on the benefit to MHG&A of the

availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab or Fidelity, which may create a potential conflict of interest.

Malcolm H. Gissen & Associates Inc. has regularly inquired about other securities custodians that provide some or all of the services listed above in order to determine if they can provide the same quality and breadth of services as efficiently and competently as Schwab or Fidelity. We currently believe that no other custodians can provide MHG&A with all our custodial service requirements that would be any more advantageous to our investment advisory clients and therefore it would not be in the best interest or worth the trouble and disruption to our clients to use any custodians other than Schwab or Fidelity.

REVIEW OF ACCOUNTS

Both Craig Valdes and Malcolm Gissen regularly review each client's accounts. They both receive weekly print-outs showing the cash in accounts and where there has been a build-up of cash, they will determine whether to invest the cash and into which asset classes and industry sectors.

Craig, Malcolm, and Marshall Berol (the firm's CIO), track the positions in client accounts on a daily basis, receive emails if there is any news from the individual companies, and frequently are called by the companies if there is news. They regularly talk to representatives of many of the companies in client portfolios. They also track most sectors of the market, meet and talk with analysts following the companies and industries, and read reports about the companies.

MHG&A provides each client semi-annual reports showing the client the asset allocation; the performance of client's portfolio for the year-to-date and since becoming a client compared to various indices (S&P, Dow Jones, NASDAQ, EAFE, Bond Index); the performance of each asset in client's portfolio since becoming a client; and the performance of each asset over the last 12 months. Each report is accompanied by a letter from MHG&A explaining the performance.

Regular client meetings are scheduled, usually once or twice a year depending on the geographic location of the client, to review client's current investment objectives, financial changes and current portfolio performance.

CLIENT REFERRALS AND OTHER COMPENSATION

Malcolm H. Gissen & Associates Inc. is very fortunate to have built its advisory business primarily through recommendations and referrals from either existing clients or other business professionals.

Although most of our new clients have been referred to MHG&A from existing clients or outside professionals, MHG&A does not compensate for these introductions or referrals.

CUSTODY OF CLIENT ASSETS

As a matter of policy and practice, Malcolm H. Gissen & Associates Inc. does not permit employees or the firm to accept or maintain custody of client assets. It is our policy that we will not accept, hold, client funds or securities, or have any authority to obtain possession of them. Malcolm H. Gissen & Associates Inc. will not intentionally take custody of client cash or securities, and in circumstances where securities are delivered to our office on behalf of our clients, we will document and then promptly forward them to the proper custodian.

INVESTMENT DISCRETION

Malcolm H. Gissen & Associates Inc. will act as investment manager for the client account(s), and will supervise and direct the investments and make all investment decisions for the client account(s). MHG&A will at its discretion, and without consulting with the client, purchase or sell securities of any kind for the client account(s). The client acknowledges that we have complete discretion to invest the funds as it pertains to the client's investment objectives and financial goals.

VOTING CLIENT SECURITIES

Malcolm H. Gissen & Associates Inc. advisor policy is to NOT vote proxy solicitations received on behalf of clients from the issuers of securities held in client's account. All such solicitations will be forwarded to client for voting. Any client wishing to review our proxy voting policies in full may request a copy from the Firm at his or her convenience.

STATEMENT OF FINANCIAL CONDITION

Malcolm H. Gissen & Associates Inc. does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has never been the subject of a bankruptcy filing.