

Wrap Fee Program Brochure

(Part 2A Appendix of Form ADV)

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This wrap fee program brochure provides information about the qualifications and business practices of Clay Northam Wealth Management, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 562-799-5547 or email at dnortham@claynortham.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Clay Northam Wealth Management, LLC (IARD #159002) is available on the SEC's website at www.adviserinfo.sec.gov

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Item 2: Material Changes

The Material Changes section of this brochure will be updated annually and will disclose any material changes occur since the previous release of the Wrap Fee Program Brochure. We must clearly state we are discussing only material changes since the last annual update.

No material changes since the October 2011 brochure.

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Item 4: Services, Fees and Compensation

Firm Description

Clay Northam Wealth Management, LLC ("Advisor") is an investment advisor registered. Advisor offers investment advice to clients through a wrap fee program ("Program") based on the individual needs of the client. Advisor is the sponsor of the Program. Brian Clay and Darren Northam are advisory representatives of the Advisor and responsible for management of the Program accounts.

This disclosure brochure is limited to describing the Program and other information that client should consider prior to establishing an account in the Program. For a complete description of other programs and services offered by Advisor, clients should refer to Advisor's Form ADV Part 2A, a copy of which will be provided by Advisor to client upon request.

Program Services

The Program offers clients an asset management account in which the Advisor directs and manages Program assets for client. The Program permits a client to authorize Advisor to purchase and sell on a discretionary basis mutual funds, exchange traded funds ("ETFs"), equities, fixed income securities, options and other public and private securities or investments.

The Advisor obtains the necessary financial data from the client and tailors the investment strategy to the client's specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal which we determine to be suitable to the client's circumstances. Once the appropriate portfolio is designed, Advisor will review the portfolio at least quarterly and rebalance the portfolio if necessary based on the client's individual needs, stated goals, and objectives. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

Client will be required to enter into a written agreement with Advisor in order to establish a Program account. Client will also be required to complete an application with the broker/dealer that will act as custodian for Program account assets.

Program Fees

The annual investment advisory fee ("Annual Fee") for the Program is a maximum of 2% of assets under management.

The Annual Fee is negotiable, is based on the value of the assets in the account, including cash holdings, and is payable quarterly in advance. Annual Fee payments are due and assessed at the beginning of each quarter based on the value of the assets under management as of the close of business on the last business day of the preceding quarter as valued by the custodian. All Annual Fees are deducted from the account by the custodian unless other arrangements have been made in writing.

A wrap fee program allows clients to pay a specified fee for investment advisory services and the execution of transaction. The advisory services may include portfolio management and

the fee is not based directly upon the transactions in the account. The fee is bundled with costs for execution transactions in the account. This results in a higher advisory fee. Advisor does not charge clients higher advisory fees based on their trading activity, but the Advisor has an incentive to limit the trading activities in the accounts to lessen the execution fees paid by the Advisor.

In addition to the Annual Fee, client may also incur certain charges imposed by third parties in connection with investments made through Program accounts. These may include, but are not limited to, the following: mutual fund or money market 12b-1 fees, subtransfer agent fees, omnibus processing fees and networking fees, mutual fund or money market management fees and administrative expenses, mutual fund transaction fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, other transaction charges and service fees, IRA and qualified retirement plan fees, alternative investment administrative fees, and other charges required by law. Advisor does not receive any portion of these fees. Further information regarding charges and fees assessed by a mutual fund are available in the appropriate prospectus.

Investment advisory representatives of the Advisor receive a portion of the Annual Fee paid to the Advisor either directly as a percentage of the Annual Fee received or as their salary. In cases where the investment advisory representative is paid a percentage of the Annual Fee, this creates an incentive to recommend participate in a wrap fee program rather than a non-wrap fee program or brokerage account where the client is charged commissions. The wrap fee program may generate more compensation from the Annual Fee. This conflict is mitigated by the fact that the Advisor has a fiduciary responsibility to act in the best interest of its clients. Clients have the option to purchase these products/services through another advisor.

Item 5: Account Requirements and Types of Clients

The Advisor does not have a minimum account value in order to open or maintain an account in the Program.

Advisor offers the Program to individuals, high net worth individuals, trusts, estates, charitable organizations, corporations, limited liability companies and other business entities.

Item 6: Portfolio Manager Selection and Evaluation

Portfolio Manager

The firm may utilize Charles Schwab & Co., Inc.'s ("Schwab") Managed Account Select program. The program allows Advisor to select separate account managers ("MMs") to manage the client's investment portfolio on a discretionary basis pursuant to the client's investment strategy. The MMs are not affiliated with Schwab and the selection of the MM is determined by the Advisor. The Advisor selects and reviews the MMs based on the following factors:

- Past performance;
- Investment philosophy;
- Market outlook; and
- Experience of the MMs.

Co-owners Brian Clay and Darren Northam act as the Portfolio Manager and will manage all Program accounts.

In general, all individuals that render investment advice on behalf of Advisor are required to have a college degree and/or five (5) years of equivalent industry experience. In addition, all advisory representatives must have obtained all required licenses and a professional designation such as Certified Financial Planner (“CFP®”).

Each individual will be reviewed and considered on a case-by-case basis by an executive member of Advisor. Advisor requires that individuals have high standards or morals and ethics and be committed to providing quality investment advice. Additionally, advisory representatives will be required to obtain any required regulatory examinations.

Conflicts of Interest

Brian Clay and Darren Northam are registered representatives of Purshe Kaplan Sterling Investments, Inc. and independent insurance agents. In such capacities, they may offer securities and insurance and receive normal and customary commissions as a result of these transactions outside of Program account.

These practices presents conflicts of interest to the extent a representative may recommend a client invest in a security or insurance products which results in higher commission for the representative. The conflicts are mitigated by the fact that the Advisor has a fiduciary responsibility to act in the best interest of its clients. Clients have the option to purchase these products/services through another registered representative or insurance agent.

Advisory Business

The Advisor offers clients an asset management account through the Program in which the Advisor directs and manages Program assets for client. For more detail see Item 4 of this Brochure.

Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Methods of Analysis, Investment Strategies and Risk of Loss

Advisor utilizes the following methods of analysis:

- Charting – involves using charting (search for patterns) to evaluate securities
- Fundamental - involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth.
- Technical – involves evaluating securities based on statistics such as past prices and volume
- Cyclical – involves analyzing the cycles of the market

The Investment Strategies used by Advisor are:

- Long term purchases – securities held at least for one year

- Short term purchases – securities sold within one year
- Trading – securities bought and sold within 30 days
- Short Sales – sell securities which the client doesn't own, but promises to deliver
- Margin transactions – buying securities partial on credit
- Option writing – including covered options, uncovered options or spreading strategies

Please note:

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the client's account may also enjoy a gain, it is also possible the stock market decreases and the client suffers a loss. It is important client understand the risks associated with investing in the stock market. Clients may face the following investment risks:

- *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 buy more than 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.

Proxy Voting

Advisor does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent. In the event proxies are sent to the Advisor, Advisor will forward them to the client. Clients may contact Advisor to discuss questions they may have on the particular proxy votes or other solicitations.

Item 7: Client Information Provided to Portfolio Managers

The Advisor obtains the necessary financial data from the client and assists the client in setting appropriate investment objectives for the Program account. The Advisor obtains updated information from the client as necessary in order to provide personalized investment advice to the client.

Advisor communicates with portfolio manager(s) on a regular basis to ensure the client's current investment goals and objectives are understood.

Client will be required to enter into a written agreement with Advisor in order to establish a Program account. Client will also be required to complete an application with the broker/dealer that will act as custodian for Program account assets.

Item 8: Client Contact with Portfolio Managers

Clients are required to communicate through the Advisor and may not directly contact and consult with the portfolio managers.

Item 9: Additional Information

Advisor and its management have not been involved in any criminal or civil action, administrative enforcement proceedings, or legal or disciplinary events related to past or present investment clients.

Investment advisory representatives of the Advisor are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), member FINRA/SIPC. The Advisor and PKS are not affiliated. They offer securities and receive normal and customary commissions as a result of securities transactions.

Investment advisory representatives of the Advisor are independent insurance agents/brokers and may offer insurance products to clients of the Advisor. They receive normal and customary commissions as a result of insurance transactions.

These practices presents conflicts of interest to the extent a representative may recommend a client invest in a security or insurance products which results in higher commission for the representative. The conflicts are mitigated by the fact that the Advisor has a fiduciary responsibility to act in the best interest of its clients. Clients have the option to purchase these products/services through another registered representative or insurance agent.

Neither Advisor nor its employees are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

Code of Ethics

The employees of Advisor have committed to a Code of Ethics. The purpose of our Code of Ethics is to set forth standards of conduct expected of Advisor employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of Advisor. The Code reflects Advisors and its supervised persons' responsibility to act in the best interest of the clients.

The Advisor recognizes personal investment transactions of members employees of the Advisor demand a high Code of Ethics and require all investment transactions be carried out in a way that does not create actual or potential conflict with our clients. At the same time, the Advisor believes if investment goals are similar for clients and the Advisor's employees, it is logical and even desirable there be common ownership in some securities. To help mitigate conflicts of interests, the Advisor has procedures in place with respect to personal transactions effected by its members, employees or access persons. The Advisor requires quarterly securities transaction reporting for all its associates.

Furthermore, the Code applies to all associated persons of the Advisor. An investment adviser considered a fiduciary and therefore has the responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of its clients at all times.

Our fiduciary duty is considered the core underlying principle of the Code which includes Insider Trading and Personal Securities Transactions Policies and Procedures. Upon affiliation or employment with the Advisor, all supervised persons will be required to sign an acknowledgement that they have read, understand and agree to comply with the Code.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Review of Accounts

Account reviews are performed at least quarterly for client receiving asset management services. Reviews are conducted by Financial Advisor or Portfolio Managers. The nature of the reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions and investment policies.

Account reviews may be performed more frequently. Conditions that may trigger a review of clients' accounts are major changes in the market or economic conditions, changes in the tax laws, new investment information, and changes in a client's own situation.

Clients receive account statements from the custodian at least quarterly for managed accounts. Advisor does not provide written performance reports unless requested by the clients. Advisor provides a verbal report to asset management clients at least annually.

Client Referrals and Other Compensation

Advisor may recommend/require clients to establish brokerage accounts with the Charles Schwab & Co., Inc., a FINRA/SIPC registered broker-dealer ("Schwab") to maintain custody of clients' assets and to effect trades for their accounts. It is the client's ultimate decision to utilize the services of Schwab. Advisor and Schwab are not affiliated.

Schwab provides Advisor with access to its institutional trading and custody services which are not typically available to Schwab retail investors. These services generally are available to

independent investment advisors on an unsolicited basis at no charge to them if the advisor maintains at least \$10 million of client assets with Schwab Advisor Services. The services are contingent upon Advisor committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Advisor's client accounts maintain in Schwab's custody, Schwab generally does not charge separately for custody services but is compensated by our firm through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Advisor Services also makes available to us other products and services that benefit Advisor but may not directly benefit the clients' accounts. Many of these products and services may be used to service all or some substantial number of our firm's clients' accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist Advisor in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Advisor's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help Advisor manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Advisor. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Advisor. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of Advisor's personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Advisor may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors Advisor considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a conflict of interest.

Inasmuch as Advisor will pay to Schwab the transaction/executions costs associated with equities transactions, a potential disincentive to trade securities may be presented.

Advisor may pay referral fees (non-commission based) to independent solicitors (non-registered representatives) under a *Solicitors Agreements* and in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. Such referral fee represents a share of the Annual Fee paid to Advisor by clients. The fees charged to the clients are not increased because of the referral fees paid. All clients referred by

Solicitors to Advisor will be given full written disclosure describing the terms and fee arrangements between the Advisor and Solicitor(s). In states which require Solicitors to be registered, Advisor will not pay solicitor fees. If Advisor enters into a Solicitor Agreement with another registered investment advisor, the licensure of the individual will be the responsibility of the soliciting firm.

Financial Information

A balance sheet is not required to be provided because Advisor does not serve as a custodian for client funds or securities and Advisor does not require prepayment of fees of more than \$500 per client and six months or more in advance.

Advisor has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

Neither Advisor nor its management has had any bankruptcy petitions in the last ten years.

Item 10: Requirements for State-Registered Advisers

Education and business background, including any outside business activities for all management and supervised persons can be found in the Supplement to this Brochure (Form ADV Part 2B).

There are no material Relationship Maintained by this Advisory Business or Management persons with Issuers of Securities