



## Steven M Berman – Investment Advisor

PO Box 2229

Mill Valley, CA 94942

(415) – 388-8938

### Firm Brochure

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Steven M Berman – Investment Advisor. If you have any questions about the contents of this brochure, please contact Steven M Berman (hereafter: Steve) at: (415)-388-8938, or by email at: [steve@bermanadvisors.com](mailto:steve@bermanadvisors.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.

Steven M Berman – Investment Advisor is an SEC registered investment adviser. SEC registration does not imply a certain level of skill or training. It is simply a registration.

December 31, 2011

## Item 2 - Material Changes

### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. As such we have revised our ADV Part 2 form as of 12/31/2011 to reflect this new rule. This brochure (document) is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

***There were no material changes since the last annual update of this brochure (12/31/2010).***

### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (415) – 388-8938 or by email at: [shirley@bermanadvisors.com](mailto:shirley@bermanadvisors.com).

Additional information about Steven M Berman – Investment Advisor is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis without charges. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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## Item 4 - Advisory Business

### A. Firm Description

Steven M Berman – Investment Advisor was founded in 1992. Steve Berman is the sole advisor and investment advisor representative at the firm and owns 100% of the firm. Steve provides personalized confidential financial planning and investment management to individuals and families and their related entities, retirement plans, trusts and estates, and family businesses.

The firm's compensation is solely from fees paid directly by clients. No commissions in any form are accepted. No referral fees are paid or accepted. No benefits are received from custodians/broker-dealers based on client securities transactions ("soft dollar benefits"). No finder's fees are accepted.

### B. Service Offered

Investment Management: Steve manages investments for clients on a discretionary basis. This means that clients typically open up investment accounts at brokers such as TD Ameritrade and give Steve the limited authority to buy and sell securities in those accounts for the clients benefit or transfer funds to other identically registered client accounts.

Assets under the direct management of the firm are always held by independent 3<sup>rd</sup> party qualified custodians such as TD Ameritrade, or others (such as a 529 Plan), in the client's name.

Steve develops, implements, and monitors investment portfolios to help his clients fulfill their specific long-term financial life goals. In practice this means Steve and the client decide in advance how much to invest in stocks (riskier assets) and bonds (safer assets). This is called creating an Investment Policy. Normally, we will not change the mix of stocks and bonds (asset allocation) unless the clients' personal circumstances change.

Steve takes an *efficient markets* approach to investing, subscribing to the belief that no one can consistently predict which specific securities, asset classes, or investment markets will rise or fall in value (or by what amounts). Steve believes in Modern Portfolio Theory (MPT), the Nobel Prize winning research that states a portfolio's long-term expected return is directly related to the amount of overall portfolio risk. In practice, this typically means Steve invests client money in globally diversified portfolios of passive asset class focused mutual funds for the long term, taking into account the client's investment goals, time horizons, and psychological risk tolerance, while minimizing costs and taxes along the way.

In cases where clients own pre-existing assets such as stocks, bonds or annuities, Steve will evaluate whether it makes sense to sell those assets. In cases where the transaction or tax costs of





selling the pre-existing assets are sufficiently high, Steve may decide to keep those assets in the client portfolio.

Financial Planning is not provided as a stand-alone service, but it is considered an integral part of the overall investment management process and no additional fees are charged for this service for Steve's investment advisory clients. Steve typically works with his clients to help them establish their specific financial life goals. In this process he develops (with the input of the client) a long-term oriented written financial plan that attempts to answer the question: "What's the client's money for?"

Steve helps clients address such questions such as: When can I retire? How much should I set aside for college education? Can I buy a new house? Should I refinance? Am I spending too much? Can I spend more? Should I be saving more? Do I have the right estate plan for my family? Do I have the right kinds of insurance coverage?

Steve typically conducts a high level review of a client's taxes, estate plan and insurance but does not provide specific tax, insurance or estate planning advice.

At the client's request, Steve may provide referrals to appropriate tax, insurance, or estate planning professionals. In identifying the appropriate service professional to refer to, Steve does not receive any fees or compensation from these professional referrals. These professionals are engaged directly by the client on an as needed basis when recommended by Steve. Conflicts of interests will always be disclosed to the client and managed in the best interest of the client.

## C. Individual Needs

Steve customizes advice around clients' individual needs. This means he considers things like a client's marginal tax rate, psychological tolerance for risk, rational risk capacity, values, and goals when designing an investment portfolio or providing financial planning advice. Clients may impose reasonable restrictions on investing in certain types of securities, or asset classes.

## D. Wrap Fee Programs

Steven M Berman – Investment Advisor does not participate in any wrap fee programs.

## E. Assets under Management

As of December 31, 2010, Steven M Berman – Investment Advisor managed approximately \$127,000,000 in client assets on a discretionary basis. The firm does not currently manage assets on a non-discretionary basis.

## Item 5 - Fees and compensation

Steven M Berman – Investment Advisor is a Fee Only firm. All compensation comes directly from clients in the form of fees.

Steve does not accept any compensation dependent on the purchase or sale of a financial product such as commissions, rebates, awards, finder's fees, bonuses or other forms of compensation such as fee offsets or 12b-1 fees.

### A. Fee Schedule

The fee schedule is tiered as follows:

*Annual Fee Based on Assets Under Management*

Up to \$1,000,000 – 1.0%

Over \$1,000,000 – Negotiable

For clients placing multiple accounts under Steve's management, the advisory fee is calculated based on the aggregate market value of all client related household accounts. Steve may negotiate a different investment advisory fee arrangement with a client, based on the nature of the client's account.

The minimum aggregate (household) account value is \$2,000,000.

The fee schedule is negotiable. Steve may also at his discretion reduce the minimum household account relationship.

Steve may provide hourly based financial planning or investment advice to a limited number of clients. In such cases Steve does not manage client assets and charges an hourly fee of \$400. This fee is negotiable depending on client circumstances and the scope of the engagement.

### B. Billing

Fees are payable quarterly in *arrears* based on the total market value of the account as shown on the firm's provided portfolio statement on the last business day of the quarter. Account values are based upon pricing information supplied by the client's 3<sup>rd</sup> party qualified custodians, where their accounts are held. Account valuation data is supplied to Steven M Berman–Investment Advisor electronically, directly from TD Ameritrade or other 3<sup>rd</sup> party qualified custodians.

The specific manner in which fees are charged is established in a client's written agreement with the firm. Clients may elect to be billed directly for fees or to authorize the firm to directly debit fees from client accounts. This authorization must be granted in writing by the client and provided to the client's custodian. *If this authorization is granted, clients are advised by the firm*





*that their Custodian does not confirm the accuracy of the invoice and that this remains the responsibility of the client.*

Management fees are prorated for each deposit and withdrawal made during the applicable calendar quarter. Accounts opened or closed during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

Steve provides clients with a copy of their quarterly investment advisory fee invoice with their quarterly report.

Fees for hourly clients are billed at the time services are provided.

Steve or a client can end the investment management relationship at any time by giving written notice to the other. More specifics about this are detailed in Steve's "Letter of Agreement for Investment Management", that Steve and every client signs before we can work together.

## C. Other fees and expenses

Asset management clients also incur other costs as follows

**Transaction fees:** TD Ameritrade charges transaction fees to buy or sell mutual funds not part of their no transaction fee mutual fund marketplace. Most mutual funds in client accounts are not part of the TD Ameritrade no transaction fee mutual fund marketplace and incur this transaction fee. Steve generally avoids funds in the marketplace because, with exceptions, they are not the best choices to implement the client's investment strategy. Further, marketplace fund overall expenses are typically far higher than the mutual funds used by the firm that are outside the mutual fund marketplace and thus require a small transaction fee for purchase or sale.

**Mutual fund expenses:** Mutual funds charge an annual management fee for their services as investment managers. The management fee is included in their annual expense ratio. Mutual fund fees also include transaction charges for the purchase or sale of securities within the fund and may charge other fees as disclosed in the fund prospectus. These fees are in addition to the fees paid by you to Steven M Berman – Investment Advisor. Normally, annual management fees for the mutual funds we select are far below the industry averages.

**Operational fees:** Occasionally TD Ameritrade (or other client chosen 3<sup>rd</sup> party custodians) may charge clients operational fees such as a wire transfer fee or an early withdrawal fee from a mutual fund.

None of these fees are paid to Steven M Berman – Investment Advisor.



## D. Fees Paid in Advance

Steven M Berman – Investment Advisor does not accept any payment in advance for services. Both asset management and hourly clients are charged after services are provided.

## E. Compensation for the Sale of Securities

Steven M Berman – Investment Advisor does 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

Steven M Berman – Investment Advisor does not use performance-based fee structure (fees based on a share of capital gains on or capital appreciation of the assets of a client) because of the inherent potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. However, the nature of asset-based fees allows Steven M Berman – Investment Advisor to participate in the growth of the client's wealth. This also means that our fees can decline when the client's portfolio declines in value.

## Item 7 - Types of Clients

Steven M Berman – Investment Advisor generally provides investment advice to individuals and families and their related entities (such as self-directed pension plans, IRA's, trusts, estates, donor advised funds, and family businesses).

The minimum aggregate (household) account value is \$2,000,000 although Berman may waive the minimum at his discretion.

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

### A. Analysis Methods and Investment Strategies

Steve's investment approach is best described as *asset class investing*. He diversifies client portfolios among groups of securities (asset classes) with similar risk/return characteristics.

The foundation for this approach is the vast amount of academic and investment industry research concluding that asset class diversification, and not stock picking or market timing, has the greatest impact on portfolio returns over time. Therefore, investors are far better off adopting strategies that use passively-managed asset class funds to meet their long-term portfolio objectives.

Steven M Berman – Investment Advisor considers these facts:

- Most active money managers—whether managing separate accounts, hedge funds or mutual funds—fail to beat broadly diversified index funds over the long-term.
- There is no way to know ***in advance*** which active managers will beat their relevant benchmarks (indexes).
- Past performance is a very poor indicator of talent. It is more attributable to random luck!
- Actively managed portfolios are often subject to significant style drift (the tendency for the manager to change investment styles or chase trends).
- The expenses associated with actively managed portfolios are generally *much* higher than those of passively managed asset class funds.
- Passively managed asset class funds are generally much more tax-efficient than actively managed funds due to lower portfolio turnover.

Selecting the most appropriate mix of passively managed asset class funds to meet specific client goals and risk tolerance is critical to long-term investment success. Most finance academics and investment professionals acknowledge that there are ***three*** primary factors influencing portfolio returns:

- The percentage invested in (risky assets) stocks versus (safer assets) bonds
- The percentage invested in (safer) large company versus (riskier) small company stocks
- The percentage invested in (safer) growth versus (riskier) value stocks

The most basic investment truth is that risk and return are directly related. Thus investors should expect to receive higher returns from stocks than bonds over time *because stocks are riskier*.

Small company stocks are riskier than large companies and, as expected, have generated higher average returns over time.

Value stocks—those that sell at lower prices relative to their earnings and book values are perceived by investors to be riskier than growth stocks and have produced higher returns over time as well.

Steve diversifies portfolios among stocks & bonds, large and small company stocks, and value and growth stocks according to each investor's long-term objectives and risk tolerance. He uses a mix of U.S. and foreign stocks. Since all of these asset classes typically move in different

directions, at different times, and in varying degrees, asset class diversification tends to smooth out portfolio returns and provide greater downside protection over the long term.

Steve typically utilizes very low cost, true no-load (with no 12b-1 fees), passively managed, institutional asset class funds of Dimensional Fund Advisors (DFA) as well as funds from The Vanguard Group and other fund families to implement client investment strategies. Funds are selected based on the benchmarks they track, performance relative to their benchmark, and the expense ratios of the funds.

Steve generally follows a buy-and-hold discipline, periodically rebalancing asset classes to target allocations (taxable accounts are rebalanced *less* stringently due to the potential higher tax costs for the client). This insures that portfolio risk/return characteristics remain within acceptable limits at all times while avoiding the risks and high costs of market timing.

Incorporating all of these investment approaches, Steve works with his clients to refine a specifically tailored long-term investment strategy that (based on long-term historical results) should allow them to fulfill their important financial life goals—and still *hopefully* get a good night's sleep. This process culminates in the creation of the client's *written Investment Policy Statement* (IPS). The IPS details the long-term investment strategy (or play book) Steve will use to implement and maintain the client's long-term portfolio.

## B. Material Risks

**All investment programs have certain inescapable risks that are borne by the investor.** Steve's investment approach attempts to mitigate risk whenever possible. However, as with all investments, clients face investment risks including the following that can at times lead to the loss of principal:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.



- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9 - Disciplinary Information

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Item 10 - Other Financial Industry Activities and Affiliations

### A. Financial Industry Activities

Steven M Berman – Investment Advisor does not participate in any other financial industry business activities.

### B. Financial Industry Affiliations

The firm does not have affiliations that are material to its advisory business or its clients with any related person.

At the client's request, Steve may provide referrals to appropriate tax, insurance, or estate planning professionals. In identifying the appropriate service professional to refer to, Steve does not receive any fees or compensation from these professional referrals. These professionals are engaged directly by the client on an as needed basis when recommended by Steve. Conflicts of interests will always be disclosed to the client and managed in the best interest of the client.



Steven M Berman – Investment Advisor has a material relationship with the brokerage firm TD Ameritrade through which they provide the firm with their "platform" services. These services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support (and benefit) advisors in conducting business and in serving the best interests of their clients.

TD Ameritrade charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). TD Ameritrade enables Steven M Berman – Investment Advisor to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. TD Ameritrade's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by TD Ameritrade may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, TD Ameritrade also makes available to Steven M Berman – Investment Advisor, at no additional charge, certain research and brokerage services, including research services obtained by TD Ameritrade directly from independent research companies.

As a result of receiving such services for no additional cost, the firm may have an incentive to continue to use or expand the use of TD Ameritrade's services. The firm examined this potential conflict of interest when it chose to enter into the relationship with TD Ameritrade and has determined that the relationship is in the best interests of the firm and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although the firm will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by the firm will generally be used to service all of Steven M Berman – Investment Advisor clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. The firm and TD Ameritrade are not affiliates.

Steven M Berman – Investment Advisor has a material relationship with Dimensional Fund Advisors (DFA). The firm invests a material amount (and sometimes all) of client assets in mutual funds managed by DFA. DFA provides the firm with research, analysis and software tools free of



charge that are used to evaluate the appropriateness of various DFA managed mutual funds for client accounts. The firm does not receive any commissions, fees or other financial contribution from DFA. The firm is not aware of any material conflicts of interest. The firm is not required to invest client assets in DFA managed funds.

## Item 11 - Code of Ethics

### A. Adopted Code of Ethics

Steven M Berman – Investment Advisor has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions.

The key points are putting the clients' interest first, objectivity, confidentiality, competence, fairness and suitability, integrity and honesty, regulatory compliance, full disclosure, and professionalism.

The Adviser and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code of Ethics covers a range of topics that include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code of Ethics to any client or prospective client upon request.

### Participation or Interest in Client Transactions

**B.** Steven M Berman – Investment Advisor and its employees does not recommend to clients securities in which the advisor has a material financial interest.

**C.** Steven M Berman – Investment Advisor and its employees may buy or sell securities that are also held by clients. Normally all securities purchased or sold are mutual funds where all purchases and sales are executed at the end of day closing price. To govern such transactions, the firm has adopted a personal securities policy and procedure that outlines the timing and conditions under which the firm and employees may buy or sell securities or funds when such securities are also held or traded by clients. The firm's trading policy and procedure is designed to ensure that clients are not disadvantaged in any way by Steve's or employee personal securities transactions.



**D.** Steve and any employees are prohibited from trading on knowledge he or other employees may have regarding the potential market impact of transactions entered on behalf of clients and would be subject to the same personal trading procedures as outlined above.

## **Item 12 - Brokerage practices**

Steven M Berman – Investment Advisor recommends that clients use TD Ameritrade as their broker- dealer for assets managed by Steven M Berman – Investment Advisor. The nature of managing assets requires that a broker dealer provide the investment manager with special services. The most important of these services include access to client accounts through a Limited Power of Attorney agreement and data downloads of client transactions. It is far more practical for a firm to work with a single broker-dealer than with several. Steve chose to work with TD Ameritrade because of a combination of reliability (Steve believes TD Ameritrade will be around for a long time) and low relative cost to clients. TD Ameritrade does not receive any direct payment from Steven M Berman – Investment Advisor. Rather, TD Ameritrade earns revenue from transaction commissions charged client account.

### **A.1. Research and Other Soft Dollar**

Steven M Berman – Investment Advisor does not receive research or other products or services other than execution from TD Ameritrade. TD Ameritrade does provide incidental research through emails and website distributions that are incidental and free of charge. Steve does not normally make use of this research.

### **A.2. Broker-Dealer Referrals**

Neither Steven M Berman – Investment Advisor nor any related persons receives referrals from a broker dealer.

### **A.3. Directed Brokerage**

Steven M Berman – Investment Advisor recommends but does not require that clients use TD Ameritrade as their broker- dealer for assets managed by Steven M Berman – Investment Advisor. The nature of managing assets requires that a broker dealer provide the investment manager with special services. The most important of these services include access to client accounts through a Limited Power of Attorney agreement and data downloads of client transactions. It is far more practical for a firm to work with a single broker-dealer than with several.

See Item 10 in this document for additional information related to TD Ameritrade on this subject.



## B. Order Aggregation

Almost all trades are mutual funds, where trade aggregation does not garner any client benefit.

## Item 13 - Review of Accounts

### A. Account Review Frequency

Steven M Berman – Investment Advisor provides continuous investment supervision to client portfolios. The firm employs rebalancing software to review client investment accounts (by Investment Policy) at least monthly for deviations from the clients target investment mix by individual asset class. For example, if a client’s investment strategy targets a 4% allocation to International Emerging Markets equity securities, the firm will review accounts to see if the allocation is meaningfully above or below 4%.

Typically, when any individual asset class allocations are more than 25% above or below target, (i.e. in this example: less than 3% or more than 5%), Steve will rebalance the funds back to the 4% target. Steve tries to minimize rebalancing transaction and tax costs whenever possible by (for example), waiting until new expected funds are credited to an account or a fund taxable position becomes a long-term capital gain.

Typically, financial plans and Investment Policy Statements are reviewed (and updated if necessary) every 24 months.

### B. Trigger Events

As necessary, accounts are reviewed more often than monthly. Circumstances that may require these interim reviews include higher than normal market volatility or large or unplanned additions or withdrawals from client investment accounts.

Financial Plans and Investment Policy Statements are sometimes reviewed more often than every 24 months. Common issues that require such interim reviews might include changes in employment or salary, retirement, inheritance, and birth of a child.

### C. Report Frequency

Based on 3<sup>rd</sup> party custodial records, Steve provides quarterly portfolio reports showing; (a) a consolidated summary on all investment accounts based upon the client’s agreed upon investment policy (“IPS”); and (b) appraisals detailing the specific investment performance over relevant time periods for each individual account. These reports are generated from Steve’s portfolio accounting software. Steve often includes a market missive, summarizing some key aspects of the client’s investment results, the general investment market environment, or recent financial planning opportunities that should be of interest or benefit the client.

In the 1<sup>st</sup> quarter of the year, the firm sends client's a report of their Realized Capital Gains and Losses for their taxable accounts to help them prepare their tax returns. Steve is available for client questions and account reviews by telephone, email, and for virtual or in-person meetings at mutually agreed upon time and location and recommends at least one client review meeting per year.

## Item 14 - Client Referrals and Other Compensation

**A.** Steven M Berman – Investment Advisor receives economic benefit from TD Ameritrade as described in Item 10 and Item 12. Steven M Berman – Investment Advisor also receives economic benefit from Dimensional Fund Advisors as described in Item 10.

**B.** Steven M Berman – Investment Advisor does not compensate any person or firm for client referrals.

## Item 15 - Custody

Steven M Berman – Investment Advisor does not have custody of client funds.

All client assets are held at 3<sup>rd</sup> party qualified custodians. Clients receive monthly statements from TD Ameritrade and at least quarterly statements from any other 3<sup>rd</sup> party qualified custodians used by Steve's clients. The firm urges all clients to carefully review such statements and compare the official custodial records to the account statements and reports that we may provide to clients. Our statements may vary from custodial statements based on accounting procedures, reporting dates, dividend receipt dates, or valuation methodologies of certain securities.

## Item 16 - Investment Discretion

Steven M Berman – Investment Advisor usually receives discretionary authority from the client at the outset of an advisory relationship to select and determine the amounts of specific securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Steven M Berman – Investment Advisor observes the investment policies, limitations and restrictions of the clients for which it advises.

Normally investment guidelines and restrictions are documented in a written Investment Policy Statement agreed upon with the client at the onset of the client relationship and input into the client's underlying model portfolio.

## Item 17 - Voting Client Securities

As a matter of firm policy and practice Steven M Berman – Investment Advisor does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Steven M Berman – Investment Advisor may provide advice to clients regarding the clients' voting of proxies.

## Item 18 - Financial Information

- A.** The firm does not require prepayment of fees for any services.
- B.** The firm does not have any financial impairment that will preclude it from meeting any contractual commitments to clients.
- C.** The firm has never been the subject of a bankruptcy petition.



## Brochure Supplement (Part 2B of Form ADV)

### Supervised Persons

Steven M Berman

## Steven M Berman – Investment Advisor

PO Box 2229

Mill Valley, CA 94942

(415) – 388-8938

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

This brochure supplement provides information about Steven M Berman that supplements the Steven M Berman – Investment Advisor brochure. You should have received a copy of that brochure. Please contact Shirley Berman, Administrative Assistant, if you did not receive the Steven M Berman – Investment Advisor brochure or if you have any questions about the contents of this supplement.

Additional information about Steven M Berman is available on the SEC's website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

December 31, 2011



## Item 2 - Educational Background and Business Experience

Steven M Berman was born in 1951

### A: Education:

- Brandeis University, Waltham, MA - 1973 – B.A. Philosophy
- Harvard University, Boston, MA 1977 – MBA Finance

### B: Business Background:

- 1992 to the Present  
**Steven M. Berman-Investment Advisor, Mill Valley, CA**  
A sole proprietorship providing investment advisory and financial planning services.
- 1973 to 1995  
**Lloyds' of London, London England**  
Mr. Berman began as an investment analyst and became a General Partner in 1978.
- 1981 to 1995  
**Liberty Bank, South San Francisco, CA. (Directorship)**  
Founder and an original director, Chairman of the Audit and Investment Committees, member of the Loan and Executive Committees. Mr. Berman resigned from the Board of Directors in 1995 when the bank was sold.

## Item 3 - Disciplinary Information

None

## Item 4 - Other Business Activities

Steve Berman is not actively engaged in any business other than providing investment and financial planning advice through Steven M Berman – Investment Advisor.

## Item 5 - Additional Compensation

All of Steve's compensation comes directly from clients in the form of fees paid to Steven M Berman—Investment Advisor. Steve (or the firm) does not accept any compensation dependent on the purchase or sale of a financial product such as commissions, rebates, awards, finder's fees, bonuses or other forms of compensation such as fee offsets or 12b-1 fees.

## Item 6 - Supervision

As a sole proprietor and sole Supervised Person of Steven M Berman – Investment Advisor, Steven Berman supervises and monitors his own work and advice for his clients.

