

EMERITUS INVESTMENT MANAGEMENT, INC.

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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.

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

This is a Summary of Material Changes since our last annual update on March 31, 2011.

Our annual update of March 31, 2012, is materially different because under the new **Dodd-Frank Wall Street Reform and Consumer Protection Act** rules, mid-sized advisors registered with the Securities and Exchange Commission (SEC) are required to transition to state registration. Our firm has applied to transition to register with the State of California.

Pursuant to these new SEC Rules, you will receive a summary of any material changes to 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

EMERITUS INVESTMENT MANAGEMENT, INC.

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Barbara S. Gilliard, CFP[®], 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. Registration as an investment advisor was granted on June 15, 1990.

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. EIMI does not sponsor or participate in wrap fee programs.

Financial planning is included as an ongoing part of our firm's fee only 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.

Because conflicts may exist between your best interests and those of EIMI, you are under no obligation to act upon our recommendations or effect any transaction through EIMI. As such, you can impose restrictions on such issues as investing in certain securities or types of securities.

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.

All client assets are invested on a discretionary basis. As of March 31, 2012, the amount of assets managed on a discretionary basis was \$33,172,278.

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. Investment management accounts generally require a minimum of \$500,000 of assets under management unless EIMI waives such requirement. EIMI reserves the right to negotiate or waive fees. Lower fees for comparable services may be available from other sources.

EIMI also offers hourly investment advisory services, for private company retirement plans as well as advisory services for issues other than securities to our clients. 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 depending on the complexity of services authorized and performed. A retainer is required, with the balance payable when the contract is completed. EIMI does not offer stand-alone financial planning because these services are offered as an ongoing part of our investment management services. Therefore, a custom financial planning contract would be drawn and agreed upon for the terms of each hourly agreement. Terms of such an agreement would include all the protections under our existing investment management agreement with you.

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.

Item 5 – Fees and Compensation (continued)

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. However, 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.

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, which 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, LLC 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.

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.

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. These statements show all account disbursements including advisory fees. Advisory fees are billed quarterly in advance and deducted directly from your accounts with written authorization from you. An invoice is presented to the custodian and fees are itemized on our Income and Expense Report. You can compare the value of your account with our quarterly reports as they should balance. However, 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. You should carefully review your statements.

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.

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.

EMERITUS INVESTMENT MANAGEMENT, INC.

Item 19 – Requirements for State-Registered Advisers

Please refer to EIMI's Brochure Supplement for profiles of our executive officers, their education and business background.

Please refer to Item 10 for information on the outside business activity of Barbara S. Gilliard, Managing Member of DBD Partners, LLC, owner and manager of offices at 254 Miller Avenue, Mill Valley CA. EIMI is a tenant of the property.

In addition to information provided under Item 5 Investment Advisory Fees, EIMI is never compensated for advisory services with performance-based fee arrangements. Such fees may create an incentive for an adviser to recommend investments that carry a higher degree of risk to you.

There is no legal or disciplinary event related to the advisory business or the integrity of the management of Emeritus Investment Management, Inc.

EIMI has no relationship or arrangement with any issuer of securities or any other relationships that create a conflict of interests. EIMI receives no compensation for referrals to other professionals.

EMERITUS INVESTMENT MANAGEMENT, INC.

Brochure Supplement – Supervised Personnel

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

Barbara S. Gilliard, CFP®, is a CERTIFIED FINANCIAL PLANNER™ certificant, with more than twenty-five years of experience. The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. One must pass the comprehensive CFP® Certification Examination designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge to real world circumstances. It is recognized in the United States and a number of other countries for its high standard of professional education, stringent code of conduct, standards of practice; and ethical requirements that govern professional engagements with clients.

Ms. Gilliard earned her B.S. in accounting, finance and real estate and urban land economics from the Walter A. Haas School of Business, University of California, Berkeley, California. Ms. Gilliard was born in Coral Gables, Florida, January 3, 1938 and has resided in the Bay Area for more than forty years.

Ms. Gilliard founded Emeritus Investment Management, Inc. in April 1990 and serves as President and Chief Compliance Officer. As such, she supervises her own activities.

Ms. Gilliard has served as Past-President of the Financial Planning Association of San Francisco and is a member of the National Association of Women Business Owners and the San Francisco Area Women Tax Lawyers.

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Registered Investment advisers are required to disclose all material facts regarding legal or disciplinary events that would be material to you in your evaluation of a supervised person providing investment advice. No information is applicable to any such events.