

Item 1 – Cover Page

**Financial Council Asset Management, Inc.**

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This brochure provides information about the qualifications and business practices of Financial Council Asset Management, Inc. ["FCAM" or "Adviser"]. If you have any questions regarding the contents of this Brochure, please contact us at (410) 821-9200 and/or via electronic mail at [markt@financialcouncil.com](mailto:markt@financialcouncil.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. FCAM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information with which you may determine to hire or retain advisory services. Additional information about FCAM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amends the disclosure document (“brochure”) that we provide to clients as required by SEC rules. This Brochure, dated March 31, 2011, is a new document prepared according to the SEC’s new requirements and rules. Therefore, this document is materially different from, and requires certain new information, that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the brochure and will provide a summary of such changes. In the past we have offered or delivered or brochure on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may also provide other ongoing disclosure information about material changes as necessary and provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Our brochure may be requested by contacting William Leeb or Mark Traub, the owners of FCAM, at 410-821-9200, or by email at [markt@financialcouncil.com](mailto:markt@financialcouncil.com). Additional information about FCAM is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser, if applicable.

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#### **Item 4 – Advisory Business**

FCAM, has been in business since July 1995, and offers the services described below primarily to individuals, trusts, estates, charitable organizations, and corporations. The firm is owned by William M. Leeb, President and Chief Investment Officer, and Mark Traub, Chief Operating Officer and Chief Compliance Officer. As of January 1st, 2015, FCAM managed discretionary client assets valued at \$358,117,199. No non-discretionary assets are under management.

##### **Portfolio Management Services**

FCAM provides investment supervisory services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client.

Asset allocation models consist of mutual funds and are chosen by the client. Multiple allocations are available depending on a client's goals, risk tolerance and expectations. Such allocations are fixed to specific groups of clients that fit certain criteria – portfolios are not specifically individualized. Clients may not impose restrictions on the allocations.

Specific asset management includes, but is not limited to; periodic rebalancing (or choosing not to rebalance, if conditions warrant) of the asset allocation models chosen by the client. Rebalancing is at the discretion of FCAM, and is partially based on, but not limited to, market movement, market environment, client risk tolerance, client risk capacity, asset performance, percent to total deviation from allocation models and manager performance. Other parts of the asset management process include quarterly market commentary and the annual (or more frequent, at the discretion of the applicant) review of the investment / fund managers allocated.

#### **Item 5 - Fees and Compensation**

##### **Fee Schedule for Advisory Services**

FCAM is compensated for investment advisory services by a percentage of the assets managed.

##### **Portfolio Management Services**

The basic fee schedule for assets under management up to \$500,000 is 1.25% of assets under management, which may be negotiable if commissionable product is used (but no less than 30 basis points) and would revert to 1.25% on the first day of the 25 month following enrolment into the asset management program or the time of investment into commissionable product (whichever occurs first).

The complete current fee schedule is as follows: 1.25% (125bp) of assets under management up to \$500,000.00; 1.00% (100bp) from \$500,000.00 to \$1,000,000.00; .75% (75bp) from \$1,000,000.00 to \$3,000,000.00. Above \$3,000,000.01 the fee is .50%.

EXAMPLE: an account valued at \$1,500,000.00 would pay 1.25% on the first \$500,000.00, 1.00% on the next \$500,000.00 and .75% on the remaining \$500,000.00.

##### **Payment of Advisory Fees**

Fees are collected in arrears; *i.e.*, fees are collected based on the period just ending and not in advance of the upcoming quarter period. Fees are deducted from client assets. A client may receive a rebate of any (and/or all) collected mutual fund 12(b)-1 fees as they are collected and paid by the mutual fund companies (shown as a credit to their account). If the advisory relationship is terminated by either party

(within 30 days written notice by one to the other), fees for the current billable period will not be charged. The specific manner in which fees are charged by FCAM is described in a client's written agreement with FCAM

FCAM fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by custodians, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. These fees are in addition to the advisory fees charged by FCAM.

Item 12, Brokerage Practices, further describes the factors used in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

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

FCAM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

FCAM offers advisory services primarily to individuals, trusts, estates, charitable organizations, and corporations.

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

**Investing in securities involves risk of loss that clients should be prepared to bear.**

FCAM will obtain comprehensive investment information about the prospective client and record such information on the financial planning or other questionnaire. FCAM will use the above information to monitor the ongoing activity in the client's account and ensure that such activities are in accordance with the financial requirements and investment objectives shown in information obtained and documented in client interviews.

Asset allocation models consist of mutual funds and are chosen by the client. Multiple allocations are available depending on a client's goals, risk tolerance and expectations. Such allocations are fixed to specific groups of clients that fit certain criteria – portfolios are not specifically individualized. Clients may not impose restrictions on the allocations.

Specific asset management includes, but is not limited to; periodic rebalancing (or choosing not to rebalance, if conditions warrant) of the asset allocation models chosen by the client. Rebalancing is at the discretion of FCAM, and is partially based on, but not limited to, market movement, market environment, client risk tolerance, client risk capacity, asset performance, percent to total deviation from allocation models and manager performance. Other parts of the asset management process include quarterly market commentary and the annual (or more frequent, at the discretion of the applicant) review of the investment / fund managers allocated.

#### **Material Risks**

The list of risk factors below is not a complete enumeration or explanation of the risks involved in an investment through FCAM or any of the client portfolios it manages. It is possible that some of the investment vehicles and direct investments selected by FCAM will not meet all of the above criteria, and that some or all of the investments selected by FCAM will not perform as anticipated. Depending on conditions and trends in the financial and securities markets and the economy in general, FCAM may pursue any objectives, employ any investment techniques or purchase any type of security that it

considers appropriate and in the best interests of clients that may not be described subject to restrictions imposed by clients. There can be no assurance that the FCAM's investment strategy will achieve profitable results, and results may vary substantially over time. Past performance of a portfolio or past performance of FCAM or its affiliates are not indicative of future results. Investors risk the loss of their entire investment.

Note that the risks below are also applicable to the extent that a mutual fund recommended by FCAM holds the types of securities described below.

*Common Stock Risk.* Common stock risks include the financial risk of selecting individual companies that do not perform as anticipated, the risk that the stock markets in which a portfolio invests may experience periods of turbulence or instability, and the general risk that domestic and global economies may go through periods of decline and cyclical change.

*Small and Mid-Cap Stocks Risk.* Companies with small and medium market capitalizations are relatively small compared to large-capitalization companies; they may be engaged in business mostly within their own geographic region; and may be less well known to the investment community. Also, these companies often have less liquidity, less management depth, narrower market penetrations, less diverse product lines and fewer resources than larger companies. As a result of these factors, small and mid-capitalization stock prices have greater volatility than large company securities.

*Growth Stock Risk.* FCAM may invest in companies or mutual funds that contain what appear to be growth-oriented companies. If perceptions of a company's growth potential are wrong, the securities purchased may not perform as expected, reducing a client portfolio's return.

*Foreign Securities Risk.* Investments in foreign securities involve greater risks compared to domestic investments for the following reasons: foreign companies may not be subject to the regulatory requirements of United States companies, so there may be less publicly available information about foreign issuers than United States companies; foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards; dividends and interest on foreign securities may be subject to foreign withholding taxes and such taxes may reduce the net return to client accounts; and foreign securities are often denominated in a currency other than the United States dollar. Accordingly, client portfolios will be subject to the risks associated with fluctuations in currency values. Issuers of foreign securities may still be subject to the risk of expropriation, confiscation, taxation, currency blockage, or political or social instability, any of which could negatively affect client portfolios.

*Emerging Markets Risk.* Investments in developing countries may experience high rates of inflation or sharply devalue their currencies against the United States dollar, causing the value of investments in companies located in those countries to decline. Transaction costs are often higher in developing countries, and there may be delays in the settlement process.

*Portfolio Turnover Risk.* A mutual fund selected by FCAM may engage in aggressive portfolio trading, and could, thus, experience high turnover. A high rate of portfolio turnover in any year may increase brokerage commissions paid and could generate greater taxes for client portfolios on realized investment gains.

*Investment Concentration.* At times, a substantial portion of a portfolio's assets may be invested in the securities of a limited number of issuers, including mutual funds. Investing a significant portion of a portfolio's assets in a single issuer will make the portfolio susceptible to a greater degree than would otherwise be the case to risks affecting investments in such issuer. Such concentration of investments will increase the volatility of the value of the portfolio's portfolio investments.

*Management Risk.* Client portfolios are subject to management risk because they are actively managed by FCAM. FCAM will apply its investment techniques and risk analyses in making investment decisions for client portfolios, but there is no guarantee that its decisions will produce the intended result.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of its management. FCAM has no applicable disciplinary information.

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

William Leeb, Owner, President, and Chief Investment Officer of FCAM, is also the Owner and President and Owner of Financial Council, Inc.(FCI), a SEC-registered investment adviser. Financial Council, Inc. is a planning firm that refers clients to FCAM. There are no other sources of client referrals to FCAM. He is also a FINRA registered representative and investment adviser representative of Commonwealth Financial Network (“Commonwealth”).

Mark Traub, Owner, Chief Operations Officer, and Chief Compliance Officer of FCAM is also a FINRA registered representative and investment adviser representative of Commonwealth.

As registered representatives and investment advisory representatives of Commonwealth Financial, William Leeb and Mark Traub and investment adviser representatives of FCI are required to place all FCAM client brokerage business through Commonwealth. As such they receive commissions on investment products sold or placed through Commonwealth and may also receive commissions and/or renewals on various insurance products they may solicit. This is in addition to any compensation received by portfolio managers from the Adviser.

Any client who directs Adviser to use a specific broker (including Commonwealth) may pay higher commission rates or receive less favorable execution on same transactions than non-directing clients at least in part because the directed broker may maintain a higher commission schedule. In such instances where the client directs Adviser to use a specific broker, the commission rate may be negotiated by the client or by the Adviser depending on the arrangement, or client instructions. As registered representative of Commonwealth, Messrs. Leeb and Traub have an incentive to recommend investments which may have higher commissions, or which otherwise generate additional compensation for them, than would be available through other broker-dealers.

FCAM compensates FCAM-approved and properly licensed solicitors for FCAM and investment adviser representatives of Commonwealth up to 79% of the fee collected for the referral of clients to the applicant and for performing certain administrative tasks and for conducting the annual client review and update. Solicitors of FCAM have entered into and are bound by a Solicitor’s Agreement with FCAM.

## **Item 11 – Code of Ethics**

The FCAM Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees and owners of FCAM do not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

In addition, the Code of Ethics describes FCAM’s standard of business conduct and fiduciary duty to its clients. It includes provisions relating to the confidentiality of client information, a prohibition on insider trading, preclearance of certain securities, reporting of securities holdings and transactions, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, among other things. FCAM has also outlined sanctions for failing to comply with these policies and procedures.

FCAM and its principals may, from time to time, buy or sell the same securities recommended to clients in their own account(s). All related persons are required to submit personal securities logs every month for

review by the CCO. Any conflicting transactions of a related person are denied. A copy of FCAM's Code of Ethics is available on request.

### **Insider Trading Policy**

FCAM has adopted an "Insider Trading" policy in accordance with Section 204A of the Advisers Act, which prohibits the misuse of material nonpublic information by FCAM and all of its employees. In addition, the code of ethics contains restrictions on using inside information to engage in any personal transactions or to disclose any material nonpublic information. Any FCAM officer, employee or other access person who fails to observe the above-described policies risks serious sanctions, including dismissal and personal liability.

FCAM provides a copy of the Code of Ethics to any client or prospective client upon request. To obtain a copy of FCAM's code of ethics, please write to Mark Traub, Chief Compliance Officer.

## **Item 12 – Brokerage Practices**

### **Directed Brokerage**

FCAM suggests that all investment purchases be made through Commonwealth Financial, of which the principals, solicitors and advisory representatives of the applicant are registered representatives and as such are required to place all brokerage business through Commonwealth Financial.

### **Best Execution**

A registered investment adviser has a duty to attempt to obtain the "best execution" for its clients' securities transactions. As such, an adviser should periodically and systematically evaluate the performance of broker/dealer executing its client's transactions. The term "best execution" is meant to include not only commission expense, but to encompass the total cost of the securities transaction. Since trading is a repetitive, continuous process, each trade communicates information about an adviser's underlying trading procedures. This information can then be used to evaluate whether an investment manager is consistently seeking to achieve best execution and whether he/she is meeting that objective. In summary, "best execution" refers to a well-designed trade execution process made with the intention of maximizing the value of client portfolios under the particular circumstances at the time.

FCAM will evaluate the broker that it uses for executions. In trying to obtain "best execution," each financial planner, or trader, must consider the below factors, as applicable, when placing securities transactions with a broker/dealer. Given that FCAM generally recommends mutual fund transactions to clients, many of the factors below may not be applicable.

- Execution capability;
- Value of research provided;
- The amount of business with the broker-dealers and the justification for directing trades to those brokers-dealers;
- Gross compensation paid to the broker-dealer;
- Competitiveness of commission rates and spreads, as applicable, including the documentation to support such competitiveness, *i.e.*, comparison of "standard" commission rates or "minimum" transaction costs between B/Ds offering comparable products and services;
- Statistics or other information by independent consultants on relative quality of executions/financial services by broker-dealers;
- Financial strength (net capital) of broker-dealers;
- Ability to respond promptly to investor/adviser inquiries during volatile markets;
- Availability of initial public offerings (IPOs) to investment advisers for subsequent allocation to clients;



- The ability of the broker-dealer to handle a mix of trades, *i.e.*, block trades and odd lots;
- The willingness and ability of a broker to “work” large or difficult trades for the adviser’s clients so as to obtain best executions;
- Whether advisory client may be inconvenienced or ill-served by the geographical distribution of the broker-dealer offices;
- Whether the broker-dealer is equipped to handle electronic trade entry and reporting links with the Adviser;
- The value of privacy considerations, liquidity, price improvement, and lower commission rates on electronic communications networks (ECNs);
- Opportunity costs, *i.e.*, the cost associated with the opportunity to work with a major broker-dealer that may offer a wide variety of products and services. Opportunity cost might also be associated with “boutique” firms which only deal with specialized products;
- Adequacy of the broker-dealer’s back office staff to efficiently handle trading activity, especially in volatile or high-volume markets;
- Statistics on securities executions and the frequency of trading errors;
- Comparison of transaction costs between directed and non-directed client accounts; and,
- The overall responsiveness of broker-dealers, *i.e.*, how well the broker-dealer serves the Adviser and its clients.

### **Soft Dollars**

FCAM does not engage in soft dollar arrangements with any broker.

### **Trade Errors**

At no time will FCAM’s clients be disadvantaged by trade errors. All errors in client accounts will be recorded and resolved in the client’s favor as soon as practicable. FCAM will maintain a list of trading errors relating to client accounts. The list will detail the transaction date of the trading errors, securities involved, broker-dealer involved, and a summary of the error and its solution. If any financial disbursements were made to the client or to FCAM as a settlement of the trading error, they will be disclosed detailing the amount in the list of trading errors relating to client accounts.

### **Item 13 – Review of Accounts**

Model allocation portfolios are reviewed no less than annually and are representative of the client portfolios under management. Individual client portfolios are reviewed no less than quarterly. Triggers that may cause management activity may include fund or asset style drift, management changes at the fund company level, asset class percent to total deviation of +/- 5%; domestic and global economic indicators, domestic and /or global events (natural or man-made), as well as any other situation that may impact the integrity of a client’s stated risk tolerance, capacity or financial goals/needs.

The Investment Review Committee is composed of William M. Leeb, President and Chief Investment Officer, and Mark Traub, Chief Operating Officer and Chief Compliance Officer. Accounts are reviewed with the client and updated no less than annually or as the situation demands or warrants.

### **Regular Reports Provided to Clients**

FCAM provides quarterly account summary and performance reports in addition to those reports and statements provided by those custodians, trust companies, mutual funds, record keepers, and broker-dealers that are included in the client’s portfolio.

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

In certain cases, FCAM pays a percentage of the management fee for client referrals. FCAM adheres to the safe harbor conditions found in Rule 206(4)-3 under the Investment Advisers Act of 1940.

As registered representatives and investment advisory representatives of Commonwealth Financial, William Leeb and Mark Traub are required to place all FCAM client brokerage business through Commonwealth. As such they receive commissions on investment products sold or placed through Commonwealth and may also receive commissions and/or renewals on various insurance products they may solicit. This is in addition to any compensation received by portfolio managers from the Adviser. As registered representatives of Commonwealth, Messrs. Leeb and Traub have an incentive to recommend investments which may have higher commissions, or which otherwise generate additional compensation for them, than would be available through other broker-dealers.

FCAM compensates FCAM-approved and properly licensed solicitors for FCAM and investment adviser representatives of Commonwealth and FCI acting as solicitors up to 79% of the fee collected for the referral of clients to the applicant and for performing certain administrative tasks and for conducting the annual client review and update. Solicitors of FCAM have entered into and are bound by a Solicitor's Agreement with FCAM.

#### **Item 15 – Custody**

FCAM does not have custody of clients' funds or securities. Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. FCAM urges clients to carefully review such statements and compare such official custodial records to the FCAM performance reports. FCAM reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

At the start of a client relationship, the client grants FCAM the discretionary authority to manage a clients' account by executing an asset management agreement. Investment discretion as to the type and quantities of securities to be bought and sold or exchanged is limited to those funds or securities that fit the client's profile, based on the asset management agreement, risk tolerance, and capacity, prospectus receipt, client allocation model and to either rebalance to client portfolio, sell shares for client income needs, replace a fund or funds and/or managers, etc.

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

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

#### **Item 18 – Financial Information**

A registered investment adviser is required to provide you with certain financial information or disclosures about its financial condition. FCAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.