

**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**

Private Client Asset Management Inc  
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**This brochure provides information about the qualifications and business practices of Private Client Asset Management Inc. If you have any questions about the contents of this brochure, please contact us at (516)280-4622. 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 Private Client Asset Management Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Date of Brochure = January 1, 2013**

**Item 2 – Material Changes**

There have been no material changes.

### **Item 3 – Table of Contents**

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#### **Item 4 – Advisory Business**

Private Client Asset Management Inc has been a registered investment advisor in the state of New York since 2008. The principal owner of the company is Joseph L. Downey.

##### **Advisory Services**

Private Client Asset Management, Inc. ("PCAM") principal service is providing fee-based investment advisory services and financial planning services. The advisor practices custom management of portfolios, on a discretionary basis, according to the client's objectives. The advisor's primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The advisor uses exchange listed securities, over-the-counter securities, corporate debt securities, CD's, commercial paper, municipal securities, mutual funds, and United States government securities to accomplish this objective. The advisor measures and selects mutual funds by using various criteria, such as the fund manager's tenure, and/or overall career performance. The advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, over-valuation or over-weighting of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client's risk tolerance.

PCAM will provide investment advisory services and portfolio management services and will not provide securities custodial or other administrative services. At no time will PCAM accept or maintain custody of a client's funds or securities.

As of December 31, 2012, PCAM manages an estimated \$54,000,000 on a discretionary basis.

#### **Item 5 – Fees and Compensation**

##### **Asset Management Fees**

Pursuant to an investment advisory contract signed by each client, the client will pay PCAM a quarterly Management Fee, payable in arrears, based on the average quarterly balance (beginning quarter balance plus end of quarter balance divided by 2) for the preceding period or the average daily balance for the partial preceding period, for new accounts. The Management Fee will be as follows:

Effective 1/01/2012 - For new clients, the Investment Advisory Service fee for all accounts will be 1.00% for all balances.

Client accounts established prior to 1/01/2012 will remain at the following schedule:

##### Investment Advisory Service for non-retirement accounts

First \$500,000	1.00%
Next \$500,000	.70%
Next \$1,000,000	.65%
Next \$1,000,000	.35%
Balance above \$3,000,000	.25%

#### Investment Advisory Service for tax-deferred retirement accounts

First \$200,000	.90%
Next \$100,000	.75%
Next \$200,000	.65%
Next \$500,000	.45%
Next \$1,000,000	.35%
Balance above \$2,000,000	.25%

#### Investment Advisory Service for stock accounts

First \$5,000,000	.90%
Balance above \$5,000,000	.50%

#### Investment Advisory Service for trust accounts

Entire Balance	.40%
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These fees may be negotiated by the advisor under unusual circumstances, at the sole discretion of the advisor. Asset management fees will be automatically deducted from the client account on a quarterly basis by the custodian. The custodian(s) recommended by PCAM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCAM. All fees paid to PCAM for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client may be able to invest in these products directly, without the services of PCAM. In that case, the client would not receive the services provided by PCAM which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives.

12b-1 Fees. Although not a material consideration when determining to purchase a specific mutual fund, PCAM's representatives may also receive ongoing 12b-1 trailing commission compensation from the mutual fund company(ies) during the period that the client maintains the mutual fund investment. The 12b-1 compensation is in addition to PCAM's investment advisory fee.

Advisors utilizing commission - based or loaded Variable Annuities and or Variable Life Policies cannot collect a fee to manage the sub-accounts of the annuity for a period of 36 months after a commission has been paid. This does not apply if the advisor was not paid the initial commission on the annuity sale. In this case, the advisor would be able to charge the customary PCAM advisory fees at the inception of the client relationship.

Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisor's fee is separate and distinct from the custodian and execution fees.

Clients may request to terminate their advisory contract with PCAM, in whole or part, by providing advance written notice. Upon termination, any fees due PCAM will be deducted from the client's advisory account on a pro-rated basis for the portion of the quarter that the account was under management. Client's advisory agreement with the Advisor is non-transferable without the Client's written approval.

#### Hourly Fee

Some clients will contract to have financial planning advice provided based on an hourly fee. The advisors hourly fee will be billed at a rate of \$150 per hour, but may be negotiated in advance.

The advisors hourly fees will be negotiated and agreed upon by the parties in advance. Hourly fee-based clients are billed on a monthly basis upon completion of work performed.

In the event the client desires, the client can engage certain persons associated with the Registrant to render securities brokerage services under a commission arrangement. Under this arrangement, the client may implement securities transactions through persons associated with the Registrant in their individual capacities as registered representatives of American Portfolios Financial Services ("APFS"), an SEC registered broker-dealer and member of FINRA. Brokerage commissions may be charged by APFS to effect these securities transactions and thereafter, a portion of these commissions may be paid by APFS to such registered representatives. Prior to effecting any transactions, the client will be required to enter a new account agreement with APFS. The brokerage commissions charged by APFS may be higher or lower than those charged by other broker-dealers. In addition, certain of the Registrant's associated persons may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

While the Registrant does not sell such securities products to its investment advisory clients, the Registrant does permit its advisory affiliates, in their individual capacities as registered representatives of APFS, to sell securities products to its investment advisory clients.

A conflict of interest exists to the extent that the Registrant recommends the purchase of securities where the Registrant's advisory affiliates receive commissions or other additional compensation as a result of the Registrant's recommendations. Further, PCAM has policies and procedures in place to address any conflicts of interest that may come up. These include not allowing PCAM employees to participate in any IPO's and reviewing all employee personal investment account trading activity.

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

Private Client Asset Management Inc does not charge any performance-based fees.

## **Item 7 – Types of Clients**

### **Types of Clients**

PCAM offers investment advisory services to individuals, trusts, estates, charitable organizations, businesses, and pension plans. No requirements for opening or maintaining an account.

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

### **Methods of Analysis, Sources of Information, and Investment Strategies**

Asset allocation and investment policy decisions are then made to, in PCAM's best judgment, help the client achieve their overall financial objectives while minimizing risk exposure. Asset allocation is a key component of investment portfolio design. PCAM believes that the appropriate allocation of assets across diverse investment categories (stock vs. bond, foreign vs. domestic, large cap vs. small cap, high quality vs. high yield, etc.) is the primary determinant of portfolio returns and critical to the long-term success of one's financial objectives.

PCAM employs fundamental and quantitative analysis and encourages long-term, buy-and-hold philosophies and approaches in their investment selection and implementation strategies. Recommendations provided are based on publicly available reports, analysis, research materials, computerized asset allocation models, and various subscription services.

## **Item 9 – Disciplinary Information**

Private Client Asset Management Inc and its principal owner - Joseph Downey - do not have any disciplinary history with any criminal or civil action in a domestic, foreign or military court. In addition, they have not been the subject of any administrative proceeding before the SEC, any federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

However, Mr. Downey does have 4 customer initiated complaints on his FINRA securities licenses. The 4 complaints are all related to a dispute Mr. Downey had with his former employer (Fidelity Investments) upon his leaving to establish this registered investment advisory firm. Mr. Downey had referred several of his Fidelity customers to a registered investment advisor who was also a client of Fidelity's. The clients hired the advisor Mr. Downey referred to manage their assets at Fidelity. All customer accounts remained domiciled at Fidelity and each customer signed appropriate advisory contracts, profiles & applications. Upon Mr. Downey leaving Fidelity, Fidelity felt that Mr. Downey referred these customers to the registered investment advisor to further his establishment of his own RIA. Although all of the customers willingly accepted the referrals nearly a year prior to Mr. Downey leaving Fidelity, Fidelity encouraged the clients to state that they did not knowingly hire the advisor and offered to compensate them for this. These claims were all settled without any input from Mr. Downey.

The complaints can be viewed on the FINRA broker check website.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Other Financial Industry Activities or Affiliations

PCAM does not have any other activities or affiliations in the financial industry. We are not a general partner in any partnership in which any client would be solicited to invest.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Code of Ethics

The Registrant has adopted a "Code of Ethics" made up of its personal securities transaction and insider trading policies and procedures. Clients and prospective clients may contact the Registrant to request a copy of its "Code of Ethics."

The Registrant and persons associated with the Registrant ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with the Registrant's policies and procedures. When the Registrant is purchasing or considering for purchase any security on behalf of a client, no "Covered Person" (as defined below) may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Registrant is selling or considering the sale of any security on behalf of a client, no "Covered Person" may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

Unless specifically defined in the Registrant's procedures, neither the Registrant nor any of the Registrant's Associated Persons may effect for himself or herself, for an Associated Person's immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person), or for trusts for which the Associated Person serves as trustee or in which the security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Registrant's clients.

In accordance with Section 204A of the Advisers Act, the Registrant also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by the Registrant or any of its Advisory Affiliates.

## **Item 12 – Brokerage Practices**

Except as provided for in any applicable wrap fee program, the brokerage commissions and/or transaction fees charged by the designated broker-dealer are exclusive of and in addition to the Registrant's fee. The Registrant currently utilizes Charles Schwab as the broker-dealer for a majority of its clients.

Factors which the Registrant considers in recommending Schwab or any broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. Schwab enables the Registrant to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other broker-dealers.

The commissions paid by the Registrant's clients shall comply with the Registrant's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant 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 among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests the Registrant to arrange for the execution of securities brokerage transactions for the client's account, the Registrant shall direct such transactions through broker-dealers that the Registrant reasonably believes will provide best execution. Certain clients may choose to implement

the Registrant's recommendations on their own. The Registrant shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

The client may direct the Registrant in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by the Registrant. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Registrant may decline a client's request to direct brokerage if, in the Registrant's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Registrant's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent



that the Registrant determines to aggregate client orders for the purchase or sale of securities, including securities in which the Registrant's Advisory Affiliate(s) may invest, the Registrant shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the US Securities and Exchange Commission. The Registrant shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Registrant determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to the other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Registrant may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

As discussed, certain Advisory Affiliates in their respective individual capacities, are registered representatives of American Portfolios. These Advisory Affiliates are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless APFS provides written consent. Registrant is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

The Registrant may receive from Schwab, without cost to the Registrant, computer software and related systems support, which allow the Registrant to better monitor client accounts maintained at Schwab. The Registrant may receive the software and related support without cost because the Registrant renders investment management services to clients that maintain assets at Schwab. The software and related systems support may benefit the Registrant, but not its clients directly. In fulfilling its duties to its clients, the Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Registrant's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the Registrant's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

### **Item 13 – Review of Accounts**

Joseph L. Downey (President of PCAM), Todd M. Dudonis (Advisor Representative) and John E. Hommel (Advisor Representative) will review respective client accounts on a quarterly basis. The triggering factors would be PCAM becomes aware of a change in client's investment objective, a change in market conditions, change of employment, re-balancing of assets to maintain proper asset allocation and any other activity that is discovered as the account is reviewed. The client will receive written statements no less than quarterly from the trustee or custodian as well as a quarterly inventory and/or performance report from PCAM. In addition, the client will receive other supporting reports from Mutual Funds, Asset Managers, Trust Companies or Custodians, Insurance Companies, Broker/Dealers and others who are involved with client accounts.

The client is encouraged to notify the Advisor and Investment Advisor Representative if changes occur in his/her personal financial situation that might adversely affect his/her investment plan.

#### **Item 14 – Client Referrals and Other Compensation**

Referral arrangements: PCAM may receive referrals and compensate the referring party. This is fully disclosed to the potential client and acknowledged by client in writing on PCAM's "Solicitor's Arrangement & Agreement" form. Where required, each solicitor is duly licensed to solicit business.

#### **Item 15 - Custody**

PCAM will provide investment advisory services and portfolio management services and will not provide securities custodial or other administrative services. At no time will PCAM accept or maintain custody of a client's funds or securities.

The client will receive written statements no less than quarterly from the trustee or custodian as well as a quarterly inventory and/or performance report from PCAM. In addition, the client will receive other supporting reports from Mutual Funds, Asset Managers, Trust Companies or Custodians, Insurance Companies, Broker/Dealers and others who are involved with client accounts.

Clients are strongly encouraged to review statements, and in cases of duplicity compare corresponding statements.

#### **Item 16 – Investment Discretion**

Pursuant to an investment advisory contract signed by each client, the advisor practices custom management of portfolios, on a discretionary basis, according to the client's objectives (risk tolerance, time horizon and investment experience). The advisor's primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The advisor uses exchange listed securities, over-the-counter securities, corporate debt securities, CD's, commercial paper, municipal securities, mutual funds, and United States government securities to accomplish this objective. The advisor measures and selects mutual funds by using various criteria, such as the fund manager's tenure, and/or overall career performance. The advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, over-valuation or over-weighting of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client's risk tolerance.

#### **Item 17 – Voting Client Securities**

PCAM will generally not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, PCAM cannot give any advice or take any action with respect to the voting of these proxies. The client and PCAM agree to this by contract.

For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974("ERISA"), generally - the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. Also, PCAM cannot give any advice or take any action with respect to the voting of these proxies.

**Item 18 – Financial Information**

Private Client Asset Management Inc does not require any prepayment of any advisory fees.

**Item 19 – Requirements for State-Registered Advisors**

Name: Joseph L. Downey

Date of Birth: Born 1969

Education: Bachelor of Science in Business Administration, Columbia College

Licenses: Series 7, 9, 10, 63 and 66

Industry Experience:

Private Client Asset Management, Inc., President/Chief Compliance Officer, 3/2008 - Present

American Portfolios Financial Services, Registered Representative, 3/2011 - Present

Purshe Kaplan Sterling Investments, Registered Representative, 4/2009 - 2/2011

Annuity Express Brokerage Inc., President, 4/2009 - Present

Fidelity Investments, Vice President, 5/2000 - 3/2008

In addition to Private Client Asset Management Inc., Joseph Downey is involved in the following businesses:

Annuity Express Brokerage - President - marketing insurance products to insurance agents (5% of time).

Income Tax Preparation - preparation of personal income tax returns (10% of time).