

# **National Wealth Management, LLC**

**250 Moonachie Road  
Moonachie, NJ 07074**

**Phone: 201-329-7880  
Fax: 201-329-7885**

**Website: [www.nwmlc.com](http://www.nwmlc.com)**

**February 4, 2014**

## **FORM ADV PART 2 BROCHURE**

**This brochure provides information about the qualifications and business practices of National Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 201-329-7880. 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 National Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for National Wealth Management, LLC is 136346.**

**National Wealth Management, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Summary of Material Changes

The following is a Summary of the Material Changes to the Part 2A disclosure brochure for National Wealth Management, LLC which have occurred since the filing of our last annual updating amendment on February 11, 2013.

We disclosed that when additions and withdrawals are made to an account after the inception of a quarter, we may, in our sole discretion, adjust our fee only if the additional assets (excluding transfers within accounts) increase the value of the individual account (or total household ) by more than 10%.

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## Item 4 Advisory Business

### Description of Services and Fees

We are a registered investment adviser based in Moonachie, New Jersey. We are organized as a limited liability company under the laws of the State of New Jersey and we have been providing investment advisory services since 2005. David Cottam is our principal owner.

We provide wealth management services designed to provide you with a complete investment plan that is aimed at integrating your overall tax, estate and other planning and investment needs. Our wealth management services consist of discretionary or non-discretionary investment management services and financial planning services as described below. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

As used in this brochure, the words "we", "our" and "us" refer to National Wealth Management, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Investment Management Services

We offer discretionary and non-discretionary investment management services to our clients and prospective clients. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for investment management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather from our initial meeting to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our investment management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives and/or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

As part of our overall wealth management approach, when you retain us to provide investment management services we will also provide you with financial planning services. Depending upon the complexity of your needs, we may elect to charge separate fees for financial planning, as described below, which will be separate and apart from investment management fees.

We may also render investment management services relative to: (1) variable life/annuity products that you may own; (2) your individual employer sponsored retirement plan; and/or (3) your college savings plan. In these instances we will either direct or recommend the allocation of your assets amount the various mutual fund subdivisions that comprise the variable life/annuity product, retirement plan, or college savings plan. Reviews and recommendations shall be done on a quarterly basis and it shall be your responsibility to implement any advice relative to these accounts. Your assets for these accounts will be maintained at either the specific insurance company that issued the life/variable annuity product or at the custodian designated by the sponsor of your retirement plan or college savings plan.

If you participate in our discretionary investment management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your

account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

Our fee for investment management services is negotiable and ranges from 0.05% to 1.50% of the value of your assets under management. Our fees may also be based on the following negotiable tiered fee schedule:

<b><u>Assets Under Management(AUM)</u></b>	<b><u>Annualized Fee</u></b>
Less than \$500,000	1.0%
\$500,000 to \$1,000,000	\$5,000+0.9% of AUM>\$500,000
\$1,000,000 to \$2,000,000	\$9,500+0.8% of AUM >\$1,000,000
\$2,000,000 to \$4,000,000	\$17,500 +0.7% of AUM>\$2,000,000
\$4,000,000 to \$8,000,000	\$31,500+0.6% of AUM>\$4,000,000
More than \$8,000,000	\$55,500 +0.5% of AUM>8,000,000

As an alternative to an asset based fee, we may charge clients a negotiable fixed fee ranging up to \$25,000 per annum, paid quarterly in advance. We may also charge for Advent Black Diamond software fees imposed on accounts by Advent Black Diamond. These fees generally range from \$26 to \$150 on an annual basis, which fees may be waived in our sole discretion.

Our annual investment management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. If the investment advisory agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above. We may also, in our sole discretion, waive fees for certain accounts.

You may make additions to and withdrawals from your account at any time, subject to our right to terminate an account. If assets are deposited into or withdrawn from an account after the inception of a quarter, we will not adjust the fee based on the number of days remaining in the quarter, unless the additional assets (excluding transfers within accounts) increase the value of the individual account (or total household ) by more than 10%. Any such adjustment shall be at the discretion of the IAR. You may withdraw account assets on notice to our firm, subject to the usual and customary securities settlement procedures. We design portfolios as long-term investments and assets withdrawals may impair the achievement of your investment objectives.

Additions may be in cash or securities provided that we reserve the right to liquidate any transferred securities, or decline to accept particular securities into an account. We may consult with you about the options and ramifications of transferring securities. However, you should be aware that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the investment advisory agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Financial Planning Services**

Financial planning services will typically involve providing a variety of services, principally advisory in nature, regarding the management of your financial resources based upon an analysis of your individual needs. At the inception of the relationship, we will obtain relevant information from you to understand your goals, family, assets, tax rate, risk tolerance, liquidity needs and income. Financial planning services may include a review of your overall financial situation and preparation of a written report of recommendations covering cash flow, tax planning, investment planning, estate planning, risk management, written asset allocation reports and recommendations, written retirement planning reports and recommendations and written updates of existing financial plans.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services or through any other professionals we may recommend to you. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm. It is your responsibility to promptly notify us if there is ever any change in your financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services.

We charge either a fixed fee for financial planning services ranging between \$250 and \$10,000 or an hourly fee between \$200 and \$400 per hour. The fee is negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives.

We require that you pay 50% of the fee in advance and the remaining portion upon the completion of the services rendered or in the alternative the total fee shall be due and payable upon completion of the services rendered. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200. In certain circumstances the fees may exceed the initial fee quoted, in which case we will obtain approval from you before performing additional services. In the event you wish to engage us to provide additional services beyond the initial engagement an addendum to the financial planning agreement will be executed.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Consulting Services**

We may provide consulting services where our firm or associated persons provide clients with specific a la carte services, such as acting as health care power of attorney and providing advice or services on an as-requested basis. The specific services provided and fees charged will be determined and negotiated on a client by client basis.

### **Selection of Other Advisers**

As part of our investment advisory services, we may recommend that you use the services of a third party investment adviser ("TPA") to manage your entire, or a portion of your, investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific TPA or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPA's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the TPA(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

The TPA(s) will actively manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire TPA(s) and/or reallocate your assets to other TPA(s) where we deem such action appropriate.

For certain relationships, we may continue to render advisory services to you relative to the ongoing monitoring and review of account performance, for which we charge a negotiable annual advisory fee between .05% and 1.2% of the value of the assets being managed by the TPA. For such accounts, our fee shall be in addition to the fees charged by the TPA which fee shall be paid by you to our firm or which shall be collected by the TPA and then paid to us.

For certain accounts, we may share in the fee charged by the TPA. The fees we receive and the frequency and payment of such fees will be governed by the solicitors agreement we enter into with the TPA. For these accounts, our services may be limited to the referral of the TPA to clients, explanation of the TPA's services and fees and periodic contact with the client to update the client's financial information.

In addition, our compensation may differ depending upon the individual agreement we have with each TPA. As such, we may have an incentive to recommend one TPA over another TPA with whom we have less favorable compensation arrangements or other advisory programs offered by TPAs with which we have no compensation arrangements. Advisory fees that you pay to the TPA are established and payable in accordance with the disclosure brochure provided by each TPA to whom you are referred. These fees may or may not be negotiable. You should review the recommended TPA's disclosure brochure and take into consideration the TPA's fees along with our fees to determine the total amount of fees associated with this program.

You may be required to sign an agreement directly with the recommended TPA(s). You may terminate your advisory relationship with the TPA according to the terms of your agreement with the TPA. You should review each TPA's disclosure brochure for specific information on how you may terminate your advisory relationship with the TPA and how you may receive a refund, if applicable. You should contact the TPA directly for questions regarding your advisory agreement with the TPA.

## **Types of Investments**

We do not primarily recommend one specific type of investment over another as each client has their own investment objectives, risk tolerance needs and goals. We may recommend investments in equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities, options contracts on securities, and interest in partnerships investing in real estate, oil and gas interests, and others. If suitable, we may also recommend to certain clients who meet net worth and/or income requirements, investments in private placement securities, which may include debt, equity, and/or pooled investment vehicles. When we recommend investing in private placement securities we shall not receive any additional compensation but shall continue to receive applicable investment advisory fees on your assets under management for periodic monitoring of such investments.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## **Assets Under Management**

As of December 31, 2013, we manage \$160,240,995 in client assets on a discretionary basis, and \$4,809,940 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

## **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

## **Compensation for the Sale of Other Investment Products**

Certain persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.



Our Associated Persons may also receive referral fees for referring clients in need of mortgage services to unaffiliated mortgage brokers.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

For investment management services, we do not generally impose a minimum portfolio size; however, we may in our discretion impose a minimum annual fee of \$1,000.

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Charting and Technical Analysis** - Charting analysis involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Technical Analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Fundamental Analysis** - Fundamental analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- **Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. In a margin account, you must maintain a minimum balance before your broker will force you to deposit more funds or sell stock to pay down your margin loan (known as a margin call). If for any reason you do not meet a margin call, the brokerage firm has the right to sell your securities without consulting you. In a margin account, you can lose more money than you have invested.
- **Options Trading/Writing** : An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. If you write (sell) an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. Options are complex securities that *involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss.*

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First In First Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

**Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

**Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend a variety of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk.

**Item 9 Disciplinary Information**

In 2006, David Cottam entered into a settlement agreement with the Financial Industry Regulatory Authority ("FINRA") whereby Mr. Cottam was suspended for 18 months from associating with any FINRA member firm and was fined \$5000, payable in the event Mr. Cottam re-associates with a FINRA member firm. FINRA alleged that Mr. Cottam obtained contingent deferred sales charge waivers on mutual fund transactions for clients who were not eligible for these waivers by making false representations on his firm's order entry system.

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

Bruce Julien, an Investment Adviser Representative of our firm, is Managing Member of Julien Financial, LLC which provides tax preparation services. Clients of our firm may be referred to Julien Financial LLC for tax preparation services. Fees paid for these services are separate and distinct from fees paid to National Wealth Management, LLC, for advisory services. You are under no obligation to use Julien Financial or Mr. Julien for tax preparation services.

**Arrangements with Affiliated Entities**

Certain persons providing investment advice on behalf of our firm are licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

**Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") based on your needs and suitability. We may share in the advisory fee you pay directly to the TPA. Our compensation may differ depending upon the individual agreement we have with each TPA. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere

strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting David Cottam at 201-329-7880.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc., member FINRA/SIPC/NFA ("TD AMERITRADE") and Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab").

We participate in the TD AMERITRADE Institutional program. TD AMERITRADE Institutional is a division of TD AMERITRADE, Inc. ("TD AMERITRADE") member FINRA/SIPC/NFA. TD AMERITRADE is an unaffiliated SEC-registered broker-dealer and FINRA member. TD AMERITRADE offers independent investment advisers services, which include custody of securities, trade execution, clearance, and settlement of transactions. We receive some benefits from TD AMERITRADE through its participation in the program. Our firm and/or Associated Persons may receive benefits such as assistance with conferences and educational meetings from product sponsors.

There is no direct link between our participation in the program and the investment advice we give to clients, although we receive economic benefits through our participation in the program that are typically not available to TD AMERITRADE retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD AMERITRADE may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD AMERITRADE through the program may benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD AMERITRADE. Other services made available by TD AMERITRADE are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the

program do not depend on the amount of brokerage transactions directed to TD AMERITRADE. As part of its fiduciary duties to clients, our firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD AMERITRADE for custody and brokerage services.

We also receive from TD AMERITRADE certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisers participating in the program. Specifically, the Additional Services include the Advent Black Diamond (a portfolio management and performance reporting product) and NYSE/Interactive Data/OPRA (market data and research tools). Expenses including license fees, reconciliation fees and other expenses related to Advent Black Diamond and NYSE/Interactive Data/OPRA will be paid by TD AMERITRADE directly to the vendor.

TD AMERITRADE provides the Additional Services to us in its sole discretion and at its own expense, and we do not pay any fees to TD Ameritrade for the Additional Services. Our firm and TD AMERITRADE have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Our receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to our firm at a price less than the full cost of these services, TD AMERITRADE most likely considers the amount and profitability to TD AMERITRADE of the assets in, and trades placed for, our Client accounts maintained with TD AMERITRADE. TD AMERITRADE has the right to terminate the Additional Services Addendum with our firm, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD AMERITRADE, we may have an incentive to recommend to Clients that the assets under our management be held in custody with TD AMERITRADE and to place transactions for Client accounts with TD AMERITRADE. Our receipt of Additional Services does not diminish our duty to act in the best interests of our Clients, including our duty to seek best execution of trades for Client accounts.

We also recommend that clients in need of brokerage and custodial services utilize Charles Schwab & Co., Inc. (Schwab), registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*").

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10,000,000 of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have



determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see " *How We Select Brokers/Custodians* ").

### **Products and Services Available to Us From Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage - trading, custody, reporting, and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting services that generally benefit only us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

## **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. As of November 2010, we have approximately \$125 million in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. These services are not otherwise contingent upon us 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 our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders 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 us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering your' accounts include software and other technology that (i) provide access to your 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 our fees from your account; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help us manage and further develop our 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 us. 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 us. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment to us.

As a fiduciary, we endeavor to act in the best interests of our clients. However, our recommendation that you maintain your assets in accounts at Schwab may be based in part on benefits provided to us by the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab to us, which may create a potential conflict of interest.

You may be charged transaction fees involved when purchasing or selling securities through the selected broker-dealer/custodian. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer/custodian. Additionally the commission/transaction fees charged by the recommended broker-dealer/custodian may be higher or lower than those charged by other broker-dealer/custodians.

As a fiduciary, our firm and our Associated Persons endeavor to act in the best interests of our clients. However, our recommendation that our clients maintain their assets in accounts at Schwab, may be based in part on benefits provided to us by the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

We believe that both TD AMERITRADE and Schwab provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by TD AMERITRADE and Schwab, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services TD AMERITRADE and Schwab provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Directed Brokerage**

In some circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or [from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). If orders are block traded, we will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event orders are not block traded, clients may receive different prices for the same securities transactions. Furthermore, clients may not be able to buy or sell the same quantity of securities and may be charged higher fees or commissions, than if transactions were block traded.



## Item 13 Review of Accounts

### Investment Management

David Cottam, Managing Member, David Fuhrman and Bruce Julien, Investment Adviser Representatives, will monitor your accounts on an ongoing basis and will conduct account reviews at least annually and upon your request to ensure that the advisory services provided to you and/or the portfolio mix are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or,
- changes in your risk/return objectives.

We will contact our clients at least annually to review previous services and/or recommendations and to discuss the impact resulting from any changes in your financial situation and/or investment objectives. You are provided with transaction confirmation notices and regular summary account statements directly from the broker/dealer or custodian for your accounts.

### Financial Planning

For financial planning clients, reviews are conducted on an as needed basis and we will provide reports summarizing our analysis and conclusions as requested by you or otherwise agreed upon in writing.

## Item 14 Client Referrals and Other Compensation

We do not compensate any individual or firm for client referrals. Our Associated Persons may receive referral fees for referring clients in need of mortgage services to unaffiliated mortgage brokers. Please refer to the "Brokerage Practices" section above for disclosures on research and other benefits we may receive resulting from our relationship with TD AMERITRADE and Schwab.

As disclosed under the "Fees and Compensation" section in this Brochure, certain persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

## Item 15 Custody

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact David Cottam at 201-329-7880.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## Item 17 Voting Client Securities

### Proxy Voting

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State Registered Investment Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact David J. Cottam at 201-329-7880 if you have any questions regarding this policy.

### Trade Errors

From time-to-time we may make an error in submitting a trade order on your behalf. In these situations, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

In the event the trading error results in an erroneous profit, for accounts maintained at Schwab, the profit will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the profit does not remain in your account and Schwab is the custodian, Schwab donates gains of \$100 or more to charity. If a loss occurs greater than \$100, our firm will pay for the loss. Schwab may retain gains of \$100 or less, if they are not kept in your account, to offset administrative expenses. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

In the event the trading error results in an erroneous profit, for accounts maintained at TD AMERITRADE, the profit will not be allocated to you as the profit would be allocated to our trade error account maintained at TD AMERITRADE to offset against future trading error losses.

### Allocations of Orders

Allocations of orders among client accounts, including IPOs and secondary offerings, must be made in a fair and equitable manner. As a general rule, allocations among accounts with the same or similar investment objective are made pro rata based upon the size of the accounts and/or the appropriate asset allocation/suitability of a given account. In the event there are insufficient shares to allocate, the allocation will be made on an alphabetical rotated basis. There is no allocation to an account or set of accounts based on account performance or the amount or structure of management fees. However, the following factors may justify an allocation that deviates from the general rule:

- Specific allocations may be chosen based upon an account's existing positions in securities.

- Specific allocations may be chosen because of the cash availability of one or more particular accounts.
- Specific allocations may be chosen based on a partial fill of the block trade.
- Specific allocations may be chosen for tax reasons.
- Specific allocations may be chosen based on required minimum trade lot sizes for foreign securities.
- Specific allocations may be chosen based on clients' interest in the sector or security.
- Specific allocations may be chosen based on the appropriateness of the investment for that particular client based on their financial goals and objectives.