



# **NORTHLAND**

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## **ASSET MANAGEMENT**

**Northland Securities, Inc.**  
**45 S. 7<sup>th</sup> Street, Suite 2000**  
**Minneapolis, MN 55402**  
**612-851-5900**  
**Member FINRA/SIPC**

[www.Northlandsecurities.com](http://www.Northlandsecurities.com)

This brochure provides information about the qualifications and business practices of Northland Asset Management, the investment advisory business line of Northland Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 612-851-5900. 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. Registration with the SEC and/or state entities does not of itself imply a certain level of skill or training. This brochure meets requirements for disclosure as ADV Part 2A.

Additional information about Northland Asset Management may be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Effective March 31, 2012

## **MATERIAL CHANGES**

Any changes from past versions of Northland's ADV 2A are documented in this section of the brochure. For 2012, we note the changes below:

During 2012, Northland Asset Management will become a state registered securities advisor. As a Mid-sized Investment Advisor, Northland Asset Management (Northland) will register in states where it has offices conducting advisory business. At this time, Northland anticipates registering in Minnesota, Iowa and Wisconsin. Registration with these state authorities will be completed by June 28, 2012. When state registrations are completed, Northland Asset Management will file Form ADV-W, withdrawing registration with the Securities and Exchange Commission. As a state registered advisor, Northland will be subject to the rules and examinations of its relevant states of business. In the future, when assets under management reach \$100 million, Northland Asset Management will be required to register with the SEC.

In order to accommodate the needs of certain clients, Northland has changed its stated minimum account size from \$50,000 to \$25,000. (Section 4)

Biographies of Northland Management personnel have been deleted from this brochure, as this information is found in ADV1. (Section 16)

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## 1 ADVISORY BUSINESS

### **Northland Asset Management Background and Ownership**

Northland Asset Management (Northland) is the trade name used by Northland Securities, Inc. for its investment advisory business. Northland Securities, Inc. (NSI) is a full service broker dealer, headquartered in Minneapolis, MN. Since the company was organized in 2002, NSI has underwritten over \$9 billion of investment securities. Northland began offering investment advisory services in 2008. At the end of 2011, Northland had assets under management of over \$53,613,676. Northland Securities has approximately 170 employees, with investment sales offices in five states. Three of the five offices conduct investment advisory business.

Northland Securities, Inc. is privately held by Northland Capital Holdings, Inc. and ownership is comprised of employee owners and outside investors. The largest individual shareholder of Northland Capital Holdings, the parent firm, is Mr. Glen Taylor, a well known Midwest business leader. Mr. Taylor is the only shareholder to have in excess of 25% of the firm ownership.

### **Type of Advisory Services Offered**

Northland provides discretionary and non-discretionary investment advisory services that typically involve individualized financial goal analysis, asset allocation, formulation of an investment strategy, assistance with implementation of the investment strategy, and ongoing review of performance measures for the strategy adopted. Reviews generally consist of comparisons between a client's portfolio and relevant benchmarks, an analysis of the portfolio's estimated annual income and current yield and an analysis of the client's realized and unrealized gains and losses.

Northland offers a variety of approaches to investing, based on the individual needs of each client. We do not specialize in any particular investment strategy. Northland provides investment advice to individuals, banks, thrift institutions, trusts, estates, charitable organizations, corporations, and other business entities.

In connection with the implementation of a client's investment strategy, Northland may identify and the client may select investment managers, registered and unregistered investment entities, and/or broker-dealers ("Outside Managers") as well as investment securities, including but not limited to: stocks, bonds, mutual funds, exchange traded funds, and/or other index-based investments that are believed to be compatible with the client's investment objectives, risk tolerances and other client criteria. Northland will also help coordinate custody and brokerage services and assist clients in selecting the appropriate vehicles for holding client assets.

### **Tailoring Advice to Individual Clients**

Northland will custom tailor an investment portfolio specifically designed for the client based on the style of management the client selects. The process begins when the client fills out a confidential, in-depth "Client Profile." The Client Profile will help the client to clarify financial objectives and goals, establish the client tolerance for risk, and identify the client's preferred style of management. The Client Profile is used by Northland as the primary reference for managing the client portfolio. The client may also indicate any special instructions or limits that the client wants Northland to follow in managing the client assets.

For portfolios that are managed in-house by Northland, the client may designate specific securities or industries that should be avoided. For accounts that are handled by Outside Managers, this is not always possible. Clients should make their investment professional at Northland aware of any restrictions on investments they would like to impose, so that the representative is able to develop an appropriate in house investment strategy or select an Outside Manager who will agree to implement these requests.

### **Wrap Fee Program**

Clients pay for Northland's advisory services based on a fee as a percentage of assets in the account. Many clients participate in a general 'wrap fee program' in which the fee covers advisory services, trading and other transaction costs. Some clients pay a nominal charge for trades, in addition to the fee charged for

investment services. Northland is paid a fee as a percentage of assets, but does not charge additional transactions costs beyond those disclosed in the individual programs. The Client Agreement, which is signed by each investor, specifies what portion of the fees goes to Northland, as well as what portion goes toward transaction costs and/or the services of an Outside Manager. When client funds are held at Pershing, our custodian, and an Outside Manager is used, the client fee is a 'Wrap Fee.' Some Outside Managers who require funds to be held at a separate custodian may charge an additional trade transaction fee. Clients should discuss their preferences regarding transaction fees with their Northland representative, so that a program that meets their needs is selected. For more information, please see Appendix 1 of this brochure.

There is no difference in investment advisory approach that is dependent upon whether or not a wrap fee is charged. Generally, the choice of a wrap fee depends upon the type of manager selected and the preferences of the client.

### **Discretion**

Clients have a choice regarding whether to allow discretionary trading in their accounts. If the client wishes to retain full discretion over the account, the investment advisor representative will provide investment advice, but the client makes final decisions. The client may be interested in working with a manager who will exercise full discretion in trading the client's account. Discretion may be exercised by an Outside Manager or by the Northland Investment Adviser Representative. As of 12/31/11, discretionary assets under management at Northland Asset Management were \$31,230,789, and non-discretionary assets were \$22,382,887.

## **2 FEES AND COMPENSATION**

### **Fee Schedules**

Northland charges an advisory fee based on a percentage of the market value of all client assets under management on the last trading day of each advisory fee period. Generally, accounts are billed quarterly in advance, except where monthly fees are required by outside Managers. Fees are also calculated for additional monies which may be added to their accounts during the advisory fee period; however, no adjustments will be made to client fees for any monies withdrawn. In any partial advisory fee cycle, the advisory fee will be pro-rated based on the number of days the assets are under management during the particular advisory fee period. Clients are made aware of the billing schedule before the accounts are opened.

The advisory fees paid to Northland represent fees for management of the account and are separate from any other fees and expenses charged by other parties; therefore, the advisory fees shown in this brochure represent only the fees paid to Northland and do not reflect operating expenses and other costs charged by mutual fund companies or variable annuity companies and it is important to understand that these expenses and costs are ultimately borne by the client, as the shareholder.

Northland's basic asset based fee schedules for Investment Advisory Services are shown below:

#### **Northland Managed – Investment Advisor Representative – Wrap Program**

Northland Management Fee:	2.00% per annum (maximum)
Transaction Costs:	<u>.24% per annum</u>
TOTAL FEES	2.24% PER ANNUM

#### **Northland Managed – Investment Advisor Representative**

Northland Management Fee:	2.00% per annum (maximum)
Transaction Costs:	<u>\$15 per transaction fee</u>
TOTAL FEES	2.00% plus transaction fee

**Separately Managed Accounts – Wrap Program**

Northland Management Fee:	2.00% per annum (maximum)
Estimated Outside Manager Fees:	0.50% per annum
Transaction Costs:	<u>0.24% per annum</u>
TOTAL FEES	2.74% PER ANNUM

**Designated Fiduciary Program – Wrap Program**

Northland Management Fee:	2.00% per annum (maximum)
Outside Manager & Transactions:	<u>1.25% per annum</u>
TOTAL FEES	3.25% PER ANNUM

**Asset Allocation Portfolios – Wrap Programs****Lockwood Investment Strategies (LIS)**

Household Size	LIS Program	Consultant Fee (estimated)	Total Fee
First \$500,000	0.75%	1.00%	1.75%
Next \$500,000	0.55%	1.00%	1.65%
Next \$4,000,000	0.40%	0.85%	1.25%
Next \$5,000,000	0.35%	0.70%	1.00%
Over \$10,000,000	0.30%	0.55%	0.85%

**Lockwood Asset Allocation Portfolios (LAAP)**

Household Size	LAAP Program	Consultant Fee (estimated)	Total Fee
First \$500,000	0.40%	1.00%	1.40%
Next \$500,000	0.35%	1.00%	1.35%
Next \$4,000,000	0.30%	0.85%	1.15%
Next \$5,000,000	0.25%	0.70%	0.95%
Over \$10,000,000	0.20%	0.55%	0.75%

**Lockwood Advisor *FLEX* Portfolios (AFP)**

Household Size	AFP Program	Consultant Fee (estimated)	Total Fee
First \$500,000	0.37%	1.00%	1.37%
Next \$500,000	0.33%	1.00%	1.33%
Next \$4,000,000	0.24%	0.85%	1.09%
Next \$5,000,000	0.24%	0.70%	0.99%
Over \$10,000,000	0.24%	0.55%	0.79%

Clients may have more than one account with Northland. For accounts that do not use a third party manager, the Outside Manager Fee will not be charged. Accounts that are managed internally by Northland Asset Management, may be charged a \$15 fee per transaction to cover trading and processing costs. However, these transaction fees are disclosed in the Client Agreement and the client must accept in writing. However, these fees may be modified based on the size of the account and the investment strategy. Any change in fees will also be agreed upon in writing by the Client and Northland.

Fees charged by Northland may be negotiated and agreed to based upon factors such as the overall complexity of the client's financial affairs, the types of investments, and the number of investing entities. Fees paid to Northland do not include fees and expenses charged by independent third party Managers, mutual funds, exchange traded funds, and/or other index-based investments selected by clients, nor any fees due to brokers or to custodians of those assets including those that are related to Northland. These fees and expenses may include investment advisory fees, sales loads, 12b-1 fees, custodial fees, commissions, and management and performance fees. Either party may terminate the investment advisory agreement by written notice and will be effective upon receipt. Any fees that may have been prepaid by the client shall be refunded on a pro-rata basis based upon the number of calendar days remaining after the termination date in the period as to which fees may have been prepaid.

Occasionally, an advisory account will be handled on a 'commission basis.' This generally represents an accommodation for a specific client need or request. Clients are invited to discuss whether a commission based fee rather than an asset based fee is appropriate for their situation. Occasionally Northland may provide financial planning or other advisory services on an hourly basis or based on a one-time charge for service, as agreed to by written agreement. Additional information regarding various options in the Wrap Fee Program may be found in Appendix 1 of this document. More information about brokerage fees may be found in Item 9 of this brochure.

Northland generally does not receive additional compensation for advisory accounts, other than from its basic fee. At least two exceptions may occur:

On occasion, a principal trade may be done in an advisory account. When this takes place, Northland follows procedures to be sure that the client is treated fairly and the client is fully aware of the firm's role as principal. More information may be found in the description of brokerage services in Item 9.

A second exception may involve the payment of due diligence fees or other fees from a product originator. An example of this would be a Real Estate Investment Trust that may give compensation to Northland to assist with costs in completing our due diligence on the product. Due diligence fees of this nature do not provide a significant source of revenue for the firm. Any fee of this type is fully disclosed in the product prospectus. Northland does not receive any 'soft dollar' benefits or other types of compensation that would be unknown to the client. If any additional fee or compensation is received by Northland, as a consequence of the advisory business, it is not used to offset or discount the client fees.

Investment Adviser Representatives at Northland receive compensation based on the amount of revenue they generate for the firm. They are rewarded for bringing clients to the firm and for increasing assets under management. While representatives are to serve the best interests of their clients, they are also motivated to receive personal compensation and to contribute to the profitability of the firm. A conflict of interest could occur if the representative or the firm promoted products and services based on a profit motive rather than service to the client. The primary way to address this potential conflict is through transparency of information regarding investment options and fees.

### 3 PERFORMANCE-BASED FEES

Northland Asset Management does not charge performance based fees.



#### 4 TYPES OF CLIENTS

Northland provides investment advice to individuals, banks, thrift institutions, trusts, estates, charitable organizations, corporations, and other business entities.

Northland's minimum investment is \$25,000. Certain Outside Managers may require investment minimums of \$100,000 or more. Smaller investments may be accepted by Northland at its discretion.

#### 5 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Northland offers clients tailored options to meet their investment goals. In general, risk in client portfolios is reduced through diversification in investments. Entire markets and sectors can decline, and there can be no assurance that the client will not suffer a loss. By working closely with their Investment Adviser Representative, clients will develop portfolios that meet their needs and are adjusted for risk concerns. Selected client options are outlined below:

##### **Investment Advisor Representative Managed**

A Northland Investment Advisor Representative managed client account, either on a discretionary or non-discretionary basis.

##### **Separately Managed Accounts (SMA)**

The Separate Account Strategy is a program in which investment advice and costs of trade executions are provided to clients for an all-inclusive wrap fee. The Separate Account wrap fee program is generally available on select platforms, referred to as Outside Managers or Third Party Investment Advisers, as indicated in Northland's current marketing materials. These managers may specialize in investment strategies that meet the client's goal. The list of Managers approved by Northland's Management Committee is available upon request.

Northland Asset Management has access to a variety of outside Managers through the Lockwood Managed Account Command program. Northland Asset Management performs due diligence on the Managers and Northland's registered representatives make recommendations to each client, based on an individual suitability analysis. Northland Asset Management (and its clients in non-discretionary accounts) have sole responsibility for the selection of outside Managers for each client. The Separate Account Strategy wrap fee program is typically only offered for accounts larger than \$250,000. Based on Manager policies, clients may have the option to restrict investment in their accounts, to avoid certain companies and/or industries.

Separate Account Management may also be performed by qualified professionals at Northland, who are approved by the Management Committee. In addition to the Separate Account Management fee for this service, clients are charged a \$15 transaction fee, as specified in the Client Agreement. In this program, clients may invest in a variety of securities, such as stocks and bonds, exchange traded funds (ETFs), and/or mutual funds with a Northland Investment Adviser Representative (IAR) acting as the asset allocation overlay manager. The overall portfolios may utilize an adaptive risk allocation strategy, which uses risk budgeting, as well as fundamental, statistical and relative strength analysis, to determine the proper allocation of the portfolio among the various investment vehicles.

##### **Asset Allocation Portfolios (Three programs described below.)**

##### **Lockwood Investment Strategies (LIS)**

LIS is a discretionary, multi-discipline managed account product housed in a single portfolio with five core models. The five core models span the risk/return spectrum from current income model to growth model within the context of a diversified portfolio.

Model I:	Current Income
Model II:	Growth & Income
Model III:	Conservative Growth
Model IV:	Moderate Growth
Model V:	Growth

A client may also choose from four additional models which include exposure to non-traditional asset classes. Investments are generally a mix of globally diversified equity securities and assets with exposure to a mix of bonds and equity market neutral investments

Model II:	Growth & Income
Model III:	Conservative Growth
Model IV:	Moderate Growth
Model V:	Growth

Lockwood Advisors, Inc., as portfolio Manager, determines asset allocation and selects both Sub-Advisers and specific investment vehicles for each investment style based on its proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline. The asset classes represented within the investment portfolios are comprised of: Fixed Income, US Large-Cap Equity, US Small-Cap and Mid-Cap Equity, Non-US Equity. LIS accounts may include individual securities, as well as mutual funds and exchange traded funds (ETF's) in a single brokerage account. For accounts using the LIS strategies, fees begin at 1.75% for accounts up to \$500,000. Breakpoints are available for larger size accounts, with additional information available upon request. Minimum investment size is \$250,000. Investors receive monthly custodial statements and access to online account viewing. Performance reports are distributed by Northland Asset Management, with performance shown at the Strategy level, not by underlying investment vehicle. Prior to investing in LIS, clients receive a Lockwood Capital Management brochure, that contains important disclosures for the product.

#### **Lockwood Asset Allocation Portfolios (LAAP)**

LAAP is a discretionary, multi-discipline managed account product housed in a single portfolio. Lockwood Advisors, Inc., serving as the Portfolio Manager, determines asset allocation strategy and selects investment vehicles for each investment style component of the portfolios, based upon proprietary modeling strategies, macroeconomic outlook and investment research discipline. The five LAAP models are:

Model I:	Current Income
Model II:	Growth & Income
Model III:	Conservative Growth
Model IV:	Moderate Growth
Model V:	Growth

The LAAP Portfolios may consist of open and closed-end mutual funds, exchange-traded funds and other types of securities, as determined by the Portfolio Manager. For accounts using LAAP Asset Allocation Portfolios, fees begin at 1.40% for accounts up to \$500,000. Breakpoints are available for larger size accounts, with additional information available upon request. Minimum investment size is \$50,000. Clients receive monthly custodial statements, access to online account viewing, and a performance report shown at the Strategy level, not by underlying investment vehicle. The performance report is distributed by Northland Asset Management. Prior to investing in LAAP, clients receive a Lockwood Advisors, Inc. brochure, that contains important disclosures for the product.

**Lockwood Advisor *FLEX* Portfolios (AFP)**

Lockwood Advisor *FLEX* Portfolios provide clients with a series of objectives-based strategies, managed by Lockwood Advisors, Inc., that provide access to professionally managed solutions, address the unique challenges presented at each phase of the investor lifecycle, from wealth accumulation, to the transition into retirement, and ultimately the management and distribution of income. There are three objectives-based strategies, which include the Appreciation Strategy, the Preservation Strategy, and the Income Strategy. The Northland Asset Management registered advisor representative will choose from 16 underlying portfolios across the three Strategies, or will customize the client portfolio by selecting from a variety of investments, including mutual funds, exchange-traded funds, and exchange –traded notes (ETN’s) in multiple asset classes. Portfolios may hold from ten to fifteen securities, depending on the client’s risk profile. Account fees begin at 1.37% for accounts up to \$500,000. Breakpoints are available for larger size accounts, with additional information available upon request. Minimum investment size is \$100,000. Prior to investing funds through Lockwood Advisor *FLEX*, clients will receive the Lockwood Advisors, Inc. ADV Part2A, Appendix 1, and additional disclosures. Clients receive monthly custodial statements and a performance report distributed by Northland Asset Management.

**Designated Fiduciary Program**

For certain clients, an outside Designated Fiduciary firm may be used. The Designated Fiduciary performs all investment advisory services including custody of assets; determination of suitable investments as related to goals, time horizon and risk parameters; performance reporting; and any other activities that are the customary responsibilities of an investment advisory firm. Accounts that are managed by a Designated Fiduciary are not held in custody at Pershing LLC.

The Designated Fiduciary may generally charge up to 1.50% of assets. In addition, the client pays an advisory fee to Northland that is typically 1% of assets, but may vary depending on the size of the account and needs of the account.

While Northland conducts customary due diligence on all outside managers, an additional level of scrutiny is given to outside fiduciaries. This heightened due diligence may include meetings with the principals and site visits as appropriate. Additional information about the Designated Fiduciary program is available upon request.

**6 DISCIPLINARY INFORMATION**

Northland Securities does not have any criminal history nor has the Firm been subject to any civil litigation or administrative proceedings. However, Northland Securities has been subject to disciplinary action due to some inaccurate books and records in relation to equity trading and investment banking activity. We do not believe these violations are of a material nature that reflects poor judgment on the part of Northland’s investment adviser representatives nor the management team of the Firm. A full description of these violations can be found in the Investors section of the Financial Industry Regulatory Authority’s (“FINRA”) web site by accessing their BrokerCheck® link, which can be found at: <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/> . Or you may request a copy of the disciplinary action from your Investment Adviser Representative or by sending a request to the following address:

Northland Securities, Inc.  
Attn: Compliance  
45 South 7<sup>th</sup> Street  
Suite 2000  
Minneapolis, MN 55402

## 7 FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Northland Asset Management, which is the trade name for the investment advisory business line of Northland Securities, Inc. Northland Securities, Inc. is a full service broker dealer and member of FINRA/SIPC. Potential conflicts of interest occur when principal trades are conducted in RIA accounts. Procedures to protect clients from this conflict of interest are described in Item 9.

Northland at times recommends the purchase of non-traded Real Estate Investment Trusts that may pay a due diligence fee to the firm. When non-traded REITS are purchased in RIA accounts, the REIT will be specifically designed for wrap accounts; it will have an annual fee, rather than an up-front commission charge.

Beyond its broker dealer activities, Northland is not involved in other outside business, and is not aware of any business relationship conflicts of interest.

## 8 CODE OF ETHICS

Northland has established a standard of conduct for its advisory personnel, which is outlined in the Northland Asset Management Code of Ethics. The Code outlines our way of doing business, which is to serve our clients with honesty, integrity and competence. The Code addresses areas where a conflict of interest may arise, and provides guidance in these areas. Some conflicts of interest may arise from the personal trading of the advisory personnel. Northland has put in place the following restrictions in order to ensure its fiduciary responsibilities:

No associated person of Northland shall put his or her own interest ahead of an advisory Client. Investment opportunities must be offered first to Clients before Northland or its associated persons may participate in such transactions;

Associated persons or their immediate family members shall not buy or sell securities for their personal portfolio(s) where their decision is derived in whole or in part, by reason of the associated person's employment, unless the information is also available to the investing public upon reasonable inquiry;

Northland and its employees may not participate in private placements or initial public offerings (IPOs) without prior approval from Northland's senior management;

Northland requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices;

Records will be maintained of all securities bought or sold by Northland and its associated persons. A qualified representative of Northland will review these records on a regular basis.;

Any individual not in observance of the above may be subject to disciplinary action up to and including termination;

Principal Trades may present a Conflict of Interest for advisory accounts, so Northland has specific procedures to ensure integrity in the process. Additional information is found in Item 9 of this brochure.

The full text of Northland's Code of Ethics is available to you upon request.

## 9 BROKERAGE PRACTICES

Northland Securities, Inc. is a broker dealer as well as a registered investment advisor, and is actively engaged in buying and selling securities for its own account as well as for clients. (Northland Securities,

Inc., a full service broker dealer, does its investment advisory business as Northland Asset Management.) The firm has a responsibility to all of its clients and professional associates to operate in an ethical manner. In addition, Northland recognizes its fiduciary responsibilities to its advisory clients. Generally, Northland will serve as broker dealer for advisory client accounts, provided NSI can provide best execution.

Northland does not receive any 'soft dollar' compensation from any third party. Northland does not receive any referral fees from broker dealers for directed brokerage. Policies for order aggregation would generally follow the procedures of Outside Managers. Northland internal account management is not of a volume to necessitate aggregation procedures.

Northland Securities is an active trader of municipal bonds as well as government and corporate securities. For clients with fixed income portfolios, there are occasions where bonds that are owned by the firm will be sold to a client. Any proposed principal transactions by an advisory client with Northland will be subject to prior authorization. Before the transaction is complete, any advisory client who purchases securities in which Northland has a principal or financial interest will be informed of Northland's potential conflict of interest. Principal trades are only allowed in non-discretionary accounts. These trades may be allowed when it is considered to be in the clients best interest and the clients is made aware of the conflict of interest. Northland discloses on customer confirms when the firm acts in a principal capacity, and will generate a letter, no less than annually, informing the client of Northland's potential conflict of interest and giving the client contact information for the Designated Supervisory Principal. For equity private placements and for initial equity public offerings, written client approval will be required in advance of the transactions.

## 10 REVIEW OF ACCOUNTS

Client accounts are monitored on a continuous basis by a designated principal. A supplemental review is conducted by the Chief Compliance Officer or delegate as part of the inspection process.

Clients or their independent representatives are provided with a statement from the custodian holding the Client's funds/securities at least quarterly and may be provided with a monthly written report generated by Northland, showing Client holdings.

Investment advice may only be rendered by qualified investment advisory professionals who have been approved by Northland. Generally, a college degree and/or equivalent business experience is required for investment advisory professionals, other than those performing clerical or ministerial services. Most states require licensing.

The custodian provides clients with a statement (at least quarterly) identifying the amount of funds and of each security in their accounts at the end of the reporting period and setting forth all transactions in the account during the reporting period. Northland also makes various reports and quarterly performance evaluations accessible to its clients.

Trade Confirmations: Individual trade confirmations and reports of account activity will be provided by the custodian. Northland will generally communicate with its clients via letters, market up-dates and other Northland generated literature.

Under circumstances where the client has expressly consented, client correspondence and notifications may be sent via electronic means (such as e-mail). In addition, when an outside manager is selected, the client may choose suppression of confirmations on the Client Agreement.

## 11 CLIENT REFERRALS AND OTHER COMPENSATION

Northland does not pay compensation for referrals. However, if any arrangement for compensation of solicitors or other individuals making referrals do occur, they must be approved in advance by the Chief Compliance Officer or their delegate.

## 12 CUSTODY

Northland does not and will not have custody of Client funds or securities, excepting payment of fees in advance as described in this brochure.

To help the firm provide accurate and timely management of the client's invested assets, the client may be asked to establish a custodial account with a designated custodian, including Pershing, LLC, with whom Northland Securities, Inc. has a fully-disclosed clearing relationship.

However, assets may be held at a number of qualified custodians selected by the client. The custodian maintains the underlying records for the assets held in the account. Northland does not serve as the custodian for the clients' managed assets. The client is solely responsible for paying all the fees and charges of the custodian as stated in the agreement with the custodian.

Northland strives to maintain the account data as accurately as possible; however, the firm must rely on accurate reporting provided to it by the custodian through electronic or other means. Northland is not responsible for inaccurate data provided by a custodian. Clients are requested to promptly submit to Northland in writing any changes to the Client Profile, or any changes to any information that was provided to the firm regarding management of the client assets. Maintaining proper records and documentation regarding each account is vitally important.

## 13 INVESTMENT DISCRETION

In order for Northland to actively manage client assets, the firm prefers that clients provide it with discretionary trading authority. This allows Northland to buy or sell securities, as well as specify the amount of securities to invest, without first obtaining the client's specific consent. This authority is limited to the transfer or exchange of your funds between securities and asset classes agreed to by you in accordance with the investment management service selected by you. For assets held by a designated custodian, firm discretion extends to the transfer or exchange from one fund family to another so long as it is done at net asset value (NAV) and no commissions are generated. Under the Separate Account Strategy wrap fee program, Northland covers the transaction costs associated with the management of client assets. In cases where Northland determines the broker or dealer to be used, the firm will seek to obtain the best execution possible under the circumstances. This discretionary authority in no way restricts clients, from establishing special limitations on the types of investments that may be recommended or made on the client's behalf. Clients may send Northland specific written instruction at any time regarding securities that may be purchased or sold, and may also instruct the firm not to purchase specific securities or types of securities. If Northland is unable to accommodate client requests for any reason, the IAR will notify the client promptly.

Upon termination of the Firm's investment management services, Northland has no obligation or authority to recommend or take any action with regard to the previously managed assets.

## 14 VOTING CLIENT SECURITIES

Northland does not vote proxies for clients, and does not provide advice to clients about how to vote proxies. Clients retain the authority to vote proxies, and will be required to ensure that proxy materials are sent directly to them, except as noted in the following paragraphs.

Clients who use an Outside Manager may delegate proxy voting authority to the Manager. The proxy delegation must be evidenced in writing, and may be rescinded based on a written request from the client.

If Client is a tax-qualified retirement plan subject to ERISA, an Outside Manager is engaged, and the Outside Manager will be responsible for voting proxies; however, each Client may opt to retain such proxy voting rights. (Any Northland ERISA account is handled through an Outside Manager). With respect to Clients which are not governed by ERISA, each Client may either retain the right to vote proxies or delegate such authority to each Outside Manager.

## **15 FINANCIAL INFORMATION**

The parent company of Northland Securities, Inc. is Northland Capital Holdings. We are a privately held company and our financial information is not made available to the public. Advisory firms who do not require payment of fees six months or more in advance are not required to furnish a balance sheet to clients. Northland requires payment of fees monthly and quarterly in advance, so a balance sheet need not be provided.

## **16 REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

### **Education and Business Standards**

Investment advice may only be rendered by qualified investment advisory representatives who have been approved by Northland. Generally, a college degree and/or equivalent business experience is required for investment advisory professionals, other than those performing clerical or ministerial services. Investment Advisor Representatives are also required to successfully complete any qualifying licensing exams that may be required by state or federal regulators. Additional information on each Investment Adviser Representatives is available in the brochure supplement. ( ADV2B).

A description of our principal executive officers and management is shown in form ADV1, which can be found on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) or upon request.

## **17 OTHER DISCLOSURES**

### **Privacy Policy**

Northland recognizes and respects the privacy of its clients and their expectations for confidentiality. The protection of customer information is of fundamental importance to the firm. Procedures are followed to responsibly to protect nonpublic personal information. Northland collects, retains and uses information that assists the firm in providing the best service possible. This information comes from the following sources:

- Account applications and other required forms,
- Written, oral, electronic or telephonic communications and
- Account and transaction histories with Northland, its affiliates, and others.

Northland does not disclose any nonpublic personal information about clients or former clients to anyone, except as permitted by law. The firm restricts access to nonpublic personal information about clients to

those employees, affiliates, and service providers who need to know that information to provide products or services to its clients. Northland requires that these entities limit the use of the information provided to the purposes for which it was disclosed and as permitted by law. The firm maintains physical, electronic, and procedural safeguards that comply with federal standards to safeguard client nonpublic personal information.

**Anti-Money Laundering Policy**

It is Northland's policy to accept only those clients whose source of wealth and funds can be reasonably established to be legitimate, to prevent persons from using Northland and the services it offers to engage in money laundering and other criminal activity and to maintain accurate, current and complete information about each client.

**Business Continuity Plan**

Northland has developed a Business Continuity Plan to provide procedures for response and recovery in the event of a significant business disruption. The purpose of the Plan is to identify responsible personnel in the event of a disaster; safeguard employees' lives and firm property; evaluate the situation and initiate appropriate action; recover and resume operations to allow continuation of business; provide customers with access to their funds and securities; and protect books and records. The Plan was developed considering the types of business conducted, systems critical to support business, and geographic dispersion of offices and personnel.