

**Colorado Capital Management, Inc.**  
**Disclosure Brochure**  
**(Equivalent of SEC Form ADV, Part II)**  
**March 2010**

**Services Offered**

Colorado Capital Management (CCM) provides financial planning and investment management services to individual and institutional investors. Our clients include individuals, families, trusts, corporations, charitable organizations, endowments and foundations.

Approximately 80% of our work is related to investment research and management. The balance consists of advising clients on financial planning issues such as college saving vehicles, insurance needs, retirement plans, and strategies to reduce income and estate taxes.

**Professional Staff**

The founder and president of the company is Steven L. Ellis. He has worked and taught in the financial and investment fields since 1982, and has advised high net worth clients on their investment portfolios since 1989. He is 51 years old and holds a bachelors degree in Business Administration, magna cum laude, from the University of Colorado, and a master's degree from Cornell University. He also holds the Chartered Financial Analyst (CFA) designation. Before forming Colorado Capital Management, he was a principal at Baydush Simon Investments, and prior to that, vice president with Asset Management Group.

Henry M. Nicholson, III is the chief economist and portfolio manager for Colorado Capital Management, and is also a vice president. He joined the firm in 2000 and is now a principal. He is 41 years old and holds bachelors degrees in English and Economics from the University of Colorado. He began working in the investment industry in 1993, first as an account executive at a regional investment banking and brokerage firm, and later as a trader at a private hedge fund and as a broker and advisor at Charles Schwab & Co. He also holds the Certified Financial Planner (CFP<sup>®</sup>) designation.

Lee Strongwater is a vice president and investment advisor at Colorado Capital Management. He is 49 years old and holds a bachelor's degree in political science from the University of Colorado and a master's degree in international affairs from Columbia University. He has worked as a wealth manager since 2003. Prior to joining Colorado Capital Management, Lee was a managing partner at Strongwater-Schott, a fee-only investment management and financial planning firm in Denver.

Andrew K. Gilson is the Operations Manager for Colorado Capital Management. He is 35 years old and holds a bachelors degree in Mass Communications & Media Technology from King's College located in Wilkes-Barre, PA. He has extensive customer service experience in the financial services industry, including two years as an operations specialist at Raymond James Financial, and six years in investor services and management at a mutual fund transfer agency.

All professional advisors at CCM must hold at least a bachelors degree from an accredited university, and have related prior experience in the financial services industry.

### **Types of Investments and Selection Methodology**

We provide guidance on most types of investment securities. This includes all types of stocks, bonds, mutual funds and exchange traded funds, and may also include commercial paper, certificates of deposit, real estate, oil and gas, life insurance, annuities, warrants, options, derivatives, hedge funds, venture capital, and other private equity investments.

To select investments, we utilize fundamental analysis, which means that we focus on the underlying fundamental characteristics of each investment. The information that we utilize for this analysis is primarily procured from paid subscriptions to financial databases and publications. We also review financial newspapers, magazines, company reports, SEC filings, press releases, research materials prepared by other firms, and other data available over the internet. In selecting index funds (which represent the majority of our equity investments), we focus on operating cost, fund size, sponsor, asset class, and the way in which the index is constructed.

Our investment approach is very much long-term in nature, and typically we hold securities for several years. However, in some cases we will execute short-term trading strategies. In rare instances, we may enter into a short sale or an option contract in order to address the specific needs or desires of a client. Clients may elect to utilize the margin borrowing features on their account at their discretion, although most do not.

### **Account Reviews**

Client accounts paying at least our quarterly minimum fee are monitored on an ongoing basis, with detailed written reviews provided at the end of each calendar quarter. All such accounts are reviewed in a similar manner. Accounts falling below the minimum fee may be reviewed on an occasional or one-time basis, or at the specific request of the client. There are three persons at Colorado Capital Management who review client accounts, portfolio manager Henry Nicholson, vice president Lee Strongwater, and president Steven Ellis. Together, they provide these reviews for approximately 125 clients.

Our written quarterly reports usually include a portfolio appraisal detailing the security holdings, by asset class, for each client. This appraisal describes the market value, portfolio weighting, and if available, the cost basis, of each position in the portfolio. In addition, information is typically provided on the performance of each security and asset class for the quarter, and both quarterly and longer term performance data is provided for the overall account. Quarterly reports also typically include detailed performance benchmark (market index) data and our thoughts on the current economic outlook.

### **Advisory Fees**

Our annual fees are calculated as a percentage of the assets under management. Our rates are 1% for the first \$1 million, 0.7% for the next \$2 million, 0.50% thereafter. The minimum account size is \$500,000. Fees and minimums may be adjusted lower at our discretion, or higher by mutual agreement, as a result of the size and complexity of an account.

Fees are typically paid quarterly in advance. Clients may terminate their relationship with CCM at anytime, and any unused prepaid fees will be returned in full. Third party firms, such as independent custodians or money managers retained by Client, may collect all or a portion of CCM's fees on its behalf.

### **Avoiding Conflicts of Interest**

**Compensation:** Colorado Capital Management does not receive any monetary compensation from any source other than the asset based fees paid by clients. We do not sell any investment products and do not receive any commission income.

**Employee Trading:** Employees of CCM will from time to time purchase or sell for themselves the same securities (except for IPO's) that are purchased for clients. There is deemed to be no conflict of interest as the securities involved (mostly mutual funds and exchange traded funds) are widely held and publicly traded, and the transaction size is typically far too small to affect the market. In addition, when such situations arise, the interests of our clients are always placed above the interests of our employees. We believe it is an alignment of our interests for us to own the same securities in both our personal and client accounts.

**Independence:** CCM is completely independent and is in no way affiliated with any other organization.

**Partnerships:** We do not serve as the general partner in any partnership in which clients are advised to invest.

**Referrals:** We do not compensate, directly or indirectly, persons who refer clients to our firm.

### **Discretionary Trading Authority**

CCM manages most client investment accounts on a discretionary basis. This means that we typically have the right, without obtaining specific client consent, to determine the securities that are bought or sold in client accounts, and the amounts of those transactions. In some cases, we may also select the brokerage firm (see the prime brokerage arrangements discussed below).

However, this discretion is not completely unlimited. In almost all cases, a written investment policy statement is developed for and agreed to by each new client before any trading is undertaken. This policy statement (and any subsequent direction by Client) guides all asset allocation and investment selection decisions. Discretionary transactions are limited to stocks, bonds, mutual funds, exchange traded funds, certificates of deposit, government securities, options, and other publicly traded marketable securities of a similar nature. Our discretion is further limited in that we cannot withdraw funds from client accounts, other than for quarterly management fees.

### **Initial Public Offerings**

From time to time we request shares of initial public offerings (IPO's) and secondary offerings for one or more of our clients. These are short-term, speculative investments. At this time,

we typically will only request shares of an IPO for a client that has specifically requested those shares. We may charge an additional fee of up to \$500 per offering for assisting a client with buying and selling these shares.

When we receive fewer IPO shares than we requested, we must allocate those shares among the participating clients. The allocations are typically in proportion to the number of shares requested (rounded to the nearest hundred).

### **Brokerage Firm Arrangements**

Although our clients may select other brokerage firms, most, if not all, utilize Charles Schwab and Co. (Schwab) for the custody and trading of at least a portion of their assets. There is no direct financial relationship between CCM and Schwab, or any other brokerage firm.

Although we do not receive any compensation from conducting business with Schwab, we do realize certain benefits from being an institutional customer of the firm, such as access to Schwab's institutional website. This site provides account data, live stock quotes, electronic trading, and research from Schwab on stocks and mutual funds. Other benefits of this nature include access to dedicated customer support teams, free software to download information on client Schwab accounts, discounts with third party and Schwab-owned vendors, and ongoing correspondence and counsel from Schwab regarding marketing, research, business operation, and compliance.

We utilize Schwab because it offers an attractive combination of: discounted trade commissions, access to lower-cost "institutional-only" mutual fund shares, a large no-load mutual fund marketplace, a large subset of no-transaction fee funds, exchange traded funds with very low fees, access to initial public offerings, web access, electronic trading, accurate order execution, fair trade execution, convenient office locations, financial strength, substantial insurance, responsive customer service, and familiarity to clients.

In special circumstances, such as when purchasing individual bonds, we may execute trades at a brokerage firm that is not the custodian of the client's account. We do this to improve the range of potential offerings and the price at which they may be available. For such trades, clients typically pay a \$25 fee to the custodian of their account, plus whatever mark-up or mark-down the originating broker has built into the price of the security being bought or sold. We only execute such trades when we believe they provide an advantage to the client.



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