

FORM ADV Uniform Application for Investment Adviser Registration
Part II - Page 1

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| OMB APPROVAL | |
| OMB Number: | 3235-0049 |
| Expires: | February 28, 2011 |
| Estimated average burden hours per response | 4.07 |

Name of Investment Adviser:
ELM ADVISORS, LLC

| | | | | | |
|---------------------------------------|-------------------|-----------|--------------|--------------|-------------------|
| Address: (Number and Street) | (City) | (State) | (Zip Code) | Area Code: | Telephone Number: |
| 1860 EL CAMINO REAL, SUITE 200 | BURLINGAME | CA | 94010 | (650) | 697-3013 |

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.**

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| (Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.) |
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**Potential persons who are to respond to the collection of information contained in this form
Are not required to respond unless the form displays a currently valid OMB control number.**

Applicant:
ELM ADVISORS, LLC

SEC File Number:
801- 64366

Date:
JUNE 2009

1. A. Advisory Services and Fees. (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

| | | |
|-------------------------------------|--|-------------|
| <input checked="" type="checkbox"/> | (1) Provides investment supervisory services | 100 _____ % |
| <input type="checkbox"/> | (2) Manages investment advisory accounts not involving investment supervisory services | _____ % |
| <input type="checkbox"/> | (3) Furnishes investment advice through consultations not included in either service described above | _____ % |
| <input type="checkbox"/> | (4) Issues periodicals about securities by subscription..... | _____ % |
| <input type="checkbox"/> | (5) Issues special reports about securities not included in any service described above | _____ % |
| <input type="checkbox"/> | (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... | _____ % |
| <input type="checkbox"/> | (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities | _____ % |
| <input type="checkbox"/> | (8) Provides a timing service..... | _____ % |
| <input type="checkbox"/> | (9) Furnishes advice about securities in any manner not described above | _____ % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes No

C. Applicant offers investment advisory services for: (check all that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges | <input type="checkbox"/> (5) Commissions |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input type="checkbox"/> (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of Clients. -- Applicant generally provides investment advice to: (check those that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations |
| <input type="checkbox"/> B. Banks or thrift institutions | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | <input type="checkbox"/> G. Other (describe on Schedule F) |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans | |

Answer all items. Complete amended pages in full, circle amended items and file with the execution page (page 1)

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3. **Types of Investments.** Applicant offers advice on the following: (check those that apply)

| | |
|--|---|
| <input checked="" type="checkbox"/> A. Equity Securities <input checked="" type="checkbox"/> (1) exchange-listed securities <input checked="" type="checkbox"/> (2) securities traded over-the-counter <input checked="" type="checkbox"/> (3) foreign issuers | <input checked="" type="checkbox"/> H. United States government securities |
| <input type="checkbox"/> B. Warrants | <input checked="" type="checkbox"/> I. Options contracts on: <input type="checkbox"/> (1) securities <input type="checkbox"/> (2) commodities |
| <input checked="" type="checkbox"/> C. Corporate debt securities (other than commercial paper) | <input type="checkbox"/> J. Futures contracts on: <input type="checkbox"/> (1) tangibles <input type="checkbox"/> (2) intangibles |
| <input checked="" type="checkbox"/> D. Commercial paper <input checked="" type="checkbox"/> E. Certificates of deposit | <input type="checkbox"/> K. Interests in partnerships investing in: <input type="checkbox"/> (1) real estate <input type="checkbox"/> (2) oil and gas interests <input type="checkbox"/> (3) other (explain on Schedule F) |
| <input checked="" type="checkbox"/> F. Municipal securities <input type="checkbox"/> G. Investment company securities: <input type="checkbox"/> (1) variable life insurance <input type="checkbox"/> (2) variable annuities <input checked="" type="checkbox"/> (3) mutual fund shares | <input type="checkbox"/> L. Other (explain on Schedule F) |

4. **Methods of Analysis, Sources of Information, and Investment Strategies.**

| | |
|---|--|
| A. Applicant's security analysis methods include: (check those that apply) | |
| (1) <input type="checkbox"/> Charting | (4) <input type="checkbox"/> Cyclical |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical | |
| B. The main sources of information applicant uses include: (check those that apply) | |
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines | (5) <input type="checkbox"/> Timing services |
| (2) <input type="checkbox"/> Inspections of corporate activities | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases |
| (4) <input checked="" type="checkbox"/> Corporate rating services | (8) <input type="checkbox"/> Other (explain on Schedule F) |
| C. The investment strategies used to implement any investment advice given to clients include: (check those that apply) | |
| (1) <input checked="" type="checkbox"/> Long term purchases (securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions |
| (2) <input checked="" type="checkbox"/> Short term purchases (securities sold within a year) | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days) | (7) <input type="checkbox"/> Other (explain on Schedule F) |
| (4) <input type="checkbox"/> Short sales | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes No

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

- For:
- each member of the investment committee or group that determines general investment advice to be given to clients, or
 - if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
 - each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

| | |
|--|--|
| <input type="checkbox"/> (1) broker-dealer | <input type="checkbox"/> (7) accounting firm |
| <input type="checkbox"/> (2) investment company | <input type="checkbox"/> (8) law firm |
| <input type="checkbox"/> (3) other investment adviser | <input type="checkbox"/> (9) insurance company or agency |
| <input type="checkbox"/> (4) financial planning firm | <input type="checkbox"/> (10) pension consultant |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer |
| <input type="checkbox"/> (6) banking or thrift institution | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? ... Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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9. **Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or Prospective client upon request.

10. **Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes No

(If yes, describe on Schedule F)

11. **Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Individual client accounts are reviewed not less than quarterly by Lorne Abramson and Elana Lieberman, principals of ELM Advisors, for consistency with the Firm's investment strategy and client investment objectives. Additionally, client accounts are reviewed in response to changes in the financial markets, changes in the Firm's investment strategy, and/or changes in individual client circumstances.

B. Describe below the nature and frequency of regular reports to clients on their accounts.

At least annually, ELM Advisors provides written reports to all clients. These reports include the asset allocation of the account and a summary of assets held in the account. In addition, each client receives a monthly statement from the custodian of the account.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant: ELM ADVISORS, LLC

SEC File Number: 801- 64366

Date: JUNE 2009

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- (1) securities to be bought or sold?
(2) amount of the securities to be bought or sold?
(3) broker or dealer to be used?
(4) commission rates paid?

B. Does applicant or a related person suggest brokers to clients?

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions.

- the products, research and services
whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
whether research is used to service all of applicant's accounts or just those accounts paying for it; and
any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients?
B. directly or indirectly compensates any person for client referrals?

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission) ; or
requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet?

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

| | | | | |
|---|--------|--|---|---------------------------|
| Schedule F of Form ADV Continuation Sheet for Form ADV Part II | | Applicant: ELM ADVISORS, LLC | SEC File Number: 801- 64366 | Date: JUNE 2009 |
| (Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.) | | | | |
| 1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: ELM ADVISORS, LLC | | | IRS Empl. Ident. No. 14-1928374 | |
| Item of Form (identify) | Answer | | | |

ITEM 1

ADVISORY SERVICES

ELM Advisors, LLC (“ELM Advisors”) provides portfolio management services, which include financial planning services to individuals, high net worth individuals, pension and profit sharing plans, private foundations and trusts and estates. The Firm will help each of its clients identify a strategic asset allocation that is consistent with the client’s investment objectives, risk tolerance, time horizon, asset class preferences and other client criteria. Investment advice provided by ELM Advisors is based on a number of factors, including without limitation, the client’s investment objectives, risk tolerances, asset class preferences, time horizons, liquidity needs and expected returns. ELM Advisors does not undertake to provide clients with tax, legal or accounting advice and clients are admonished to consult their own attorneys and accountants for determining the tax, legal and accounting consequences of investments made on their behalf.

ADVISORY FEES

For its portfolio management services, ELM Advisors charges a blended fee based on a percentage of assets under management. There are no separate fees for financial planning services. All fees are payable quarterly in arrears, based on the market value of the portfolio on the last day of the preceding calendar quarter. For new accounts, ELM Advisors charges a fee based on the value of assets placed in the account, prorated to the portion of the calendar quarter during which the assets were under management by the Firm. ELM Advisors’ standard fee schedule is as follows:

| <u>Portfolio Value of Assets Under Management</u> | | <u>Annual Fee as a % of Assets</u> |
|---|-----------------------------|------------------------------------|
| First | \$1,000,000 | 0.75%, plus |
| From | \$1,000,000 to \$3,000,000 | 0.50%, plus |
| From | \$3,000,000 to \$5,000,000 | 0.25%, plus |
| From | \$5,000,000 to \$10,000,000 | 0.15%, plus |
| Above | \$10,000,000 | Negotiated |

In its sole discretion, ELM Advisors may negotiate a different investment advisory fee with a client based on the nature and complexity of the client’s account.

Clients customarily authorize ELM Advisors to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client’s signed investment management agreement. ELM Advisors sends the client a copy of the investment advisory fee invoice at the same time it requests payment from the client’s custodian. In such cases, it is the Client’s responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

Clients may terminate the investment management agreement upon written notice to ELM Advisors. Any earned fees owed to ELM Advisors will be paid from the Account on a pro rata basis determined on the amount of time expired in the calendar quarter.

As a part of its investment advisory services, and at no extra charge, ELM Advisors offers financial planning services to its clients. Financial planning services may include some or all of the following analyses: cash flow, education funding, investments, financial independence, retirement planning and/or transition planning.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

| | | | | |
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| 1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: ELM ADVISORS, LLC | | | IRS Empl. Ident. No. 14-1928374 | |
| Item of Form (identify) | Answer | | | |

ITEM 1 cont.

GENERAL FEE DISCLOSURE

ELM Advisors believes its fees are competitive with those fees charged by other investment advisors for comparable services. However, comparable services may be available from other sources for lower fees than those charged by ELM Advisors.

ITEM 3

TYPES OF INVESTMENTS

For all client accounts over which ELM Advisors has been granted discretionary authority, it is authorized to enter into any type of investment transaction that it deems appropriate for the account, given the financial circumstances, investment objectives, risk tolerance and investment restrictions, if any, set by the individual client. The Firm currently relies on the types of investments identified in Item 3 of this Form ADV Part II.

Fund Disclosures

Mutual funds, closed-end funds, exchange traded funds, collective trust funds, other pooled investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Advisor, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. Certain pooled investment funds also charge performance fees based upon the capital performance of the funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other pooled investment vehicle) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

Bond Disclosure

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond.

ITEM 4

METHODS OF ANALYSIS, SOURCES OF INFORMATION AND INVESTMENT STRATEGIES

Based on leading academic research, ELM Advisors believes asset allocation (as opposed to market timing and individual security selection) is the primary determinant of portfolio performance over the long term; thus, our investment strategy is best summarized as asset class investing. In addition, other underlying tenets of our investment philosophy are: broad diversification, low portfolio turnover and high sensitivity to "frictional" costs and tax efficiency.

The allocation of each client portfolio is customized according to specific financial objectives and risk tolerance. This includes the client's time horizon (education, home purchase, retirement, legacy planning) and liquidity needs. Other factors taken into account are the client's overall resources – including external retirement plans, projected social security, outside investments, real estate and insurance. Also considered are capital gains consequences in taxable accounts, clients' marginal tax bracket and any further

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

ITEM 4 cont.

contributions/inflows into the investment accounts. We also attempt to maximize tax efficiency in terms of asset location – determining which components are suitable for taxable versus tax sheltered accounts.

To implement our asset class strategy, we employ various broad-based, well diversified cost and tax efficient investment vehicles as core “building blocks,” particularly with regard to equities. In addition to client objectives, we utilize a variety of financial and economic sources to study various asset classes, continually assessing their respective return/risk characteristics. These diversified funds are typically augmented by a diversified set of individual securities - in many cases, positions in taxable accounts that are transferred to ELM Advisors which we are reluctant to eliminate entirely, in order to mitigate taxable gains. We may also construct our own diversified basket of individual securities, to be held for the long term- which are typically out-of-favor and more value oriented, yet typically established companies with long term track records, and preferably with solid balance sheets, strong free cash flow generation and high returns on invested capital.

Finally, for additional diversification purposes and depending on particular valuation merit, we may employ discounted closed-end funds. The primary focus for our fixed income strategy is capital preservation, in light of specific client income/spending requirements. Fixed income exposure will be maintained through a staggered maturity ladder of individual bonds and may be supplemented by fixed-income focused index and passive asset class funds and/or discounted closed-end funds.

ITEM 5

EDUCATION AND BUSINESS STANDARDS

Each member of ELM Advisors’ professional staff is evaluated on the basis of his or her education and work experience. As general standards, an undergraduate degree and prior related business experience are required. Graduate work and a specialized business or technical skill are preferred, but are not required. In addition, any associated persons involved in determining investment strategy or giving investment advice to clients must meet the examination or experience requirements of the states in which they provide investment advisory services.

ITEM 6

EDUCATION AND BUSINESS BACKGROUND

LORNE ABRAMSON

Born: 1966

Education:

1988 Rutgers University, New Brunswick, NJ – Bachelor of Arts, Art History
Phi Beta Kappa, Magna Cum Laude

1993 University of Pennsylvania, Wharton School of Business, Philadelphia PA
Master of Business Administration, Finance Major

1996 Chartered Financial Analyst (“CFA”)

2002 Certified Financial Planner (“CFP®”)

Background: 8/10/05 - Present ELM Advisors, LLC, Burlingame, CA
Principal

12/00 – 8/9/05 Smith Barney, Palo Alto, CA
Broker/Dealer, Financial Consultant/Portfolio Manager

10/97 – 12/00 Spare Kaplan Bischel, San Francisco, CA
Principal

6/97 – 10/97 University of California, Berkeley, CA
Investment Officer

7/93 – 5/97 Spare Kaplan Bischel, San Francisco, CA
Securities Analyst/Portfolio Manager

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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| Item of Form (identify) | Answer | | | |

ITEM 6 cont.

ELANA M. LIEBERMAN

Born: 1966

Education: 1988 Cornell University, Ithaca, NY – Bachelor of Arts, Government

Background:

| | |
|----------------|--|
| 8/05 - Present | ELM Advisors, LLC, Burlingame, CA Principal |
| 10/98 - 4/05 | Smith Barney, Palo Alto, CA Broker/Dealer, Second VP-Investments |
| 6/96 -6/98 | Catholic Charities, San Jose, CA Micro Lending Specialist |
| 5/95 – 5/96 | Wells Fargo Bank, San Francisco, CA Senior Business Analyst |
| 2/90 - 7/94 | Sanford C. Bernstein, Inc., New York, NY Associate Portfolio Manager and Research Associate |

ITEM 9

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

ELM Advisors, its employees and their immediate families (sometimes collectively "employees") are permitted to buy and sell securities for their personal investment accounts. ELM Advisors has adopted employee personal trading policies and procedures and a code of ethics to govern Firm and employee trading practices. ELM Advisors' members, officers and employees are required to report all personal securities transactions to the Firm on a regular basis. Employees are required to sign a certification agreeing to abide by the Firm's personal trading practices and code of ethics.

ELM Advisors may trade in the same securities traded for clients. However, it is the policy of ELM Advisors not to give preference to orders for personnel associated with the Firm regarding such trading. ELM Advisors and/or its employees may personally invest in the same securities that are purchased for client accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by ELM Advisors and/or its 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 ELM Advisors and/or its employees on the same day, either ELM Advisors and/or its employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that ELM Advisors and/or its employees' personal transactions might be executed at more favorable prices than were obtained for clients.

ELM Advisors and/or its employee may buy or sell different investments, based on personal investment considerations, which ELM Advisors may not deem appropriate to buy or sell for clients. It is also possible that ELM Advisors and/or its employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. ELM Advisors and/or its 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. This can occur when securities which are not suitable for clients at the time of purchase (e.g., speculative stocks, micro-cap stocks, penny stocks), are purchased by ELM Advisors and/or its employees. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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ITEM 9 cont.

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

A copy of ELM Advisors' employee trading policies and code of ethics is made available to clients and prospective clients upon request.

ITEM 10 CONDITIONS FOR MANAGING ACCOUNTS

ELM Advisors generally requires advisory clients to maintain a minimum account size of \$1,000,000, although multiple accounts for the same client may be aggregated to meet this minimum. This minimum may be waived in certain circumstances.

ITEM 12 INVESTMENT AND BROKERAGE DISCRETION

ELM Advisors is authorized to determine the broker to be used and where possible, to negotiate the commission rates at which transactions for client accounts will be effected, with the objective of attaining the most favorable price and market execution for each transaction. In addition to using brokers as "agents" and paying commissions, ELM Advisors may effect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters or dealers.

Best Execution

ELM Advisors is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts. Therefore, ELM Advisors has adopted standards with respect to executing discretionary trades on behalf of clients. ELM Advisors evaluates brokerage services offered on the basis of some or all of the following criteria:

- Execution capability
- Transaction fees and charges
- Effective communications
- Distribution capabilities
- Use of electronic efficiencies
- Whether the broker follows a particular security
- Custodial capabilities and costs
- Ability to execute and settle trades efficiently
- Block trading and block positioning capabilities
- Willingness to execute related or unrelated difficult transactions
- Order of call
- Availability of securities to borrow for short trades
- Trade error policies and practices
- Client reporting capabilities
- Financial stability
- General reputation

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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|---|--------|--|---|---------------------------|
| Schedule F of Form ADV Continuation Sheet for Form ADV Part II | | Applicant: ELM ADVISORS, LLC | SEC File Number: 801- 64366 | Date: JUNE 2009 |
| 1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: ELM ADVISORS, LLC | | | IRS Empl. Ident. No. 14-1928374 | |
| Item of Form (identify) | Answer | | | |

ITEM 12 cont.

Based upon an evaluation of some or all of these factors, ELM Advisors may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. ELM Advisors may select broker-dealers whose fees may be greater than those charged for similar investments if ELM Advisors determine that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Aggregation of Trades, Allocation Of Opportunities And Potential Conflicts

ELM Advisors may aggregate orders of more than one client if it is determined that aggregation is in the best interests of the clients. Trade aggregation is usually sought to obtain lower commissions and costs or a better transaction price. The Firm does not aggregate securities transactions for client accounts unless it believes that aggregation is consistent with its duty to seek best execution and is consistent with the investment objectives and guidelines for the client accounts participating in the trade.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client on a *pro rata* basis, based upon the ratio of the amount of particular issue of securities allocated to the account to the overall amount of that issue purchased. It is our policy that trades are not allocated in any manner that favors one group of similarly-situated clients over another. Client transactions may be aggregated according to custodial relationship in consideration of execution charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

Because ELM Advisors manages more than one client account, there may be a conflict of interest over the allocation of investment opportunities among all accounts managed by ELM Advisors. ELM Advisors will attempt to resolve all such conflicts in a manner that is generally fair to all of its clients. ELM Advisors may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is ELM Advisors' policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. ELM Advisors is not obligated to acquire for any client account any security that ELM Advisors or its owners, officers, members, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of ELM Advisors based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

Trade Error Policy

ELM Advisors procedures require its personnel to carefully implement investment management decisions. Nevertheless, if a trade error occurs, it is our policy that the error be corrected as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. Firm policy prohibits staff from requesting an executing broker to accept financial responsibility for a trade error caused by the Firm in exchange for the promise of future compensation through commissions. This policy applies only to trade errors made by the Firm and its employees.

Recommending Custodians and Executing Brokers

ELM Advisors clients custody their accounts at Fidelity Brokerage Services LLC ("Fidelity") and the majority of client securities transactions are executed through Fidelity. The Firm's evaluation of Fidelity considered a number of factors, some of which are efficiency of trading platform, transaction fees, custodial fees charged for holding securities, commission rates, interest charges on debit balances and interest credits on credit balances, quality of execution and recordkeeping and reporting capabilities.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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ITEM 12 cont.

The services provided by Fidelity include monthly account statements to clients that delineate account holdings, securities valuations and executed transactions.

ELM Advisors' arrangement with Fidelity includes the provision by Fidelity of certain services through Fidelity's transaction processing and recordkeeping "platform." The platform services include, among others, brokerage, custodial, administrative support, record keeping and other services.

ELM Advisors will attempt to minimize the total cost for all brokerage services paid by its clients. However, it may be the case that Fidelity charges a higher fee for a particular type of service than can be obtained from another broker or that the total costs of all services provided by Fidelity may be higher than can be obtained at another broker. Nevertheless, ELM Advisors has made a good faith determination that such costs are reasonable in relation to the value of brokerage services provided by Fidelity, viewed in terms of ELM Advisors' overall responsibilities to its clients.

ITEM 13 ADDITIONAL COMPENSATION

Soft Dollar Arrangements

ELM Advisors may allow a broker-dealer, including Fidelity to purchase brokerage or research products or services (known as "soft dollar" products or services) on its behalf. Soft dollar brokerage services and research products may include, but are not limited to: research or market reports, market data services, market research software, corporate governance research, quantitative analytical software, financial newsletters, tuition to research related seminars, execution, order routing, trade settlement services, trade order communication services, order management systems and trading software. As an example, Fidelity provided, at no charge to ELM Advisors, client account management software known as the Advent "Axys" program that interfaces with Fidelity's trading platform and enables the ELM Advisors to have access to client account holdings and transactions.

These brokerage and research products or services may be provided by various sources and used by ELM Advisors for the benefit of all its clients, including clients whose securities transactions are not executed by the broker-dealer that provides the services and research. In exchange for these services ELM Advisors may direct client trades to the providers of such services and research.

ELM Advisors' policy is to limit its use of such soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Only *bona fide* research and brokerage products and services that proved assistance to ELM Advisors in the performance of its investment decision-making responsibilities are permitted.

ELM Advisors 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 and research products and services received. In such cases, however, ELM Advisors will determine in good faith that such commission is reasonable in relation to the value of the brokerage or research products and services provided, viewed in terms of either the specific transaction or ELM Advisors' overall responsibilities to the accounts over which it exercises investment authority.

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**OTHER
DISCLOSURES**

Proxy Voting Of Client Securities

It is ELM Advisors policy not to 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.

Privacy Policy

ELM Advisors holds client information in the strictest confidence and is mindful of the trust placed in it by its clients. It is ELM Advisors policy that no client information obtained by ELM Advisors is sold or made available to unaffiliated third parties for any reason except that:

- Third parties may be used by ELM Advisors to assist in the management or maintenance of client accounts (such as a custodian) or the management of its business (such as attorneys, accountants and consultants); and
- Client information may be released in accordance with applicable laws and regulations.

ELM Advisors annually provides each client with a copy of its privacy policy.

Class Action Lawsuits

The timing restrictions and legal procedures for initiating and prosecuting a class action securities action are complex and require the professional services of licensed legal counsel. ELM Advisors is an investment advisor to its clients *and not legal counsel*. Therefore, Firm personnel may not make any recommendations to clients seeking advice with either the decision to bring or join a claim or the procedure to prosecute or join a claim.

In certain circumstances, the Firm will assist with the compilation of documentation necessary for a requesting client to participate in a class action suit. In those instances, Firm personnel are authorized to provide the client with trade and cost basis data related to their holdings of the security in question.

Annual Form Adv Part II Offer to Clients

At any time on request, every client may obtain a copy of ELM Advisors' most current Form ADV Part II. This document serves as our "brochure" to our clients and contains information and disclosures as required by law. In addition, once a year we offer to send our Form ADV Part II to our clients.

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