



# NORTHLAND

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## ASSET MANAGEMENT

### ADV2 APPENDIX 1 WRAP FEE PROGRAM BROCHURE

**Northland Securities, Inc.**  
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**Minneapolis, MN 55402**  
**612-851-5900**  
**Member FINRA/SIPC**

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

This wrap fee program brochure provides information about the qualifications and business practices of Northland Asset Management. 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 ADV2 Appendix 1.

Northland Securities, Inc. does its Registered Investment Advisory business as Northland Asset Management.

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 the ADV2 Appendix 1 are documented in this section of the brochure.

During 2012, Northland Asset Management (Northland) will become a state registered securities advisor. As a Mid-sized Investment Advisor, Northland Asset Management 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 2)

The wrap program is offered through outside Managers and, in some cases, by Northland Investment Advisor Representatives (IARs). (Section 3)

Biographies of Northland Management personnel have been deleted from this brochure, as this information is found in ADV1. (Section 7)

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## 1. SERVICES, FEES AND COMPENSATION

Northland Asset Management is a Registered Investment Advisor offering portfolio management solutions to institutions and individuals. Northland Investment Advisor Representatives (IARs) work with clients to understand their investment goals, time horizons, tax status, need for liquidity, and other factors. They also assist the client in understanding the risks and rewards associated with different market types and sectors, and assist them in developing portfolios that will help to achieve their goals, within the appropriate risk constraints. Portfolios may be made up entirely of equities or fixed income investments, or they may include a combination of securities, as well as mutual funds, real estate investment trusts, options and alternative investments.

Clients who have a wrap fee account pay one fee that covers investment advice as well as transaction costs. Additional fees are charged for custodial services, such as an annual IRA custodial fee. Some products, such as mutual funds, may have additional fees and expenses within the product structure. In these cases, every effort is made to select products with minimal internal fees.

Northland offers clients a broad range of strategies to meet their investment needs. In general, risk in client portfolios is reduced through diversification in investments. When entire markets decline, there can be no assurance that the client will not suffer loss. Northland does not rely upon a particular investment analysis or style, but rather relies on a broad range of Outside Managers as well as Northland employees to determine appropriate strategies for clients. Clients have several options for portfolio management solutions; a brief summary is given below:

### Investment Advisor Representative Managed

Some clients choose to have their Investment Advisor Representative manage their account, either on a discretionary or non-discretionary basis.

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

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

### Separately Managed Accounts

In Separately Managed Accounts investment advice from a third party manager and costs of trade execution are provided to clients for an all-inclusive wrap fee, in addition to the Northland Asset Management 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. 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 \$100,000. Based on Manager policies, clients may have the option to restrict investment in their accounts, to avoid certain companies and/or industries.

Some Outside Managers employ a strategy that involves frequent trading. There are advantages and disadvantages to this approach. During the process of selecting Outside Managers, clients are encouraged to discuss the 'turnover rate' of the portfolio Manager. This may be one criterion for selecting a particular Manager over another.

When an Outside Manager is used, and the assets are held at a custodian other than Pershing LLC, the client will receive a Wrap Fee Brochure from the Outside Account Manager.

**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 – Curian Asset Management**

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 1.25% 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. Additional information about the Designated Fiduciary program is available upon request. The Designated Fiduciary provides their Wrap Fee Brochure to clients.

**Designated Fiduciary Program – Wrap Fees**

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

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**Lockwood Asset Allocation Portfolios**

Clients of Northland Asset Management have access to three portfolio allocation programs, offered through Lockwood Capital Management, an affiliate of our clearing firm, Pershing LLC. The three programs are 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. Breakdown of fee structure is the following:

Household Size	LIS Program	Consultant Fee (estimated)	Total Fee
First \$500,000	.75%	1.00%	1.75%
Next \$500,000	.55%	1.00%	1.65%
Next \$4,000,000	.40%	.85%	1.25%
Next \$5,000,000	.35%	.70%	1.00%
Over \$10,000,000	.30%	.55%	.85%

#### **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.

Household Size	LAAP Program	Consultant Fee (estimated)	Total Fee
First \$500,000	.40%	1.00%	1.40%
Next \$500,000	.35%	1.00%	1.35%
Next \$4,000,000	.30%	.85%	1.15%
Next \$5,000,000	.25%	.70%	.95%
Over \$10,000,000	.20%	.55%	.75%

#### **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. Wrap Fee Brochure and additional disclosures. Clients receive monthly custodial statements and a performance report distributed by Northland Asset Management.

Household Size	AFP Program (bp)	Consultant Fee (estimated)	Total Fee
First \$500,000	.37%	1.00%	1.37%
Next \$500,000	.33%	1.00%	1.33%
Next \$4,000,000	.24%	.85%	1.09%
Next \$5,000,000	.24%	.70%	.99%
Over \$10,000,000	.24%	.55%	.79%

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## **2. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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

Northland’s minimum account size is \$25,000. Certain Outside Managers have minimums of \$100,000 or more. Smaller accounts may be accepted by Northland at its discretion.

## **3. PORTFOLIO MANAGER SELECTION AND EVALUATION**

Northland’s review of portfolio Managers begins with a selection of firms that are available through its clearing firm, Pershing LLC. From this list, the Northland RIA Management Committee selects a diverse group of Managers reflecting both general and specific investment styles. The Managers are reviewed based on publicly available information, including company web sites and Morningstar Reports. Clients, based on consultation with their IAR, select a Manager or Managers from this list. They may also select a particular management style, when available.

A Northland principal reviews performance of the outside Managers for each account on a regular basis, generally quarterly and no less than annually. A quarterly report is provided to the client and the IAR, showing performance against an established benchmark. Northland’s Performance Reports are calculated using Portfolio Center, available from Schwab Performance Technologies, and calculations are done according to industry accepted standards. Additional information about Portfolio Center is available upon client request. On a regular basis, Performance Reports are compared against client account statements, to verify accuracy of holdings and values.

If the client or the IAR is unsatisfied with the Manager performance, or if the client’s goals or strategies have changed, the IAR notifies a Northland Principal, and the change is initiated.

On an annual basis, the Northland RIA Management Committee reviews Portfolio Managers that are currently being used or actively recommended to clients. Changes to the list are made annually, unless a specific situation requires earlier attention.

At times, IARs and clients may choose to work with a Manager who is not currently available on the Northland platform. To accommodate this request, the Northland RIA Management Committee performs due diligence on the Manager and when appropriate contacts Pershing to add them to our program. Occasionally, a Manager is not available through Pershing, and client accounts may be held with a separate custodian.

The wrap program is offered through outside Managers and, in some cases, by Northland IARs. Northland does not collect performance based fees and does not vote for clients by proxy. Outside Managers may vote proxies for clients who give approval for this on their Client Services Agreement.

#### **4. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Northland collects a broad range of client information in order to make suitable investment recommendations to clients. This information includes income, net worth, investment experience, tax status, marital status, risk acceptance and investment objectives. Northland updates this information as client situations change and at least within every three years.

Generally, Outside Managers are given information on the client amount of investment, liquidity needs, investment time horizon and any investment restrictions on either individual stocks or sectors. The Outside Manager is also given client identification information along client approvals regarding proxy voting and confirm or statement suppression.

When clients use an Outside Manager who is also a Designated Fiduciary, the client provides the Outside Manager with complete suitability information including income, net worth, investment experience, tax status, marital status, investment time horizon, risk acceptance and investment objectives.

#### **5. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Outside Managers generally are not available for discussions with individual clients. Some Managers may arrange for an individual consultation in a special situation, but this is highly unusual. Outside Managers communicate through publicly available information on their strategies and through individual account statements. Investment Adviser Representatives are available on a regular basis for review of the account activity and performance with the client.

#### **6. ADDITIONAL INFORMATION**

##### **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 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 of 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

#### Other Financial Industry Activities and Affiliations

Northland Asset Management is the Registered Investment Advisor for 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. Principal trades are not transacted in any discretionary accounts.

Northland at times recommends the purchase of Real Estate Investment Trusts that may pay a due diligence fee to the firm. When non-traded REITS are purchased in a fee based account, 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.

#### 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 prefer his or her own interest to that 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 on reasonable inquiry;

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

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, its associated persons, and related entities. A qualified representative of Northland will review these records on a regular basis; and

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.

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

#### Review of Accounts

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

Clients or their investment representatives are provided with a statement from the custodian holding the Client's funds/securities at least quarterly. It sets forth all transactions in your account during the reporting period. Northland also makes quarterly performance evaluations available to its clients. Additional reviews may be provided at the Client's request, or upon material changes in the Client's financial condition or pursuant to the terms of the executed agreement for services.

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.

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 updates 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.

#### 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 require payment of fees six months or more in advance are required to furnish a balance sheet to clients. Northland requires payment of fees monthly and quarterly in advance, so a balance sheet is not required disclosure.

#### Termination of Account Services

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.

### **7. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

#### Education and Business Standards

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. 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 our specific Investment Adviser Representatives is available in brochure ADV2B. A description of our principal executive officers and management is found in form ADV1.

## **8. OTHER DISCLOSURES**

### **Privacy Policy**

We recognize and respect the privacy of each of our customers and their expectations for confidentiality. The protection of customer information is of fundamental importance in our operation and we take seriously our responsibility to protect nonpublic personal information. We collect, retain and use information that assists us 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 us, our affiliates, or others

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. We restrict access to nonpublic personal information about clients to those employees, affiliates, and service providers who need to know that information to provide our products or services to them. We require that these entities limit the use of the information provided to the purposes for which it was disclosed and as permitted by law. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard 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.