

Item 1 Cover Page



## **McBroom & Associates, LLC**

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Sept. 7, 2011

This brochure provides information about the qualifications and business practices of McBroom & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at 213-612-4626 or our new number 702-750-0277. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about McBroom & Associates, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using our firm's unique IARD number of 151187.

## Item 2 Material Changes

McBroom & Associates has not had any material business changes since the last update.

The SEC adopted "Amendments to Form ADV" in July, 2010. As a registered investment adviser, our firm is required to comply with the new reporting and filing requirements. This brochure, dated September 7, 2011, is our new disclosure document which has been prepared according to these new requirements.

As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We will provide you with other interim disclosures about material changes as necessary.

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#### Item 4 Advisory Business

McBroom & Associates, LLC, is an SEC-registered investment adviser with its principal place of business located in Los Angeles, California. Our firm is 100% owned by Martin W. McBroom, who is the President and Managing Member.

McBroom & Associates, LLC, serves as a discretionary, fee-based portfolio manager. We manage client portfolios directly, making the day to day decisions regarding asset allocation, securities selection, and the timing of purchases and sales.

Account management is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax consideration. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We also review and discuss a client's prior investment history, as well as family composition and background, as appropriate.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

McBroom & Associates, LLC will offer clients the following types of Investments:

- 1) Equity Securities
  - a) Exchange-listed securities
  - b) Over-the-counter securities
  - c) Foreign securities traded on a US exchange (ADRs)
- 2) Exchange-traded funds or notes (ETF/ETN) that may or not be long or short, and may or may not be leveraged, investing in
  - a) Stocks
  - b) Bonds
  - c) Commodities
- 3) Certificates of deposit (CDs)
- 4) Municipal Bonds
- 5) United States government securities

Because some types of investments involve additional risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, risk tolerance, liquidity and suitability.

## Item 5 Fees and Compensation

A minimum of \$1,000,000.00 of assets under management is required for this service.

This account size may be negotiable under certain circumstances. McBroom & Associates, LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Our annual fees for Investment advisory services are based upon a percentage of assets under management, account size, and the types of investments as follows:

- 1% for equity and most bond investments
- 0.4% for municipal bond investments
- 2% for accounts significantly below the minimum size

So in summary, our fees are generally 1%, but can range from 0.4% to 2.0%

McBroom & Associates, LLC retains the right to negotiate an alternative fee schedule on a client-by-client basis depending on client circumstances. These include client complexity, anticipated future assets, related accounts, portfolio style, and account composition.

The specific annual fee schedule is identified in the contract between the adviser and each client.

Discounts may be offered to family members and friends of associated persons of our firm.

We manage funds for clients under a contractual arrangement that mitigates conflicts of interest by charging a fee that captures management, brokerage, and administrative services collectively.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

Clients may incur charges for other account services provided and not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for transfers of securities.

McBroom & Associates, LLC does not intend to issue any publications or reports on a subscription basis or for a fee separate from those being charged for its advisory services.

Client accounts are held at custodial firms such as Charles Schwab & Co. or Deutsche Bank.

Neither McBroom & Associates, nor its representatives, have direct access to client funds.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of oral or written notice. A client has the right to terminate a client agreement without fee or penalty within five (5) business days of acceptance of a client agreement. Upon termination of any account, any prepaid, unearned fees will be refunded at the next quarterly billing.

Pre-existing advisory clients are subject to our minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

Item 6      *Performance-Based Fees* and Side-By-Side Management

McBroom & Associates, LLC does not participate in any performance-based fees or side-by-side management.

Item 7        Types of *Clients*

McBroom & Associates, LLC provides investment advice to individuals, trusts, estates, or charitable organizations, and corporations.

The McBroom & Associates, LLC equity security analysis method relies heavily on finding mid to large sized corporations that have consistently grown shareholder value over many years. Once found, we look for the subset of these companies which are undervalued and have a significant growth potential over the next few years:

- Mid-large company size (850 million market cap or greater)
- Consistent growth of shareholder value (Value Line data)
- Undervalued (Parallax Financial Research/Zacks data)
- Significant growth of earnings expected (Value Line data)

We then further research the selected companies using the following sources:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission; and
- Company press releases
- Analysis of crowd behavior from stock charts

We purchase securities with the idea of holding them in the client's account for a year or longer.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Clients should understand that investing in any securities involves a risk of loss of both income and principal.



Item 9            Disciplinary Information

To date McBroom & Associates, LLC or any of its supervised representatives do not have any disciplinary events that are material to the evaluation of our advisory business or management integrity.

Item 10      Other Financial Industry Activities and Affiliations

McBroom & Associates, LLC, may also recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc., to maintain custody of assets and effect trades for their accounts. For accounts that are managed by McBroom & Associates, LLC, charges for these services are included in the management fee.

McBroom & Associates, LLC also offers investment consulting to a film school and receives a quarterly fee.

McBroom & Associates, LLC, has elected to adopt a Code of Ethics (the “Code”) that it and its associates will follow in dealing with their clients. The Code of Ethics is detailed below:

## Code of Ethics and Professional Standards

McBroom & Associates, LLC adopted a Code of Ethics and Professional Standards (the “Code”) to help avoid prohibited acts and designed to eliminate potential conflicts of interest. The Code works in conjunction with McBroom & Associates, LLC written Statement of Policy and Procedures (the “Statement”) designed to detect and prevent insider trading and to govern personal securities trading. Such statement, among other things, forbids any member or employee of McBroom & Associates, LLC from trading, either personally or on behalf of others on material non-public information or communicating material non-public information to others in violation of the law (i.e., insider trading). It also sets forth McBroom & Associates, LLC policy that clients' interests are always placed ahead of any personal interest. All employees are required to report their personal securities transactions to McBroom & Associates, LLC, designated supervisor on a periodic basis McBroom & Associates, LLC believes that the Code and Statement designed to detect and prevent insider trading and to govern personal securities trading are appropriate to prevent or eliminate potential conflicts of interest situations between McBroom & Associates, LLC, its employees and members and McBroom & Associates, LLC clients. A copy of McBroom & Associates, LLC Code of Ethics is included below.

## The Code of Ethics

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of the clients above our own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the profession and us.
- Promote the integrity of and uphold the rules governing capital markets.
- Maintain and improve our professional competence and strive to maintain and improve the competence of other investment professionals.

## Standards of Professional Conduct

- I. Professionalism
  - a. **Knowledge of the Law.** “McBroom & Associates, LLC” and all directors, officers, partners, employees, and any other person who provides advice on behalf of McBroom & Associates, LLC (“Supervised Persons”) must understand and comply with all applicable laws, rules, and regulations of any government, regulatory organization, licensing agency, or professional association governing McBroom & Associates, LLC professional activities. In the event of conflict, McBroom & Associates, LLC and Supervised Persons must comply with the more strict law, rule, or regulation. McBroom

& Associates, LLC and Supervised Persons must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

- a. **Independence and Objectivity.** McBroom & Associates, LLC and Supervised Persons must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. We must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise our own or another's independence and objectivity.
- b. **Misrepresentation.** McBroom & Associates, LLC and Supervised Persons must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.
- c. **Misconduct.** McBroom & Associates, LLC and Supervised Persons must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

## II. Integrity of Capital Markets

- a. **Material Nonpublic Information.** McBroom & Associates, LLC and Supervised Persons who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.
- b. **Market Manipulation.** McBroom & Associates, LLC and Supervised Persons must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

## III. Duties to Clients

- a. **Loyalty, Prudence, and Care.** McBroom & Associates, LLC and Supervised Persons have a duty of loyalty to our clients and must act with reasonable care and exercise prudent judgment. We must act for the benefit of our clients and place our clients' interests before McBroom & Associates, LLC or their own interests.
- b. **Fair Dealing.** McBroom & Associates, LLC and Supervised Persons must deal fairly and objectively with all of our clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.
- c. **Suitability.**
  - i. When McBroom & Associates, LLC and Supervised Persons are in an advisory relationship with a client, we must:
    - 1. Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
    - 2. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
    - 3. Judge the suitability of investments in the context of the client's total portfolio.
  - ii. When McBroom & Associates, LLC and Supervised Persons are responsible for managing a portfolio to a specific mandate, strategy, or style, we must only make investment recommendations or take only investment actions that are, consistent with the stated objectives and constraints of the portfolio.
- d. **Performance Presentation.** When communicating investment performance information, McBroom & Associates, LLC and Supervised Persons must make reasonable efforts to ensure that it is fair, accurate and complete.
- e. **Preservation of Confidentiality.** McBroom & Associates, LLC and Supervised Persons must keep information about current, former, and prospective clients confidential unless
  - i. The information concerns illegal activities on the part of the client or prospective client,

- ii. Disclosure is required by law, or the client or prospective client permits disclosure of the information.

IV. Duties to McBroom & Associates, LLC

- a. **Loyalty.** In matters related to their employment McBroom & Associates, LLC and Supervised Persons must act for the benefit of McBroom & Associates, LLC and not deprive the firm of the advantage of their skills and abilities divulge confidential information, or otherwise cause harm to McBroom & Associates, LLC.
- b. **Additional Compensation Arrangements.** Supervised Persons must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with McBroom & Associates, LLC's interest unless they obtain written consent from all parties involved.
- c. **Responsibilities of Supervisors.** McBroom & Associates, LLC and Supervised Persons must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision or authority.

V. Investment Analysis, Recommendations, and Action

- a. **Diligence and Reasonable Basis.** McBroom & Associates and Supervised Persons must:
  - i. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
  - ii. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.
- b. **Communication with Clients and Prospective Clients.** McBroom & Associates and Supervised Persons must:
  - i. Disclose to our clients and prospective clients the basic format and general principles of our investment processes used to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
  - ii. Use reasonable judgment in identifying which factors are important to our investment analyses, recommendations, or actions and include those factors in communications with our clients and prospective clients.
- c. **Record Retention.** McBroom & Associates and Supervised Persons must develop and maintain appropriate records to support their investment analysis, recommendations, actions, and other investment-related communications with our clients and prospective clients.

VI. Conflicts of Interest

- a. **Disclosure of Conflicts.** McBroom & Associates and Supervised Persons must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to our clients, prospective clients, and McBroom & Associates. We must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.
- b. **Priority of Transactions.** Investment transactions for our clients must have priority over investment transactions in which McBroom & Associates or a Supervised Person is the beneficial owner.
- c. **Referral Fees.** Supervised Persons must disclose to McBroom & Associates, our clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or service

Item 12      Brokerage Practices

McBroom & Associates, LLC does not recommend other Broker Dealers for client transactions nor does the firm have research or other soft dollar benefits.

Item 13      Review of Accounts

Accounts are reviewed daily, in the aggregate, for changes in fundamental and technical factors that could influence the market price of individual securities. Individually, accounts are reviewed each week in terms of portfolio performance and the ability of each portfolio to meet the stated goals and objectives of each client. Formal reviews are conducted each quarter with each client, in person or by telephone, to coincide with quarterly performance reports. If necessary, reviews are conducted more frequently. Mr. McBroom is the sole reviewer.

Clients receive trade confirmations and monthly statements from the account custodian. From McBroom & Associates, LLC, they receive quarterly reports which include a portfolio summary, portfolio appraisal, schedule of realized capital gains and losses, performance history, and schedule of interest, dividends, and expenses. Reports may be customized depending on client needs.

Item 14      *Client Referrals and Other Compensation*

McBroom & Associates, LLC does not have any arrangements which would cause the receipt of economic benefits providing investment advice or other advisory services to our clients. In addition, McBroom & Associates, LLC does not directly or indirectly compensate any person or entity for client referrals.

It is McBroom & Associates, LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.



Item 15      *Custody*

McBroom & Associates, LLC does not have custody of client funds or securities and maintains a clearing relationship with Charles Schwab & Co., and Deutsche Bank who are both qualified custodians that send quarterly, or more frequent, account statements directly to our clients.

In exercising its discretionary authority, the firm will normally determine (without consultation with its clients on a transaction by transaction basis):

- which securities are bought and sold for the account;
- the total amount of such purchases and sales and whether a client's transaction should be combined with those of other clients and traded as a "block"; and,
- The brokers or dealers through which transactions will be executed.

However, the firm's authority may be subject to conditions imposed by the client, examples of which include:

- where the client restricts or prohibits transactions in securities of specific industry; and,
- The client directs that transactions be effected through specific brokers, dealers, or custodian.

The latter restriction may be conditioned by the client paying transaction costs to a particular broker dealer. In any such situation, the client should consider whether, under the restriction, the commission expenses, execution, clearance and settlement capabilities, and whatever amount is regarded as allocable to custodian fees, if applicable, will be comparable to those otherwise obtainable. A client who designates the use of a particular broker or dealer should understand that the client may lose the possible advantage which non-designating clients may derive from the firm's aggregation of orders for the purchase or sale of a particular security.

Because the firm absorbs the brokerage commission and dealer mark-ups and mark-downs for the execution of trades, the firm will generally execute all trades through its related broker dealer so as to avoid incurring the incremental brokerage costs that would result from using different brokers. Under such circumstances, it is possible that the client may not receive the best overall execution on trades through said designated broker. Consequently the fees charged may, depending upon the amount of the fee and the level of trading and services rendered to the client, be more or less than the total of fees that could possibly have been negotiated separately for each service provided.

Item 17      Voting *Client* Securities

McBroom & Associates, LCC does not have or accept authority to vote client securities. Clients will receive their proxies or other solicitations directly from the custodian or transfer agent. If a client has questions regarding a particular solicitation, they can contact McBroom & Associates, LLC at 213-612-4626 or our new Nevada number, 702-750-0277.

Item 18      Financial Information

McBroom & Associates, LLC does not have any arrangements, oral or in writing where it:

- Is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients; and
- Directly or indirectly compensates any person for client referrals

**Martin W. McBroom** has more than 30 years of experience in the investment business. Prior to forming Marks, McBroom & Company, Inc., he was a senior portfolio manager with Prudential Securities, and a member of the firm's advisory council. He was previously with Morgan Stanley & Company, where he was instrumental in establishing the restricted securities department. He holds a BS degree from the University of Utah, and an AA from Chaffey College. He was born in 1950.

Mr. McBroom holds a Series 65 License.

