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This brochure provides information about the qualifications and business practices of Cozad Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 217.356.8363. 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 Cozad Asset Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply or denote an increased level of skill or training.

v. 03/19/12

There have been no material changes to our prior Brochure dated March 10, 2011

## Table of Contents

<b>Section</b>		
<b>No.</b>	<b>Item</b>	<b>Page</b>
1	Advisory Business	1
2	Fees and Compensation	1
3	Performance-based Fees	3
4	Types of Clients	3
5	Methods of Analysis, Investment Strategies and Risk of Loss	3
6	Disciplinary Information	5
7	Other Financial Industry Activities and Affiliations	5
8	Code of Ethics, Participation or Interest in Client Transactions, And Personal Trading	6
9	Brokerage Practices	7
10	Review of Accounts	8
11	Client Referrals and Other Compensation	8
12	Custody	8
13	Investment Discretion	8
14	Voting Client Securities	9
15	Financial Information	9



## **1. Advisory Business**

Cozad Asset Management, Inc. was founded in 1972, and registered with the Securities and Exchange Commission as an investment adviser in 1985. Our investment philosophy is guided by diversification, a disciplined approach to the purchase and sale of securities, and the flexibility to make sure each portfolio is as unique as our clients. Our goal is to provide the highest quality, personalized financial services and advice.

The firm is owned by 27 shareholders, with interests ranging from .09% to Mr. George Shapland's 25.92% interest. Twelve of the firm's employees are also shareholders holding total ownership of 34.35%.

Services offered include:

- Continuous advisory services based on an individual client's goals and objectives. We advise individuals and corporations on investments and offer recommendations on specific investments, the purchase and sale of securities, and the management of client resources. Our investment and security selections are subject to the stated objectives and strategies of each client. Clients may impose restrictions on investing in certain securities.
- Financial planning, with an option for a one-time comprehensive financial and estate plan consisting of a complete analysis and evaluation of a client's investment goals, current financial condition and retirement plans.
- Consultation on life, accident and/or health insurance needs.
- An affiliate, Managed Tax Services, LLC performs Federal and State income tax preparation.

The firm does not participate in any wrap programs.

### **Discretionary Authority:**

Our clients may choose to grant us discretionary authority, but it is not required. As of 12/31/11, \$532,399,760 (78.2%), of our clients' assets were managed on a discretionary basis, and \$148,211,776 (21.8%), were managed on a non-discretionary basis.

## **2. Fees and Compensation**

Our fees:

- Fees for continuous asset management services are negotiable, and generally range from .10 % to 1.5% annually and will vary with the size, nature and asset mix of the



account. Fees are billed on calendar quarters and in arrears, and an invoice will accompany your quarterly report. You have the option of paying the invoice upon receipt, or instructing your account custodian to debit your account to pay the fees. (Fees are calculated on the market value of assets managed on the last business day of each calendar quarter. Please refer to our Asset Management Agreement for more details).

- The fee for the comprehensive financial and estate plan is based upon an estimate of time required and can generally range from \$75 to \$2,500, depending upon the complexity. These fees are payable upon delivery of the completed plan.
- A commission may be earned by our employees or representatives in the event you purchase any recommended insurance contract.
- Fees for tax preparation services vary depending on an estimate of the time required and expenses incurred, but generally range from \$100 to \$800. Fees are billed in arrears.

*Other Fees you may be paying:*

The purchase and sale of securities will normally incur transaction costs including sales charges, commissions and/or markups. Custodians of brokerage accounts, including IRA's and ROTH's, will generally charge maintenance and/or services fees. Clients are responsible for their own brokerage, transaction and custodial/service fees. Please note Section 9 "*Brokerage Practices*" on page 6 for more detail.

*Other potential compensation to us:*

Some employees of Cozad Asset Management, Inc. are also registered representatives of M Holdings Securities, Inc., a licensed and registered broker-dealer. It is your sole right to direct which broker is to be used to effect securities transactions and you are under no obligation to implement any recommendation made, or to use the brokerage services of M Holdings Securities, Inc.

Clients who elect to use M Holdings Securities, Inc. receive discounted brokerage commissions, although commissions may be higher than available through some other brokerage firms. A conflict of interest exists because some of our managers and/or representatives will be acting as registered representatives of M Holdings Securities, Inc. and receiving a portion of brokerage commissions, mark-ups, mutual fund sales charges and/or service fees on securities transactions, while at the same time receiving some portion of the management fees. This conflict could cause the advice and recommendations given to be less than wholly disinterested or objective as personnel could recommend transactions to be effected in investment products through this broker-dealer to generate additional compensation, rather than on the basis of the client's best interests. Some or all of the insurance and/or securities commissions earned by our representatives and affiliates are relinquished to Cozad Asset Management, Inc. under the



terms of their employment/affiliation. Such commissions may remain the sole property of Manager or its affiliates.

As stated in our Compliance and Supervisory Procedure Manual, a portfolio manager's supervisor will monitor trading activities in each account to ensure that securities purchased or sold are consistent with the client's investment objectives. The supervisor also looks for any evidence of excessive trading or conflicts of interest between the manager and the client. If it appears any transactions are inconsistent with a client's stated objectives or are frequent in nature, the matter will be brought to the attention of the Chief Compliance Officer who will investigate the circumstances and may, at his discretion, consult the client.

### **3. Performance-based Fees**

We do not accept fees for managing client assets based on the capital appreciation in the account (performance-based fees).

### **4. Types of Clients**

Our clients include individuals, trusts, charitable foundations and organizations, municipal retirement plans, corporations and retirement plans.

We also manage a private fund which is only open to accredited investors and requires a minimum investment of \$100,000. Additional details on the Cozad Small Cap Value Fund I LP are available in the private placement memorandum.

We generally require a minimum account size of \$100,000, but this minimum may be waived under special circumstances.

### **5. Methods of Analysis, Investment Strategies and Risk of Loss**

Our investment philosophy is guided by diversification, a disciplined approach to the purchase and sale of securities, and the flexibility to address each client's goals. We tailor portfolios based upon each client's goals and objectives. We review the client's current holdings, assess risk tolerance and develop an asset allocation strategy if the client is seeking something other than one of our individual portfolio strategies as discussed below.

We believe diversification is essential to reduce risk and volatility. We consider economic sectors, countries, industries and capitalization levels in selecting stocks. Likewise, we suggest laddering maturities and considering issues and geographic regions when selecting bonds for portfolios. Emotions sometimes tend to distort effective decision making; buying at the highs and selling at the lows. Our investment philosophy helps mitigate these forces. Being privately owned and managed, we are not limited to certain investment products, and our investment



decisions are made entirely in-house. Investing in securities involves risk of loss that clients should be prepared to bear.

*Basic Asset Allocation:*

Our approach to basic asset allocation is to set guidelines for the amount of risk for each individual client by determining how much of a portfolio will be invested in the areas of stocks, bonds and cash. The allocation we recommend will be based upon our meetings with each client and a review of their assets and circumstances as we attempt to determine their risk tolerance as an investor. This is key to creating a portfolio that matches the client's needs and long term financial goals. The principal of asset allocation is to spread investments across multiple asset classes to maximize your returns while minimizing your risks.

*Large Cap Core Strategy:*

Emphasis is on high quality, large cap global companies available at reasonable price/earnings ratios with a longer term, lower turnover objective. The benchmark is typically the S&P 500. The equity analysis concentrates on price/earnings and price/cash flow ratios, return on equity, earnings growth, price momentum and other financial and market data. We believe the real value of a company rests with its cash flow, not reported earnings, and our analysis focuses on each company's cash generating ability. It is from free cash flow that dividends are paid, debt is reduced and capital projects are funded. Risks include general economic risk, market risk and company risk.

*U.S. Equity Income Strategy:*

The strategy utilizes 30 – 60 dividend-paying stocks, selected from a wide range of sectors and industries. The benchmark for this strategy is the Russell Midcap Value Index. A top-down approach focuses on buy and sell decisions based on shifts in the U.S. economy, fundamental financial analysis, and quality of management. Risks of this portfolio style include company risk, market risk and interest rate risk.

*International Equity Income Strategy:*

The strategy consists of 50 – 70 dividend-paying stocks from countries across the globe, excluding the United States, and representing a wide range of sectors and industries. Its benchmarks are the FTSE ex-US and BONY ADR indexes. This approach focuses on overweighting countries and regions with relatively strong economies, and also overweighting industries and sectors that we anticipate doing well in the near-term economic environment. Buy and sell decisions are based on changes in world economies and fundamental, company-level research.

There are special risks associated with international investing, including currency fluctuations, political and economic uncertainty, foreign taxation, and different accounting standards. Other risks of this style include company risk, market risk, interest rate risk and governmental/fiscal policy related risk.



### Small-Cap Value Strategy:

The strategy seeks to match the risk characteristics of the Russell 2000 Value Index while delivering superior total return. It consists of 80 – 100 stocks, covering a diverse range of sectors and industries. It is based on the academic research of Dr. David Ikenberry. His findings suggest that companies exhibiting active stock repurchases, coupled with fundamental corporate valuation signals, outperform the broader market over time. Buy and sell decisions are driven by fundamental company and economic research and statistical analysis in order to minimize risk exposure.

In addition to economic, company and market risk, small company investments involve stocks of companies with smaller levels of market capitalization, and are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

### Fixed Income Strategy:

The fixed income strategy primarily seeks current income while weighing the risks associated with bonds and other fixed income investments. We seek to invest in fixed income vehicles with a primary goal of capital preservation; total return is secondary. Typically, we do not seek the highest yields as our allocation to fixed income is predominantly designed for safety of principal. The base of most fixed income portfolios is a laddered portfolio of short to intermediate maturities of high quality bonds or CDs. Each account may be tailored to contain a certain element of risk. Based upon the circumstances that prevail in the credit markets the fixed income strategy is flexible and can adjust to various market conditions.

Risks include: credit risk if the issuer of the debt cannot repay the principal and interest; risk that if interest rates rise, the value of bonds may be less; and risk to a fixed income portfolio may include inflation risk where interest earned may not keep pace with the rate of inflation.

There are inherent risks and price fluctuations associated with investing in a portfolio of stocks, bonds and mutual funds. Your investment principal will fluctuate with the market so your portfolio, when liquidated, may be worth more or less than your original cost, and you should be prepared to assume that risk.

## **6. Disciplinary Information**

We have no material legal or disciplinary events to disclose.

## **7. Other Financial Industry Activities and Affiliations**

- Some of our employees and affiliates are registered representatives of M Holdings Securities, Inc. If you instruct us to utilize M Holdings Securities, Inc. as your broker-dealer, a conflict of interest exists. Please see Section 2, “Other Potential Compensation





to Us” on Page 2 for a discussion on the ramifications of this conflict. You are under no obligation to select M Holdings Securities, Inc. as your broker/dealer.

- We are a 50% owner in Cozad/Westchester Agricultural Asset Management Partnership (“C/W”), another SEC registered investment adviser. C/W is manager or General Partner for various partnerships that invest in agricultural real estate on an all-cash, equity basis. In all cases, the investors of these entities have a net worth in excess of \$5 billion.
- We have a minority interest in a savings and loan holding company, National Advisors Trust Holdings, Inc., which has formed a federally chartered trust company, National Advisors Trust Company (“NATC”). The trust company provides a low cost alternative to traditional trust service providers. We sometimes refer clients to NATC for trust services. You are under no obligation to use the trust services of NATC. Because of our affiliation through ownership, we have an incentive to refer you to NATC since an increase in its business will increase the value of our minority interest over time.
- We own Managed Tax Services, LLC, which performs tax preparation services. We may refer clients to Tax Managed Services, but you are under no obligations to use their tax preparation services.
- The company and some of our employees are also licensed insurance agents holding agency or agent appointments with several different insurance companies.
- We are the General Partner of Cozad Small Cap Value Fund I LP, which holds exchange-traded small cap stocks. Please see a discussion of this under “*Investment Strategies*” in Section 5 on page 4.
- We may recommend other investment managers as an adviser and may be paid a solicitation fee for such referral. Such solicitation fee is fully disclosed to the client.

## **8. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.**

In compliance with Rule 206(4)-7 of the Investment Advisers Act of 1940, we have adopted and maintain a written Compliance and Supervisory Procedures Manual and attendant Code of Conduct/Ethics, which is designed to prevent violation of the Act and assists in complying with the provisions of the Act. The manual is not construed as all inclusive, but is intended to serve as a guide and presents best practices in conducting and supervising our daily investment advisory business. A copy of our Code of Ethics is available to you upon request.

We may purchase certain fixed income securities through primary, rather than secondary, markets, and in those cases the price you pay may contain a concession, which is set by the



issuer of the securities and retained by the broker-dealer. Some or all of the concession could be paid to licensed representatives of the broker-dealer, including members of our advisory staff. Please see *“Other Potential Compensation to Us”* in Section 2 for a discussion of the conflicts of interest that would exist if you select M Holdings Securities, Inc. as your broker-dealer.

We and/or our employees and affiliates may buy or sell securities for investment purposes that either are or have been recommended to you. We have an affirmative duty not to overreach or disadvantage any client, including by executing personal trades ahead of pending client transactions in the same security. Some provisions in our Code of Ethics designed to ensure that the interests of clients are foremost include:

- No employee or affiliate may purchase or sell a security for any account in which they have a beneficial interest, if there is a possible conflict of interest.
- No employee or affiliate may purchase or sell a security without first obtaining prior clearance from the CCO. The CCO may reject any proposed trade that:
  1. Involves a security being purchased or sold on your behalf, or is being considered for purchase or sale;
  2. Is otherwise prohibited under our internal policies;
  3. Breaches our fiduciary duty to you
  4. Is otherwise inconsistent with applicable law
  5. Creates a conflict of interest or an appearance of it
- In order to avoid any potential conflict of interest, an employee or affiliate personal securities transactions in the same security as that purchased/sold for you will be entered only after completion of all reasonably anticipated trading in your account.

## **9. Brokerage Practices**

You as the client have sole discretion on the selection of the securities broker-dealer, broker or agent to be used for the execution of securities transactions for your account.

We normally suggest M Holdings Securities, Inc., but you are under no obligation to use them. We believe you will not pay higher commissions using M Holdings Securities, Inc. than normally charged by brokers providing the same services. Some of our employees and affiliates are registered representatives of M Holdings Securities, Inc., so please see *“Other Potential Compensation to Us”* in Section 2 for a discussion on the conflicts of interest that would exist if you select M Holdings Securities, Inc. as your broker-dealer. If you elect to use M Holdings Securities, Inc. as your broker, you may stop doing so at any time without penalty.



If you prefer to select an unaffiliated broker-dealer, please be aware that we may not be able to obtain the most favorable brokerage execution if your desired broker-dealer has higher brokerage commissions.

Although the majority of our portfolio managers do not bunch, block or aggregate brokerage orders, some members of our three GIPS-compliant composites (Large Cap Core, International Equity and Small Cap Value) do have their trades aggregated because all specific composite members hold the same approximate percentage of the same securities. The aggregating of the trades benefits each composite member because it reduces the trade expenses. All composite members receive their percentage allocation of the bunched average price and commission charges and therefore all are treated equally.

## **10. Review of Accounts**

Our portfolio managers and representatives review each account at least quarterly prior to the delivery of our quarterly statements. At least annually, the portfolio manager will do a more comprehensive review to ensure the portfolio design is consistent with your goals and objectives.

Each calendar quarter we will send you a statement detailing the assets we manage for you. The statement includes information on your unrealized gain/losses and asset allocation mix. We can provide additional information and summaries as you may require.

## **11. Client Referrals and Other Compensation**

If you are referred to us by a solicitation agent, we may pay a referral fee to them. These fees are fully disclosed in your Asset Management Agreement and are subject to all state and federal regulations.

## **12. Custody**

With the exception of our duties as a General Partner as discussed in Section 7, we do not act as custodian for any of your funds or securities.

In addition to the quarterly reports we provide, you will also receive a statement directly from the broker or other qualified custodian of your account assets. You should carefully review both statements and compare the asset listings for your own protection.

## **13. Investment Discretion**

You may choose to grant us discretionary authority to initiate transactions for your account by so noting in your Asset Management Agreement. You will still receive copies of all trade



confirmations directly from your broker. You have the right to rescind the discretionary authority at any time. If you do not choose to grant discretionary authority, we will obtain specific authorization from you to initiate any transactions. You may change your selection at any time by giving us written instructions. In either case, you are under no obligation to implement any recommendation we may make.

#### **14. Voting Client Securities**

As stated in our Proxy Voting Disclosure, we do not generally accept any authorization or responsibility, implied or explicit, to vote proxies on your behalf. We feel that you clearly keep the duty for voting your proxies. We will send you a copy of our Proxy Voting Disclosure each year. You will receive a company's proxy or other solicitation directly from your broker/custodian or transfer agent. We do not offer advice or take any action with respect to these proxies. In certain, very limited, instances we may accept a client request to vote their proxies, in which case we will provide you with our full policy and procedures for Proxy Voting. You may request a summary report on the contents of your proxy voting file at any time.

#### **15. Financial Information**

We do not require prepayment of any fees, nor do we have custody of your funds, and therefore have no financial disclosures to be included.

