



## Caldwell Securities, Incorporated Firm Brochure

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This brochure provides information about the qualifications and business practices of Caldwell Securities, Incorporated. If you have any questions about the contents of this brochure, please contact us at (415) 962-2526. The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.

Additional information about Caldwell Securities, Incorporated is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The use of the word "registered" in this brochure does not imply a certain level of skill or training.

## **Material Changes**

The following changes represent material changes to our brochure since the last annual amendment, December 23, 2010.

This is the first annual update of this brochure under new regulations prescribing a new format for the firm's brochures. There are no material content or product changes from that update.

## Table of Contents

Material Changes .....	2
Table of Contents .....	3
Advisory Business .....	4
Fees and Compensation .....	5
Performance-Based Fees and Side-By-Side Management.....	6
Types of Clients .....	6
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	7
Other Financial Industry Activities and Affiliations .....	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Brokerage Practices .....	8
Review of Accounts.....	8
Client Referrals and Other Compensation.....	8
Custody .....	9
Investment Discretion.....	9
Voting Client Securities .....	9
Financial Information.....	9

## Advisory Business

### About Caldwell Securities

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Caldwell Securities, Incorporated ("Caldwell") was formed in 1982 by John Helmer, CFA in Concord, California. In 2010, Richard Saso, CPA transferred his registrations as broker-dealer and investment advisory representative to Caldwell, and his office in San Ramon became a branch of the firm. Mr. Saso is the branch manager of the San Ramon office. Today, Caldwell is headquartered in Sausalito, California and staffed by four full-time investment professionals and one full-time compliance officer. In addition to being a registered investment adviser the firm is also a FINRA member broker-dealer.

Joe Helmer, CFA serves as the firm's President and Christopher Anderson serves as the Chief Compliance Officer. The John and Jinx Helmer Revocable Trust is the majority owner of Caldwell.

### Advisory Services

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Caldwell is a dually registered securities broker-dealer and investment adviser whose revenues are mainly advisory fees, not commissions. Our quarterly fees are based on securities upon which we have:

- Researched,
- Recommended to our clients,
- Acquired for our clients' accounts, normally as agent in the secondary markets, and
- Monitored thereafter.

Almost all of our clients are individual investors and their families. When making recommendations to an investment account, we factor in the return objectives and risk objectives of the client. We also factor in the individual investor's constraints. Constraints include time horizons, tax considerations, liquidity needs, any legal or regulatory factors, and unique circumstances.

As encouraged by our regulators, we publish two different versions of our brochure, this one describing in greater detail the Sausalito office. You are encouraged to consult the San Ramon office brochure by calling Richard Saso at 925-275-9111, or e-mailing him at rich.saso@cald.com

### Tailoring Investments for Clients

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Caldwell asks for advisory clients to complete an investment profile that helps us to understand your financial situation, investment goals, and your tolerance for risk. We use this and other information to help determine whether a particular investment is suitable for the needs and goals of the advisory client. A client, through discussion with their adviser, is always free to indicate which of the investments we recommend can be invested in their accounts. This may include restrictions on particular types of securities, socially responsible investment strategies, or other specific factors that might be desired by a client.

### Wrap Fee Programs

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Caldwell does not participate in any wrap fee programs.

### Assets Under Management

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As of September 30, 2011, Caldwell managed \$83,402,973 on a non-discretionary basis, meaning that the client gave their approval for each purchase we gave each investment. Caldwell managed \$14,667,526 on a discretionary basis, meaning the client does not need to give their approval for each transaction in their portfolio. In total, Caldwell managed \$98,070,499.

## Fees and Compensation

### Fee Schedule

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We are compensated based off of a percentage of the value of the investments we recommend to you. Fees are calculated no more than on a quarterly basis, in advance, based on the market value of your portfolio. Fees for Caldwell's family-related accounts may be waived.

Fees are calculated each calendar quarter based on the market value of each investment, times 0.00375 (3/8 of 1% per quarter; annual rate of 1 1/2%). There is a minimum quarterly charge of \$375 (\$1,500 per year). This means that accounts valued at less than \$100,000 will be paying more than 1 1/2% per year. At our discretion, we may waive this minimum fee.

### Method of Billing

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Caldwell's method of billing is to prepare an invoice reflecting the dollar amount of the fee, the value of the client's assets upon which the fee is based, and the specific manner in which the fee is calculated. Instructions are sent to the broker-dealer of your account, who then journals the fee from your account to Caldwell's. Copies of the invoice are mailed to you.

Fees are calculated and billed quarterly based on the value of the investment on the last business day of the previous quarter.

Quarterly advisory fees for multiple accounts may be charged to one designated account held by the same customer or immediate family members (husband, spouse, children) as long as there is a written agreement or amendment signed and dated by all parties to the advisory fee agreement.

### Other Fees and Expenses

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Our asset management services may involve investment recommendations made to clients which results in a commission earned by us or our representatives through our broker-dealer. Clients are under no obligation to implement any recommendations made. We, or our affiliates, may also receive additional compensation from certain mutual fund investment companies pursuant to Rule 12b-1. The 12b-1 fee (compensation) is a mutual fund expense in addition to the mutual fund's management fees and other expenses. Such 12b-1 fees may vary according to the type of fund. Certain funds carry higher 12b-1 fees than others. Accordingly, we may have a conflict recommending certain funds which may carry higher 12b-1 fees than others. However, where possible, we will reimburse any 12b-1 collected from such sales.

In addition, the custodian of your assets, typically either Wedbush Securities Inc. or TD Ameritrade, may also charge other types of fees for performing various functions including, but not limited to, transaction fees, custodial fees for various types of special accounts, requesting certificates, fees to transfer funds and/or securities, Regulation T extension charges, exchange fees, transfer taxes and reorganization fees.

Clients will be charged execution charges, including commissions, equal to Caldwell's out-of-pocket costs in executing trades. These costs generally consist of charges the custodian charges Caldwell, and charges from electronic communications networks.

Please see the section on *Brokerage Practices* for more information regarding this.

### Prepaid Fees

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Fees are charged in the same quarter that represents the billing period. This means that clients will prepay their fees for that quarter.

If you terminate your advisory contract within five days of the effective date of the agreement, you will receive a full refund of any advance fees paid. If you cancel the advisory contract, you will not receive a refund of any prepaid fees. Otherwise, you are eligible for a pro-rata refund of unearned fees in the billing period.

This refund is calculated by taking the number of days left in the billing period starting with the date of contract termination taken as a percentage of the total number of days in the billing period.

### Other Compensation

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Due to the fact that Caldwell is dually registered as a broker-dealer and an investment adviser, there may be instances where Caldwell will accept compensation for the sale of securities or other investment products.

This practice may present a conflict of interest, where an adviser may be provided with an incentive to recommend products based on the compensation they may receive rather than a client's needs. Where such a conflict may exist, we will disclose to

you the nature of the conflict of interest. In such cases, you have the option to purchase investment products we recommend from other brokers that are not affiliated with us.

When performing a trade with Caldwell as broker, we will charge a commission equal to the cost to Caldwell for performing the trade. These commissions will not reduce the advisory fees.

In all other cases, for any compensation that we may receive for the sale of a security, we will credit a client's advisory fees with any compensation received attributable to that client on the following quarter's advisory fee billing.

## **Performance-Based Fees and Side-By-Side Management**

Performance-based fees are fees such that a firm would charge a percentage of any capital gains in a portfolio from quarter to quarter in addition to the standard fee. Caldwell does not charge any performance-based fees.

## **Types of Clients**

We generally provide investment advice to individuals, their households, and their trusts, retirement accounts, and other related accounts. We typically initiate a relationship with a portfolio size of \$100,000, though there is no hard minimum to opening an account.

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

### Methods of Analysis

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We use a bottom-up, fundamentals-based approach to find suitable investments. This means, rather than studying major economic forecasts, identifying industry groups most likely to be affected thereby, and focusing on specific companies within such an industry, we look at many companies using an industry agnostic approach. Often times, many of our investment recommendations lack an identifiable catalyst for realizing full value. To counter this, we look for businesses that can successfully grow their intrinsic value at an acceptable rate of return considering their risk profile.

Because of our buy and hold philosophy and the ability to perform our own research, we often times invest in companies that lack institutional coverage and are sometimes too thinly traded to attract the attention of larger investment firms. Because of the limited time of a small number of advisers, recommendations are typically limited to these investments.

Investing in securities carries substantial risk. Your investments may decline substantially in value, and the losses could be permanent. There can be no assurance that the investment objectives of your accounts will be achieved and investment results may vary substantially over time. Past performance is not necessarily indicative of future results.

### Risks in the Investment Strategy

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The advisers employing the bottom-up value investing strategy have limited time constraints and limited abilities. As a result, often recommends specific securities for a range of clients. We do not diversify similarly to other portfolio managers in that we do not suggest a range of investments in various industries or asset classes in order to diversify your portfolio.

### Risks in Recommendations

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The risks in our recommendations are many, and will exist in a variety of forms both known and unknown. For practical purposes the risks are too numerous to list in entirety. Our recommendations often involve securities that are discounted by a lack of liquidity. This lack of liquidity is often exacerbated during market declines and periods exhibiting higher than normal volatility. This means that to exit some of these investments may be very difficult and very costly, depending on market conditions.

Our recommendations also often include securities that have a minority share discount. This means that other groups or individuals may effectively or mathematically control the decision making policies and procedures of the securities we invest in. The objectives and decisions of majority shareholders might not be properly aligned with your objectives. There is often no legal recourse for the decisions that majority shareholders make if they adversely affect your investment.

We also invest in securities that may be discounted due to lack of marketability. This means the security may be in an industry currently not considered fashionable or attractive by the broader investment community. This could cause the value of your investment to decline.

## Disciplinary Information

Caldwell or its management have not been subject to legal or disciplinary events that are required to be disclosed in this brochure.

## Other Financial Industry Activities and Affiliations

### Broker-Dealer Registration

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Caldwell is dually registered as a registered investment adviser and a broker-dealer. Any adviser that has Caldwell brokerage accounts is also registered as a registered representative of Caldwell. Currently this includes John Helmer, Joseph Helmer, and Richard Saso.

### Other Relationships and Arrangements

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Richard A. Saso, a California Certified Public Accountant and an advisor with Caldwell, performs federal and state income tax services for clients through an affiliate, Richard A. Saso, CPA, Inc. Fees for these services vary depending on the time and expense required for the service, but range from \$100 to \$300 per hour. Fees are billed at month-end or upon completion of the work. In certain instances, advance retainers may be requested. Generally, there are no written contractual agreements for these services although, in some instances, clients may be requested to sign an engagement letter. Tax preparation clients of Caldwell may be referred to and performed by the affiliated independent CPA firm of Richard A. Saso, CPA, Inc. Fees are based on an hourly rate. The fee charged to the client by Mr. Saso may be more or less if paid by the client to some other independent accounting or CPA firm. You are under no obligation to utilize the CPA services of Mr. Saso. If presently doing so, clients may discontinue service at any time without penalty.

### Selection of Investment Advisers

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Caldwell does not recommend or select other investment advisers for our clients.

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

### Code of Ethics

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Caldwell has a Code of Ethics that maintains just and equitable standards of conduct for the firm and its representatives. It requires advisers to follow all applicable rules and laws, and disclose its holdings and transactions to determine if conflicts of interest exist. A copy of the Code of Ethics will be furnished to any client or prospective client upon request.

### Interest in Client Transactions

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Caldwell and its representatives may recommend to clients that they buy or sell securities or other investment products in which we, or a related account, as some financial interest. This may lead to changes in the price of the securities that may benefit us. To attempt to resolve the conflict, we handle client transactions "at cost," defined as charging only the marginal, out-of-pocket costs of processing the transactions.

### Personal Trading

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Caldwell and its representatives may buy or sell securities it recommends to clients.

### Timing of Personal Trades

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In cases where transactions for clients and Caldwell and its related accounts occur in the same security on the same day at different prices, the better prices will be assigned to client transactions first.

## Brokerage Practices

### Factors in Choosing a Broker-Dealer

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Caldwell typically recommends a broker-dealer that fits best with the portfolio management style that the customer is receiving. Due to getting better service executing the transactions for investments described in *Methods of Analysis, Investment Strategies and Risk of Loss*, we recommend ourselves as the broker-dealer, with Wedbush Securities Inc. as the custodian of your funds and securities. This affords us the flexibility to execute transactions with more favorable results than might be possible acting purely as an investment adviser.

#### Research and Soft Dollars

Caldwell does not have any soft dollar arrangements, in which an investment manager would direct the commission generated by the transaction towards a third party or in-house party in exchange for services that may be for the benefit of the client but are not client directed.

#### Client Referrals from a Broker-Dealer

We do not receive client referrals from any of the broker-dealers that our clients have accounts with.

#### Directed Brokerage

Caldwell does not recommend, request, or require that a client execute transactions through a specified broker-dealer. Transactions are submitted to the custodian that has custody of your brokerage account.

Caldwell normally recommends Wedbush Securities Inc., its clearing firm, or TD Ameritrade Institutional Services to hold client accounts and direct trades. If so directed by you, Caldwell may also use themselves to effect securities transactions. Such clients will receive significant discounts on brokerage commissions. Such commissions may be higher than available through other brokerage firms, however.

### Aggregating Orders

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Where possible, Caldwell will aggregate the orders of the same security on the same day in the same account onto one ticket. This has the advantage of only being charged once in broker-dealer costs instead of multiple times in the same security.

Also, transactions may be executed in a block account when we purchase the same security on the same day for several clients. This gives you the benefit of the same average cost for all the shares purchased that day as other clients.

## Review of Accounts

Reviews are security, not account, oriented. Account investments are concentrated in a limited number of securities, which are reviewed frequently and in depth. Applicant relies on cross-reference files to relate securities to the accounts holding them.

Caldwell's principal officers review accounts assigned to them. John Helmer reviews accounts with a JO00 and JO11 prefix. Joe Helmer reviews accounts with a JO22 and JO33 prefix.

In addition, the Chief Compliance Officer, Christopher Anderson will also review holdings and account statements.

Caldwell relies on periodic statements from the custodians of its clients' accounts, Wedbush Securities, Inc. and TD Ameritrade, furnished quarterly and any other month when the account is active. Statements provide the individual and aggregate market value of all securities, the rates and amounts of interest charged or credited, and, in the case of margin accounts, the debit balance and equity. Annual totals of dividends and interest credited or charged are also furnished at the end of the year. Schedules of realized and unrealized gains and losses are not provided unless requested by you.

## Client Referrals and Other Compensation

No person outside of Caldwell provides any investment advice or other advisory services to our clients. Further, we do not compensate any person for any client referrals.



## Custody

Caldwell may have custody of client funds or securities when required to by the terms of a trust or other such instrument, though does not as a general practice. In every case, however, the actual assets are held at a qualified custodian. We have an arrangement with our clearing firm, Wedbush Securities, Inc. and with TD Ameritrade as well. These two custodians send account statements directly to clients. You should carefully review those statements. You may also receive other reports from us, including advisory fee invoices, which you should compare with the statements you receive from your custodian for accuracy.

## Investment Discretion

Accounts opened up with TD Ameritrade, and select accounts with other custodians are opened on a discretionary basis. This means that you sign a limited power of attorney that only allows us to perform securities transactions on the account as your adviser. However, even if we have this discretionary authority, clients can specify a non-discretionary relationship with their advisory contract. This would set up the relationship such that we are required to contact you before performing any securities transaction. Also, an order ticket can be marked "Ongoing Instructions." This refers to clients with non-discretionary authority that have previously given us the authority to buy or sell securities if you cannot be contacted immediately or if market conditions including company-specific news require immediate action.

If you have an account where no such limited power of attorney is executed, we are required to contact you prior to any securities transaction of any kind.

## Voting Client Securities

Our policy is to not vote client proxies under any circumstances unless specifically authorized in the advisory contract. It is your responsibility to vote proxies. We are, however, willing to advise you how to vote a proxy, if requested.

Under normal circumstances, your account is set up to allow issuers or their third party servicing agents to mail company-specific information, including proxy materials, to you. You will always receive proxy materials forwarded from either these companies or forwarded from your custodian.

If the advisory contract does allow us to vote proxies, evidenced by a written agreement, we are only allowed to vote in your best interest. Any transactions that occur that are related to the proxy voting will be under heightened supervision. No transaction may occur that would be at odds with your interests. A review of such transactions is performed by your adviser's supervisor.

When allowing for proxy voting, you will be sent, and may request at any time a copy of our policies and procedures with respect to proxy voting. You may also direct our vote in any proxy vote. You may also request how your adviser voted in any proxy vote by calling the number on the cover page of the brochure and asking for Compliance.

## Financial Information

Caldwell does not require or solicit prepayment of \$1,200 in fees per client six months in advance, so a balance sheet is not disclosed here. Further, there is no financial condition of Caldwell that is reasonably likely to impair our ability to meet contractual commitments to clients.