

Firm Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of
Constitution Research & Management, Inc. (“CRM”)
If you have any questions about the contents of this brochure, please contact us at
617-342-8150 or email to: wallywadman@constitutionresearch.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about CRM is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

There have been no material changes to CRM's Form ADV since the last annual update in 2010.

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Item 4. Advisory Business

- A. CRM is an investment adviser specializing in small cap / emerging growth equities. The investment objective is long-term capital appreciation. The firm, founded in 1989, is co-owned by Wallace W. Wadman and John W. Wadman, who are the principal owners. Portfolio manager Wallace Wadman's experience investing in small cap companies dates back to 1967.
- B. CRM focuses on investing in high quality small companies whose revenues and earnings are growing much faster than their respective groups. These companies are ones that have innovative products, rapid growth potential, seasoned management with a track record of success and that are financially sound. Market caps are primarily under \$1.5 billion and the weighted average market cap of CRM's portfolio is 980 million. The majority of companies in CRM's portfolio are in the Technology sector. Healthcare products and services, Consumer goods and services, Industrial and Energy sectors are also represented. Portfolios include exchange-listed securities, over-the-counter securities and foreign issuers. Holdings of any one security in a client portfolio is limited to 5%.

It is CRM's practice to have client assets fully invested in securities and limited holdings of cash and equivalents. The latter may include corporate debt securities (other than commercial paper) and U.S. government securities.

- C. CRM manages accounts in accordance with the objectives of the client, and, if provided, client policy Guidelines. Prior to engaging CRM to provide investment management services, CRM and the client will discuss the individual needs of the client. The client will be required to enter into an investment management agreement with CRM setting forth the terms and conditions of the engagement and describing the scope of the services to be provided.

CRM generally does not permit clients to impose restrictions on investing in certain securities or types of securities but may do so in certain limited circumstances. CRM does not participate in wrap fee programs.

- D. CRM has full discretion in the investment and reinvestment of the securities, cash and other property in all client accounts. All account assets are held by a client's custodian bank. As of December 31, 2011, CRM had \$40.4 Million in assets under management.

- E. Principal Owners:

Wallace W. Wadman – Chairman, Director, Portfolio Manager

Chartered Financial Analyst

1966 MBA, Columbia University Graduate School of Business

1964 BA, Tufts University

1989-Present Constitution Research & Management, Inc.

1981-1989 Essex Investment Management: Sr. Portfolio Manager, Analyst

1969-1981 Scudder, Stevens & Clark, VP-Research & Portfolio Manager for
The Scudder Special Fund, Scudder Development Fund

1966-1969 Liberty Mutual Insurance Company, Security Analyst

John W. Wadman – Research Analyst, Senior Trader

Series 65 Uniform Investment Advisor Law Exam

2009 MBA, Cornell University Johnson Graduate School of Management

2007 BS, Boston University

1998-Present Constitution Research & Management, Inc.

1997-1998 Danka Business Systems – Sales & Marketing

1996-1997 Clear Lake Furniture – Craftsman

1991-1996 Days Inn Corporation – Rooms Division Manager

Item 5. Fees and Compensation

- A. CRM's fees are payable quarterly and are a percentage of the total value of the portfolio at the end of each calendar quarter.

Annual Fee Schedule - Equity Accounts:

1% of the first \$25,000,000 and $\frac{3}{4}$ of 1% of any amount over \$25,000,000 up to \$75,000,000.

Fees on assets over \$75,000,000 are negotiable.

Termination fees –

Either CRM or a client can terminate an Agreement upon 30 days written notice.

Management fees are calculated on a pro-rata basis for the quarterly billing quarter.

- B. CRM's agreement with the client provides that, if permitted by the client and after presentation of an invoice for the quarterly billing period, the fee will be automatically deducted from the client's account by the third party custodian at the end of the period in which the fee was earned.
- C. CRM's management fee is exclusive of, and in addition to, any custody fees, brokerage commissions, transaction fees and other related costs and expenses which may be incurred by the client. CRM books trades net of commission. Information regarding brokerage is discussed in greater detail in Item 12 of this Brochure. Custodian bank fees are deducted by the bank from the client's account.
- D. CRM does not charge fees in advance.
- E. CRM and its supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6. Performance-Based Fees and Side-by-Side Management -

CRM and its supervised persons do not accept performance-based fees.

Item 7. Types of Clients

CRM's clients include: individuals; pensions and profit sharing plans, trusts, estates, and charitable organizations; corporations or business entities; and religious and educational organizations. CRM has a general policy requiring a minimum amount of assets under management of \$500,000 for institutional accounts and \$1,000,000 for individual or trust accounts.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

CRM's strategy is to invest in small companies that have innovative products or services, have rapid growth potential, are financially sound and have a seasoned management team with a successful track record. These companies usually have the potential to grow sales and earnings at 15% or more and earn a 15% return on equity. Investments are limited to companies whose market capitalization is \$1.5 billion or less at time of purchase. These companies often have little or no institutional following.

CRM employs traditional fundamental analysis on each company including an analysis of company financial reports, industries served, competitive position and corporate strategies. Part of CRM's discipline and culture is to meet with or talk with company managements usually on a quarterly basis. We will seldom invest in a company where we have not met the management. We meet with these companies at conferences, at our offices when they come through Boston and on field trips where we meet at corporate facilities. Valuation is important and CRM maintains a proprietary valuation model to aid in buy and sell decisions. CRM estimates that it averages 15 management meetings per week not including phone and conference calls. Technical analysis is also employed to aid in the timing of investment decisions.

By their nature, small cap stocks contain above average risk as measured by price volatility and are less liquid than larger cap stocks. Small cap companies may lack management depth and may experience generating funds and competition from larger companies. Stocks are sold when there is an adverse change in the long term outlook, economic and market conditions dictate a need to change sector selection or when appreciation potential is limited. Positions are reduced when a holding exceeds 5% of the portfolio and as the market capitalization increases.

Clients need to be aware that investing in securities involves risk of loss that the client should be prepared to bear.

The following is a description of certain risks associated with CRM's method of analysis and the types of investments CRM may make:

Management Risk - The value of a client's portfolio may decrease if CRM's judgment about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, or about interest rates, is incorrect.

Market Risk - Share prices of securities in a client's account can fall because of, among other things, a decline in the market as a whole, deterioration in the prospects for a particular industry or company or changes in general economic conditions, such as prevailing interest rates and investor sentiment.

CRM has developed various processes, procedures and controls to identify risks, lessen the probability of their occurrence and mitigate any adverse impact. However, there is no guarantee that those devices will be effective and some risks are beyond the control of CRM.

A portfolio of small cap stocks is not a complete investment program.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of CRM's investment management business or the integrity of CRM's management.

The disclosure obligations required by M.G.L.c.110A, /// 203A(a) will be met if prior to the client entering into an advisory contract, the investment adviser delivers the Form ADV Part II (or the brochure) and any additional information required to be disclosed under the Investment Advisors Act of 1940 together with a notice that disciplinary history of the investment adviser and its representatives can be obtained from the Division.

Item 10. Other Financial Industry Activities and Affiliations

CRM does not have any relationships or arrangements with financial industry participants that would constitute material conflicts of interest for CRM's investment management business or CRM's clients.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

General Principles: As investment adviser to individuals, employee benefit plans, trust accounts, charitable institutions, foundations, endowments, partnerships and investment companies (collectively, “Funds”), it is the policy of CRM that Portfolio Managers, Investment Personnel and Access Persons should (1) at all times place the interests of Funds first; (2) conduct all personal securities transactions in a manner that is consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of the individual’s position of trust and responsibility; and (3) adhere to the fundamental standard that CRM personnel should not take inappropriate advantage of their positions.

Restrictions on Personal Investing pertaining to Portfolio Managers, Investment Personnel and Access Persons: Acquiring securities in an Initial Public Offering defined as a “hot issue” is prohibited. Prior and subsequent purchases of private placements require written approval of the fund manager. Securities transactions are prohibited on a day when the Fund has a pending “buy” or “sell” order. Portfolio managers are prohibited from buying or selling a security within seven calendar days before the Fund trades in that security.

Gifts are prohibited from any source doing business with the firm for any item of value over \$200.

Personal Securities Transactions pertaining to Portfolio Managers, Investment Personnel and Access Persons: Written pre-clearance is required of all transactions in securities in which the person has, or will acquire, a direct or indirect beneficial ownership. Duplicate copies of confirmations of transactions and security account statements must be provided.

Neither CRM nor its related persons buy or sell for client accounts securities of a company in which they have a material financial interest.

A copy of the CRM Code of Ethics is available to clients and prospective clients upon request.

Item 12. Brokerage Practices:

- A. CRM's primary consideration in all portfolio transactions is to seek most favorable prices and execution.

CRM as a matter of policy does utilize research, research-related products and other brokerage services on a soft dollar commission basis. CRM's soft dollar policy is to make a good faith determination of the value of the research product or services in relation to the execution capability and commissions paid. CRM also maintains soft dollar arrangements for those research products and services which assist CRM in its investment decision-making process.

CRM periodically reviews the firm's soft dollar arrangements, budget, allocations and monitors the firm's policy. As part of CRM's policy and soft dollar practices, appropriate disclosures are included in this brochure and periodically reviewed and updated to accurately disclose the firm's policies and practices.

CRM's use of soft dollar arrangements may cause CRM to select a broker-dealer based on our interest in receiving research and other products or services, rather than on our clients' best interest, and benefits CRM because it does not have to produce or pay for the research products or services.

CRM's use of soft dollar arrangements may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits.

The use of soft dollar benefits is to service all of our clients' accounts.

CRM receives the following products and services with respect to brokerage commissions:

- Conferences
- Pricing Systems
- Stock research Systems
- General research

In the event CRM obtains any mixed-use products or services on a soft dollar basis, CRM will make a reasonable allocation of the cost between that portion which is eligible as research or brokerage services and that portion which is not so qualified. The portion eligible as research or other brokerage services will be paid for with discretionary client commissions and the non-eligible portion, e.g. computer hardware, accounting systems, etc., which is not eligible for the Section 28(e) safe harbor will be paid for with CRM's own funds. For any mixed-use products or services, CRM will maintain appropriate records of its reviews and good faith determinations of its reasonable allocations.

- B. Brokerage for Client Referrals. CRM does not consider, in selecting broker-dealers, whether CRM or a related person received client referrals from the broker dealer or a third party.
- C. Directed Brokerage
- a. Doesn't apply
 - b. CRM may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. Any client instructions to CRM are to be in writing with appropriate disclosures that for any directed brokerage arrangements CRM will not negotiate commissions, may not obtain volume discounts or aggregate directed transactions, and that commission charges will vary among clients and best execution may not be obtained.

Clients may direct CRM to use a particular broker-dealer under various circumstances, including where a client has a pre-existing relationship with the broker or participates in a commission recapture program, among other situations. CRM recommends to clients the use of broker-dealers providing reasonable, competitive and quality brokerage services and advises clients if a client's directed broker does not provide competitive and quality services

D. Aggregation

The aggregation or blocking of client transactions allows CRM to execute transactions in a more timely, equitable, and efficient manner and seek to reduce overall commission charges to clients.

Our firm's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

In the event transactions for CRM, its employees or principals are aggregated with client transactions, conflicts arise and special policies and procedures are adopted to disclose and address these conflicts.

Item 13. Review of Accounts

Each account is periodically reviewed in light of the individual client's investment objectives. Messrs. Wallace Wadman, Chairman, and John Wadman, President, are responsible for the conformity of the account to the individual client's investment objectives and the effort to achieve positive performance results. Each account is reviewed at least weekly on both a stand-alone and on a comparative basis with other accounts having similar objectives on a comparative basis with other accounts having similar objectives.

Messrs. Wadman review individual securities on a weekly basis. They are responsible for following a series of companies and/or industries and making recommendations regarding the purchase or sale of the respective securities. Unusual price fluctuations and/or unusual volume of trading activity observed daily triggers timely investigation. A complete review of all securities is done weekly by Messrs. Wadman using a computerized report identifying prevailing statistical information on each holding.

A comprehensive written account report is sent to each client on a quarterly basis. The report includes:

- 1) A complete listing of individual holdings sorted by industry and including cost, current market value and indicated annual income.
- 2) Quarterly, year-to-date and since inception time-weighted rates of return as compared with broad market indices.
- 3) An historical statement of changes describing the client's original capital and additions of capital together with earned income and a combination of realized and unrealized appreciation or depreciation. Accounts are reported net of management fees.
- 4) A summary of purchase and sale transactions occurring during the quarter.
- 5) A Quarterly Letter discussing the fund's positioning in the context of economic and market trends during the quarter and as anticipated going forward.

Note: Each client account is reconciled monthly with the client's custodian bank.

Clients may at any time request current and historical reports to include any and all of the above.

Item 14. Client Referrals and Other Compensation

CRM does not receive any compensation or other economic benefit from any persons other than its clients for its provision of services. CRM does not directly or indirectly compensate any persons who are not supervised persons for client referrals.

Item 15. Custody

CRM does not have custody of any client funds.

Item 16. Investment Discretion

CRM has discretionary authority for the investment of client portfolio holdings. This authority is granted by the client in the management agreement entered into between CRM and the client.

Item 17. Voting Client Securities

CRM, as a matter of policy and as a fiduciary to its clients, has responsibility for (a) voting proxies for portfolio securities consistent with the best interests of the client, and (b) properly dealing with potential conflicts of interest arising from proxy proposals being voted upon. The firm's policies and procedures also addresses its general responsibility to monitor the performance and/or corporate events of companies which are issuers of securities held in managed accounts.

Generally, the firm will vote in favor of routine items including proposals that: relate to general operations where no corporate governance issues are involved; a merger or reorganization if it appears to offer fair value; strengthen shared interests of shareholders and management; increase shareholder value; and maintain or increase shareholder influence and rights. The firm will vote against non-routine and conflict of interest items including: shareholder resolutions that consider non-financial impacts of mergers; anti-greenmail provisions.

In exercising its voting discretion, CRM and its employees shall avoid any direct or indirect conflict of interest raised by such voting decision. The firm will provide adequate disclosure to the client if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest to the firm, any affiliate or other interested person.

CRM maintains relevant required records of its proxy voting activities for clients. Clients' proxy voting information is available upon request.

A copy of the Proxy Voting Policies And Procedures is available to clients and prospective clients upon request.

Item 18. Financial Information

CRM is not required to provide a balance sheet or other financial information in this Brochure because (i) CRM does not charge client fees of more than \$1,200 six months or more in advance; (ii) does not have custody of client funds or securities; and (iii) has never been the subject of a bankruptcy petition.