

# NORTHWEST ASSET MANAGEMENT

---

NWAM Choice Solutions  
Wrap Fee Program Brochure  
Form ADV: Part 2 A Appendix 1

This wrap fee program brochure provides information about the qualifications and business practices of NWAM, LLC dba Northwest Asset Management ("Northwest Asset Management"), an SEC registered investment advisory firm. NWAM, LLC additionally provides services under the dba RIA Innovations. Being registered is neither an endorsement nor an indication of expertise. If you have any questions about the contents of this brochure, please contact us at (206) 838-3680. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any states securities authority.

Additional information about Northwest Asset Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

---

ITEM 1 – COVER PAGE

MAY 27, 2015

CRD #: 147923

7900 SE 28<sup>TH</sup> STREET, SUITE 412, MERCER ISLAND, WASHINGTON 98040

[INFO@NWASSET.COM](mailto:INFO@NWASSET.COM)

Phone: (206) 838-3680 FAX: (206) 838-3681

[WWW.NWASSET.COM](http://WWW.NWASSET.COM)

[WWW.RIAINNOVATIONS.COM](http://WWW.RIAINNOVATIONS.COM)

---

---

**ITEM 2 – MATERIAL CHANGES**

This brochure, dated May 27, 2015, is a supplement to our annual update amendment. It has changed materially since the document filed March 26, 2015 during the annual update in the following ways:

- Item 4: We have clarified our compensation for services provided.
- Item 9b: This section has been updated and renumbered in an effort to better align with SEC guidance.

---

**ITEM 3 – TABLE OF CONTENTS**

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Services, Fees and Compensation .....	4
Item 5 – Account Requirements and Types of Clients.....	5
Item 6 – Portfolio Manager Selection and Evaluation.....	5
Item 7 – Client Information Provided to Portfolio Managers.....	8
Item 8 – Client Contact with Portfolio Managers.....	8
Item 9 – Additional Information.....	8

---

## ITEM 4 – SERVICES, FEES AND COMPENSATION

### **4a: Services & Fees**

#### ***Investment Management Services***

Northwest Asset Management is the sponsor and portfolio manager of the wrap fee program titled NWAM Choice Solutions Program (“CSP”). CSP provides the client with advisory and brokerage execution services for one all-inclusive fee. The client is not charged separate fees for the respective components of the total service.

The CSP program is offered only through accounts held at one of our partner custodians. Northwest Asset Management and the client will select a custodian and mutually agree on the investment strategy used by Northwest Asset Management to manage the account. We will assist the client in determining their current financial situation, financial goals and attitudes toward risk, which will allow Northwest Asset Management to implement appropriate asset allocations. We will monitor client portfolios based on the individual needs of the client.

#### ***Investment Management Fees***

The program charges an asset-based fee for advisory services, which include the cost of executing securities transactions. There is no separate charge for brokerage commissions; however, clients normally will be charged any mark-ups or mark-downs with respect to fixed income securities and other. The amount of this fee is set on a case by case basis, and is determined based on a number of factors including the size of the account, services rendered and other account management considerations and will not exceed 1.75%. For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported are valued at the last reported sale price on the principal market in which they are traded.

The fee includes the time and activities necessary to work with your attorney and/or accountant in reaching agreement on solutions, as well as assisting them in implementation of all appropriate documents. We are not responsible for attorney or accountant fees charged to you as a result of these activities.

Fees are paid quarterly in advance or arrears, as specified in the client contract. Either Northwest Asset Management or our client may terminate the investment advisory relationship by providing 30 days' written notice. When an agreement is terminated, we will refund any pre-paid, unearned fees based on the number of days remaining in the quarter after termination. Refunds will be made in the month following the end of the quarter in which the contract was terminated.

#### ***Termination***

When an agreement is terminated, all assets may need to be transferred from the current custodian. You will be responsible for paying all fees, including administrative fees, account closure fees, mutual fund fees and any additional costs due to the termination. Custodians may assess additional fees for transfer of illiquid investments. If there is insufficient cash in the account, the liquidation of some securities may be used to pay the fees. Prior to termination of an agreement, we can provide a good-faith estimate of these fees.

### **4b: Relative Cost of Services**

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This may result in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

### **4c: Additional Fees**

The program's quarterly fee does not include: (i) annual account fees or other administrative fees, such as wire fees, charged by custodians; (ii) underwriting or dealer concessions or related compensation in connection with securities acquired in underwritten offerings; (iii) certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transaction in the client's account; and (iv) advisory fees and expenses of mutual funds (including money market funds), ETFs, closed-end investment companies or other managed investments, if any are held in client's accounts.

When Northwest Asset Management acts as the client's agent in purchasing securities (except in purchases in underwritten offerings other than for open-end mutual funds), the client should be aware that the quarterly fee does not cover certain cost associated with securities transactions in the over-the-counter market where Northwest Asset Management must approach a dealer or market maker to purchase or sell the security. Such cost includes a mark-up, mark-down or spread and odd lot differentials or transfer taxes imposed by law. Because Northwest Asset Management will be paying the transaction and execution costs of securities transactions a potential conflict of interest may arise creating a disincentive for Northwest Asset Management to trade securities in client accounts.

#### **4d: Referrals and Compensation**

Our advisors do not receive additional compensation for referrals to this program, nor do we compensate third parties for referrals. We do, however, receive a portion of the total fee, which may be more or less than could be found when seeking advice and custodial services separately.

---

### **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

Northwest Asset Management caters primarily to affluent individuals and their retirement accounts, family offices and family investment vehicles who seek an approach to capital appreciation by investing in established stocks, exchange traded funds, mutual funds and fixed income. Northwest Asset Management investment programs are also suitable for institutional investors such as pension and profit sharing plans, trust, estates and/or charitable organizations and corporations. While there is no account minimum, Northwest Asset Management may decline to accept accounts smaller than \$500,000.

---

### **ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION**

#### **6a: Selection of Managers**

We use our in-house professionals to manage our Choice Solutions Program.

#### **6b: Related Persons**

As we provide our own portfolio managers, we do use related persons to act as portfolio managers.

#### **6c: Additional Information**

##### ***Types of Advisory Services***

We offer a wide range of investment advisory, planning and consulting services tailored to our clients' needs.

##### **Investment Management**

We provide a customized approach to investment management. Our process includes defining goals, assessing risk, developing a strategy, implementing the strategy, monitoring progress. We provide ongoing reporting that can be accessed via the internet or provided through monthly statements. We understand that every client has unique goals and risk tolerance and we design an investment strategy for those unique circumstances. These may include a traditional and time tested strategic asset allocation approach or new and innovative active asset allocation strategies or a mix of other strategies.

##### **Retirement Plans (ERISA, 401(k))**

We understand the challenges employers face in providing retirement plan benefits (401K, Profit Sharing, SIMPLE, SEP, etc.) for employees. Our goal is to simplify our clients' lives through a responsive, integrated approach and deliver to you the level of service and expertise that you need, no matter the size or complexity.

### Retirement Planning

Comprehensive retirement planning involves a complete financial review and the development of short-term and long-term strategies for financial success. We review your current situation, explore alternatives, analyze social security choices, and determine how best to structure your assets to help meet your goals.

### Financial Planning

Whether you are saving for a particular goal, or planning for future college expenses, trying to determine if you need more insurance, or trying to figure out how to make the most of charitable contributions, you need to review your complete financial situation first. We will help you understand where you are and will develop a strategy that will help you meet your objectives.

### Consulting

We provide a wide array of consulting services to individuals, businesses, or other advisors on interests in third party portfolios, private equity, venture capital arrangements, hedge funds, leveraged buyout funds, or any number of other services.

### RIA Innovations

Our RIA Innovations division provides world class back office services to registered investment advisors and other affiliated businesses, including:

- Back Office Support
- Technology
- Compliance
- Investment Management

### ***Performance Based Fees and Side-by-Side Management***

Northwest Asset Management does not charge advisory fees based on the performance of your account.

### ***Methods of Analysis, Investment Strategies and Risk of Loss***

#### Strategies and Analysis

Northwest Asset Management uses multiple strategies in order to best meet the diverse needs of our clients. We use multiple sources of information in performing our research, including sources such as reports and articles in financial media, financial magazines, research prepared by others, industry publications, corporate rating services, prospectuses, company press releases and annual reports and filings with the SEC. Northwest Asset Management generally uses fundamental analysis to evaluate securities and market conditions. Fundamental analysis does not attempt to anticipate market movements. Using this method of analysis presents a potential risk as prices of securities can move up or down due to company-specific circumstances as well as in line with the overall market regardless of the economic factors considered in evaluation. We believe it is important that each client know that our strategy is tailored to best meet their goals and needs. Each client presents a unique profile, and we may employ one or more strategies or methods to meet their goals.

### Modern Portfolio Theory

Northwest Asset Management generally adheres to the principles of Modern Portfolio Theory, which advocates investing across different asset classes to increase diversity and reduce risk. Based on our research and the research of others, we will generally diversify your assets among cash equivalents (money market funds); high-quality, short-term bonds; large and small company stocks; and growth (higher-priced) and value (lower-priced) stocks in the U.S. and foreign developed markets. In certain circumstances, large, small, growth, and value stocks in select emerging markets and/or shares of real estate investment trusts (REITs) and commodity indexes will be included in diversified portfolios.

### Asset Allocations

Northwest Asset Management recommends a mix of asset classes for your portfolio based on an assessment of your long-term financial objectives. Where appropriate, we will recommend an allocation to high-quality, short-term

bonds (within a broadly diversified index or asset class mutual fund) to reduce overall portfolio risk, generate a more predictable cash flow (interest income), facilitate portfolio rebalancing, and provide a hedge against inflation.

If your objective is a higher annual expected return and you are willing to accept a higher degree of risk, we will recommend a portfolio with greater allocations to stocks in general and small company and value stocks specifically (using index or asset class mutual funds). Recommended stock allocations will generally be globally diversified among the U.S. and foreign developed markets. In certain circumstances, we may include emerging markets and REITs in limited percentages. Our recommended asset allocation is not influenced by current market conditions. This asset allocation (which becomes your written "Investment Policy") is altered only when your long-term investment objectives have changed.

#### Rebalancing

Asset allocations for your portfolio will change as financial markets rise and fall and the specific assets of different parts of your portfolio change. This creates the opportunity to selectively rebalance your portfolio in order to bring asset class percentages back to your policy targets. Asset classes that have risen beyond predetermined limits are sold by an amount that brings the allocation back in line with policy targets, and those that have fallen in value are purchased in the same way. This is a method of buying low and selling high that is not based on trying to predict the direction of markets or asset returns.

This rebalancing has the effect of enhancing portfolio returns while maintaining the agreed-upon risk. In order to limit rebalancing transactions and the costs associated with buying and selling mutual funds through the chosen custodian, Northwest Asset Management has pre-determined ranges in which allocations may vary and at which rebalancing is initiated.

#### Specific Investments

We select from ETFs, mutual funds, individual securities or other securities. Northwest Asset Management examines each securities management, financial condition, and market position and ensures that any purchases of individual securities work towards the client's portfolio goals, investment horizons and exposure to risk. Individual stocks present potential risks as prices of individual securities can move up or down due to general economic conditions, industry specific conditions, government regulations or corporate management, among other factors.

#### Investment Strategy Risks

As recent global and domestic economic events have indicated, performance of any asset or asset class is not guaranteed, and can indeed be unpredictable. As a result, there is a risk of loss of the assets we manage as a result of both allocation and the status of the markets when we rebalance.

While all current research, academia and data allow us to understand and map asset classes and their risk and return, there is a risk that they, or our analysis, are wrong and will lead to losses. Additionally, correlations among asset classes may be judged incorrectly, which also may incur risk of loss as diversification may not be properly balanced. Additionally, minor or severe market conditions may significantly drive gains or losses in one asset class over another, causing unexpected losses. There is a risk that rebalancing at any moment in time will not match current market directions, leading to risk of loss.

#### Risk of Loss

All investments include a risk of loss. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We use our best efforts as fiduciary to manage your assets. However, we cannot guarantee any level of performance or that you will not experience financial loss.

Northwest Asset Management will use our best judgment and act as fiduciary in rendering services to you. We cannot warrant or guarantee any particular level of account performance, or that the account will be profitable over time. Not every investment decision or recommendation made by us will be profitable. You assume all market risk involved in the investment of account assets under the agreement and understand that investment decisions made

for any accounts are subject to various market, currency, economic, political and business risks. Except as may otherwise be provided by law, we will not be liable to you for (a) any loss that you may suffer by reason of any investment decision made or other action taken or omitted in good faith by Northwest Asset Management with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; (b) any loss arising from our adherence to your instructions; or (c) any act or failure to act by a custodian of your account. Nothing in this document shall relieve us from any responsibility or liability we may have under state or federal statutes.

#### ***Sales Aggregation & IPOs***

We have adopted policies and procedures that allow us to aggregate and allocate client securities transactions. We tend to aggregate when it is advantageous to our clients, but not all strategies or advisors use trade aggregation. Aggregation is subject to rotation in cases where accounts are held at multiple custodians. If each client participating in an aggregate order receives its full allocation, then each participating client generally receives the average price per share paid or received for the purchased or sold securities with transaction costs shared pro rata among participating clients. If each client participating in an aggregated order receives less than its full allocation, then each participating client generally receives its pro rata share of the executed order with transaction costs shared proportionately. As a result of aggregation and price averaging, the price paid by any given client may or may not be less favorable than if it were traded on its own.

We have in place policies and procedures for the participation of eligible portfolios in initial public offering ("IPO") allocations. These allocations are based upon the client's investment guidelines, objectives, restrictions, liquidity requirements, or other factors. We determine portfolios eligible to participate in initial public offerings on an ongoing basis. In some circumstances, IPO allocations may not be fully filled, at which point each participating client generally receives its pro rata share of the executed order with any costs shared proportionately.

#### ***Voting Client Securities***

Northwest Asset Management does not vote proxy for any of its client. Each client is responsible for receiving and voting proxies for any and all securities maintained in their account. However, do not hesitate to contact us if you need any help or clarification regarding proxies.

---

### **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Since Northwest Asset Management is both the sponsor of the program and the portfolio manager, all information provided to Northwest Asset Management will be available to the portfolio manager.

---

### **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Client access to Northwest Asset Management portfolio managers is not restricted in any way.

---

### **ITEM 9 – ADDITIONAL INFORMATION**

#### **9.a: Disciplinary Information and Other Financial Industry Activities**

##### ***Disciplinary information***

We do not have any legal, financial or other "disciplinary" items to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating our Firm and its associated persons.

##### ***Broker Dealers and Registered Representatives***

Certain associated persons of Northwest Asset Management are registered representatives of Purshe Kaplan Sterling Investments (PKS), a FINRA broker-dealer firm. Employees who are registered representatives are paid fees/commissions based on sales of securities, which may include 12b-1 fees. When acting in the capacity of a registered representative, the Advisor and/or associated persons may place clients in investment products sold through this broker/dealer and may receive the usual and customary commissions or fees on the products that the client purchases. Receiving commissions on products may cause a conflict of interest. Therefore, the advisory client is free to select any broker dealer company the client desires for implementation of Advisor's recommendations. Northwest Asset Management is not affiliated with PKS.



***Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither Northwest Asset Management nor our employees hold any of the above registrations.

***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Our primary business is that of a registered investment advisor and provider of portfolio management services. Some of the principals and associated persons of the firm may be licensed as insurance agents and consultants. When acting in the capacity of an insurance agent, they may receive the usual and customary commissions or fees associated with the insurance products that the client purchases. This may represent a conflict of interest so clients are free to select any outside insurance company for implementation of any insurance recommendations.

Northwest Asset Management may execute transactions with broker-dealers that pay a portion of 12b-1 fees to our principals or advisors. This interest may conflict with your interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, based on the “best execution” policy stated below that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

***Selection of Other Advisors and How this Advisor is Compensated for those Selections***

Northwest Asset Management may select outside money managers or sub-advisors. We are not compensated for that selection. A portion of the fees you pay us are used to compensate the third party or money manager. The fees paid and parties involved are clearly set forth in the agreements between Northwest Asset Management, our client and the third party money manager or sub-advisor.

**9b: Code of Ethics, Participation or Interest in Client Transactions*****Code of Ethics Description***

We have adopted a Code of Ethics to which all investment advisor representatives and employees are bound to adhere. The key component of our Code of Ethics states that Northwest Asset Management and its investment advisor representatives and employees shall always:

- Act with integrity, competence, dignity, and ethically when dealing with the public, clients, prospects, employers, and employees.
- Exercise its authority and responsibility for the benefit and interest of its clients first and to refrain from having outside interests that conflict with the interests of its clients. Northwest Asset Management must avoid any circumstances that might adversely affect or appear to affect its duty of complete loyalty to its clients.
- Refrain from disclosing any nonpublic personal information about a client to any nonaffiliated third party unless the client expressly gives permission to Northwest Asset Management to do so. All client information will otherwise be treated as confidential.
- Maintain the physical security of nonpublic information, including information stored on computers.

This Code of Ethics is in place to guide the personal conduct of our team and embodies our fiduciary duties and responsibilities to you and sets forth our practice of supervising the personal securities transactions of employees with prior or concurrent access to client trade information. A copy of the Northwest Asset Management Code of Ethics is available, free of charge, upon request.

***Participation or Interest in Client Transactions***

Northwest Asset Management, or its employees, may buy and sell some of the same securities for our own accounts that we buy and sell for our clients. We will always buy or sell from our clients’ accounts before we buy or sell from our accounts. In some cases Northwest Asset Management, or its employees, may buy or sell securities for our own accounts and not for clients’ accounts, as it may not meet the objectives or plans for the client. There are possible conflicts of interest, which our Code of Ethics addresses. We will always evaluate our activity from the view of our clients to ensure that any and all required disclosures are made. For example, we will disclose anything that would cause you to be unfairly influenced to make any decision regarding actions or inactions in your account.

Northwest Asset Management does not buy or sell between Northwest Asset Management, our employee or our clients’ accounts. We will not recommend securities or other investment products to our clients in which Northwest Asset Management or any related person has an ownership or proprietary interest.

Northwest Asset Management always tries to get the best price for the client. Northwest Asset Management has in place internal controls and processes to allow contemporaneous trading (submitting Northwest Asset Management or employee orders at the same time as client order) in block or aggregate trades. In other cases, except in the case of unaffiliated mutual funds, we will always trade individual securities in a client account before we trade Northwest Asset Management or employee accounts.

#### ***Periodic Review of Accounts***

Investment management and consulting accounts, and retirement ERISA plans are reviewed by Gregory Headrick, CFP or qualified staff members. All reviews are either conducted or supervised by Gregory Headrick, CFP. The frequency of reviews is determined based on the client's investment objectives or plan, but no less than quarterly. More frequent reviews may also be triggered by a change in the client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or, changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at time service is completed. Depending on the type of financial planning service requested, Advisor will meet on a regular basis with clients to discuss any potential changes to their financial plan.

RIA Innovation advisor's clients' accounts are reviewed by the participating advisor. Our RIA Innovations division makes available a wide range of reporting options for our participating advisors to reviews their clients' accounts.

#### ***Review Triggers***

More frequent reviews are triggered by a change in client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or, changes in economic climate.

#### ***Regular Reports***

All investment advisory clients receive reports as needed, but no less than annually, on representative investments recommended specifically by Northwest Asset Management. Investment advisory clients also receive standard account statements from the custodian of their accounts on a monthly basis.

Financial planning clients do not normally receive investment reports. RIA Innovations participating advisor's clients' accounts are reviewed by the participating advisor. The RIA Innovations division makes available a wide range of reporting options for our participating advisors to provide to their clients.

#### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

As some advisers at Northwest Asset Management are licensed insurance agents or registered representatives of a broker dealer, compensation specific to those services may be provided, which may be a conflict of interest.

#### ***Compensation to Non-Advisory Personnel for Client Referrals***

Northwest Asset Management does not compensate anyone for client referrals.

#### ***Investment Discretion***

Though our custodians, our clients generally provide signed permission to grant Northwest Asset Management ongoing and continual discretionary access to their accounts. This discretionary authority allows us to manage your account according to the investment strategies without calling you in advance of appropriate transactions. In the cases where we are not given discretion, we must receive written or verbal instruction from the client to make any trades on a non-discretionary basis.

#### ***Financial Information***

Northwest Asset Management does not solicit prepayment of more than \$1,200, six or more months in advance.

***Bankruptcy Petition***

Northwest Asset Management has not been the subject of a bankruptcy petition in the last ten (10) years

***Management Relationships***

Other than previously disclosed, managers at Northwest Asset Management do not have any additional relationships or arrangements to disclose with any issuers of securities.