

EMERITUS INVESTMENT MANAGEMENT, INC.

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March 31, 2011

This brochure provides information about the qualifications and business practices of Emeritus Investment Management, Inc. If you have any questions about the contents of this brochure, please contact us at 415-388-3830 or send an email to Barbara@EmeritusInvestment.com or Dawn@EmeritusInvestment.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.

Additional information about Emeritus Investment Management, Inc. is also available on the SEC's website at www.advisor.sec.gov.

Emeritus Investment Management, Inc. (EIMI) is a registered investment advisor. Registration of an investment advisor does not imply a certain level of skill or training.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission issued “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. On March 31, 2011 we prepared our new brochure “ADV 2” according to the new requirements.

This Brochure, dated March 31, 2011, is materially different because the rules require a narrative format in plain English and that information be included that was not formerly required in “Form ADV Part II.”

After this, Item 2 will only include a summary of any material changes since our last annual update. Pursuant to these new SEC Rules, you will receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year.

It is our practice to offer a copy of this document on request with each quarterly report without cost.

For copies, please contact Barbara S. Gilliard, President at 415-388-3830 or send an email to Barbara@EmeritusInvestment.com.

Additional information about Emeritus Investment Management, Inc. and those persons affiliated that are registered or required to be registered is available on the SEC’s web site www.advisorinfo.sec.gov.

EMERITUS INVESTMENT MANAGEMENT, INC.

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BROCHURE SUPPLEMENTS

Supervised Personnel

Barbara S. Gilliard, CFP[®], President, Chief Compliance Officer,
Investment Advisor Representative

Dawn Gilliard Ehmann, Vice President

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 4 - Advisory Business

OVERVIEW

Barbara S. Gilliard, President and Owner of Emeritus Investment Management, Inc., has been an independent financial adviser since January 1986. Ms. Gilliard incorporated EIMI in the State of California April 16, 1990. On July 9, 1999, EIMI registered with the Securities and Exchange Commission as a registered investment adviser.

INVESTMENT SERVICES

In order to achieve long-term investment success, EIMI utilizes strategies of broad-based diversification among asset classes. No-load mutual funds are the primary investment vehicle for implementing portfolio allocations. Individual stocks or bonds may be held on a case by case basis. Portfolio design may include active or passive structures of asset allocation. Active structures are designed utilizing no-load institutional mutual funds offered by many firms. Passive structures are designed utilizing no-load, institutional mutual funds offered by Dimensional Fund Advisors ("DFA"). DFA is an established institutional money manager known for its structured investment strategies. Portfolios are customized to each client or family and may include cash equivalents, domestic and international fixed income, large company stocks, small company stocks, value stocks, international stocks, emerging market stocks, and real estate securities.

Financial planning is an ongoing part of our firm's investment service. We consult on the traditional issues of retirement and estate planning, insurance issues, company benefits and stock options, college funding, and budgeting. EIMI offers investment advice that includes all traded securities, certificates of deposit, alternative investments, real property and mortgages and the financial matters of divorce.

We tailor our advisory services to your individual needs. You may be as involved in the management of your accounts you choose; however, you are expected to be actively engaged in the initial allocation process and to update EIMI of any changes in your circumstances or objectives. As such you can impose restrictions on such issues as investing in certain securities or types of securities.

All client assets are invested on a discretionary basis. As of February 28, 2011, the amount of assets managed on a discretionary basis was \$34,602,120.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 5 – Fees and Compensation

INVESTMENT ADVISORY FEES

Our investment management services are fee-only, calculated on assets under management, based on the following annual formula:

- 1.0% of net asset value (NAV) up to \$500,000
- 0.75% of the next \$1,500,000
- 0.50% of the next \$3,000,000
- Negotiable above \$5,000,000
- Minimum annual fee \$5,000

For example, a \$2,000,000 account would be charged 0.8125% per year (1% on \$500,000 and 0.75% on \$1,500,000.) As stated in our Investment Management Agreement signed by the client, the Custodian is authorized to deduct the management fees directly from the Account, such fees to be prorated and payable in advance, using the total account value on the last day of each quarter multiplied by the annual fee divided by four. The “total account value” includes all cash, money market balances and the value of securities held in the account. The fee for the first quarter (or portion thereof) will be based on the amount of capital committed to management under the Agreement. A fee for a period of less than a full quarter, upon commencement of the Agreement, or future additional contributions will be prorated in accordance with the portion of the quarter to which it relates. EIMI reserves the right to negotiate or waive fees.

EIMI also offers hourly investment advisory services, for private company retirement plans as well as advisory services for issues other than securities. Examples of such services are the analysis of existing pension arrangements, review and analysis of insurance products, settlement strategies surrounding divorce and strategies involving real property and mortgages. The fee for such services is generally charged at \$400 per hour. Fees on a project basis are negotiable. Therefore, the total fees for such services vary widely depending on the complexity of services authorized and performed. A retainer is required, with the balance payable when the contract is completed.

Refunds are due for hourly services to the extent that the retainer is larger than that needed to cover charges for advisory services up to the point of cancellation.

ACCOUNT CLOSURE

You may terminate the Investment Management Agreement without penalty within five business days. Either you or EIMI, with written notice to the other, may immediately cancel the Agreement. Upon cancellation of the Agreement, EIMI will refund the unearned management fee to you within thirty days. Any fee for a period of less than a full quarter, upon termination of the Agreement, will be prorated in accordance with the portion of the quarter to which it relates.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 5 – Fees and Compensation (continued)

Termination initiated by you during the first full year will result in a charge based on the greater of the annual fee on the amount of capital committed under this agreement or the minimum annual fee.

ADDITIONAL FEES AND EXPENSES

New Accounts are charged a setup fee of \$200 with no additional charge for multiple accounts, family and related accounts may be combined for fee calculation purposes. Clients using margin loans should be aware that the fee calculation will be based on total invested assets, not the portfolio value net of the margin loan.

Investment management fees are exclusive of transaction fees, brokerage commissions or other expenses charged by the Custodian or broker for the Account. Additionally, mutual funds or exchange traded funds also charge internal management fees disclosed in the fund's prospectus. You may incur additional charges by the Custodian for expenses such as wire fees, special mailing fees, margin interest and taxes withheld.

As a fee-only independent investment advisor, EIMI makes no money from trades or commissions. We have no affiliations with a broker-dealer, bank or insurance company. Because we are free of conflicting affiliations, you are assured that all investment decisions are based solely on the quality of the investment and are in your best interest.

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

EIMI is not compensated for performance-based fees or side-by-side management. Performance-based fees are fees based on a share of capital gains or capital appreciation of the assets of a client. Side-by-side management would be a situation where an advisor manages accounts of different structures, fee arrangements or other characteristics that could lead to favoring one over the other because of a higher compensation.

Item 7 - Types of Clients

EIMI manages and monitors portfolios on a discretionary basis to individuals, family trusts, corporate pension and profit-sharing plans, non-profit pension plans and charitable organizations. Limitations on the authority to execute trades for discretionary investment management accounts are contained in the Limited Trading Authorization signed by you.

Investment management accounts generally require a minimum of \$500,000 of assets under management unless EIMI waives such requirement.

EMERITUS INVESTMENT MANAGEMENT, INC.

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

RISK OF LOSS

You must prepare to bear and understand that there is risk (including risk of loss) attached to any investment in securities (including mutual funds) used by EIMI in managing your Account and to EIMI's decisions and investment strategy.

RESEARCH AND METHODS OF ANALYSIS

In formulating investment advice or managing assets, EIMI uses several sources of information to analyze the securities used to develop investment strategies and design the allocation of assets. Among the sources we use are subscriptions to Morningstar research on stocks, mutual funds and exchange traded funds, annual reports and other publications of mutual fund research. We also use Schwab Institutional and other brokerage firm research reports, publicly available investment information (such as newspapers,) financial periodicals, websites, trade journals (such as the Journal of Financial Planning,) discussions with fund managers, professional colleagues, access well known academic researchers who provide in-depth research and educational materials and continuing education events. Additionally, mutual fund companies provide you with prospectuses that identify the risks in their funds. When we research and compare investments, we look to historical and expected returns, standard deviations and correlation coefficients between the asset classes.

EIMI clients generally have a long-term investment horizon, therefore, when analyzing the investments we will utilize in diversifying among asset classes for you, we first look to your tolerance for risk, your long-term goals and objectives and any constraints.

EIMI will take into account your taxable situation. When rebalancing your taxable Account, or liquidating for cash needs, the trading costs and tax consequences are always considered. An example of an after-tax benefit that may exceed the costs would be harvesting tax losses.

You may use margin loans offered by the custodian; however, this strategy increases your risk and costs. We generally do not recommend margin loans.

Item 9 - Disciplinary Information

There are no legal or disciplinary events that are material to your evaluation of the advisory business or the integrity of the management of Emeritus Investment Management, Inc. Therefore, there is no information applicable to this item.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 10 - Other Financial Industry Activities and Affiliations

OTHER BUSINESS ACTIVITIES

Barbara S. Gilliard is the managing member of DBD Partners, LLC, a Limited Liability Company that owns and manages the property occupied by Emeritus Investment Management, Inc. Ms. Gilliard's participation in this outside business activity is not related to Emeritus Investment Management, Inc.

DBD Partners is a non-securities related entity that owns and manages a multi-tenant office building in Mill Valley, CA. Emeritus Investment Management, Inc. is a tenant of DBD Partners, LLC.

OTHER COMPENSATION

In recommending other professionals to you, EIMI does not receive any compensation directly or indirectly from those advisers that creates a material conflict of interest.

AFFILIATIONS

EIMI has no affiliations that create a material conflict of interest.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 11 - Code of Ethics

Emeritus Investment Management, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its fiduciary duty to you and the firm's high standard of business conduct and integrity. All supervised persons at EIMI must acknowledge the terms of the Code of Ethics annually, or as amended. You may request a copy of EIMI's Code of Ethics by contacting Barbara S. Gilliard at Barbara@EmeritusInvestment.com.

The Advisers Act imposes a fiduciary duty on investment advisers. This fiduciary duty is the core principle underlying EIMI's Code of Ethics and Personal Trading Policy and represents the expected basis of all of our dealings with you. As a fiduciary, EIMI has a duty of utmost good faith to act solely in your best interest. Our fiduciary duty compels all supervised persons to place your interests ahead of the firm's or their own investment interests and to act with the utmost integrity in all of our dealings and trading practices.

The Code of Ethics includes provisions relating to the exercise of diligence and care in maintaining and protecting your nonpublic confidential information. Among other things, prohibitions include that of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items. Personal securities trading procedures must be followed and insider trading is prohibited.

Supervised persons are expected to purchase or sell a security for their personal accounts only after trading of that same security has been completed in client accounts. Personal accounts include all accounts for family members living within the supervised person's household and accounts over which they have authority even though the account owner does not live within the same household as the supervised person.

Item 12 - Brokerage Practices

EIMI does not receive soft dollar benefits from any broker-dealer custodian. The firm of Charles Schwab & Co., Inc. is the primary custodian of EIMI's client accounts; however, you may use other custodial services. Schwab has a large network of retail branches that may be convenient for you when the occasion arises that you need to visit a branch, for example, to pick-up or deposit a check, deposit securities or deliver paperwork. Additionally, Schwab offers online access to your account information and electronic receipt of your reports, statements and transactions.

In selecting a broker-dealer, EIMI considers a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution in all transactions and error resolution, our online access to computerized data regarding your accounts and other matters involved in the receipt of brokerage services.

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Item 12 - Brokerage Practices (continued)

EIMI may pay a brokerage commission in excess of that which another broker-dealer might charge for effecting the same transaction in recognition of the value of the brokerage research and other services. In such a case, however, EIMI will determine in good faith that such commission is reasonable in relation to the value of brokerage, research and other services provided by such broker-dealer, viewed in terms of either the specific transaction or EIMI's overall responsibilities to the portfolios over which it exercises investment authority.

EIMI periodically re-negotiates commission rates with Charles Schwab & Co., Inc. in an effort to keep transaction costs as low as possible. As such, EIMI has the authority to determine the exact rates paid by you, without obtaining your specific consent.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 13 - Review of Accounts

You are furnished a quarterly report that include an Appraisal of each Account that lists the securities held, cost and current market value of each security, cash and cash equivalent held. The report summarizes the returns throughout the year. Also included is a Combined Appraisal Report of all Accounts that lists your entire portfolio allocation and a net of fees and expense Performance History Report with annual performance and your performance history annualized from inception. For your convenience and tax planning, included in our year-end reports are Realized Gains & Losses and Income and Expense Reports that include your investment management fees paid.

Internal review of the holdings in all accounts is a continuous process. Additionally, account reviews occur at least quarterly as part of the reporting process. A complete portfolio review with you is recommended at least annually. However, EIMI will provide portfolio reviews as frequently as desired by you. In addition, portfolio reviews may be triggered upon such events as: deposit, withdrawal, notification from you of a change in your objective, financial situation or extraordinary change in your account value, or major changes in financial market conditions. Barbara S. Gilliard conducts all account reviews.

Item 14 - Client Referrals and Other Compensation

EIMI does not receive any compensation other than your investment management fee. EIMI does not pay any firm or person for client referrals.

Item 15 - Custody

You will receive monthly statements from your custodian. You can compare the value of your account from our quarterly reports as they should balance. Your quarterly reports from EIMI may vary with, for example, your statement from Charles Schwab & Co., Inc. because you may hold other investment assets, under management and accounted for by EIMI, at another broker or mutual fund company.

The custodian will provide information to you about insurance on your account. Custodial accounts are insured by the Securities Insurance Protection Corporation (SIPC) against fraudulent acts by the custodian. The SIPC insurance only covers the first \$500,000 of loss per account, but Schwab and Fidelity carry supplemental policies that insure accounts up to much higher limits.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 16 - Investment Discretion

EIMI manages investment portfolios with discretionary authority on your behalf. You authorize trading and deductions of management fees by signing a Limited Trading Authorization from the custodian. Procedures in managing your account are contained in EIMI's Investment Management Agreement signed by you. You may request constraints on the management of your account

Item 17 - Voting Client Securities

EIMI acts as discretionary investment adviser for various clients, including clients governed by the Employee Retirement Income Security Act of 1974 ("ERISA"). EIMI will vote all proxies for you unless you (including a "named fiduciary" under ERISA) specifically reserve the right, in writing, to vote your own proxies or to take shareholder action with respect to other corporate actions requiring shareholder actions. EIMI will vote all proxies and act on all other actions in a timely manner as part of its full discretionary authority over client assets in accordance with these Proxy and Corporate Action Voting Policies and Procedures. Corporate actions may include, for example and without limitation, tender offers or exchanges, and class actions.

When voting proxies or acting with respect to corporate actions for you, EIMI's utmost concern is that all decisions be made solely in your best interest (and for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA.) EIMI will act in a prudent and diligent manner intended to enhance the economic value of the assets of your account.

Upon inception of your relationship, EIMI will provide you with a description of the firm's proxy voting policies and how you may obtain information on EIMI's record of voting the client proxies.

Item 18 -Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about EIMI's financial condition. EIMI has never been the subject of a bankruptcy petition. EIMI has no financial condition that is reasonably likely to impair its ability to meet any contractual or fiduciary commitments to you.