

# CLAY • NORTHAM

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## WEALTH MANAGEMENT

Firm Brochure (Part 2A of Form ADV)

### CLAY NORTHAM WEALTH MANAGEMENT, LLC

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**February 22, 2019**

This brochure provides information about the qualifications and business practices of Clay Northam Wealth Management, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 562-799-5547 or by email at [dnortham@claynortham.com](mailto:dnortham@claynortham.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about Clay Northam Wealth Management, LLC (CRD #159002) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

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### Annual Update

The purpose of this page is to inform you of material changes to our brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Clay Northam Wealth Management, LLC (“CNWM”) reviews and updates our brochure at least annually to confirm that it remains current. CNWM has not made any material changes since the previous annual update to our brochure, dated February 22, 2019.

## Item 3: Table of Contents

<b>Item 1: Cover Page .....</b>	<b>1</b>
<b>Item 2: Material Changes.....</b>	<b>2</b>
Annual Update.....	2
<b>Item 3: Table of Contents .....</b>	<b>3</b>
<b>Item 4: Advisory Business .....</b>	<b>5</b>
Firm Description .....	5
Types of Advisory Services .....	5
Client Tailored Services and Client Imposed Restrictions.....	7
Wrap Fee Programs .....	7
Client Assets under Management.....	7
<b>Item 5: Fees and Compensation.....</b>	<b>7</b>
Method of Compensation and Fee Schedule.....	7
Client Payment of Fees .....	8
Additional Client Fees Charged.....	9
Termination .....	9
External Compensation for the Sale of Securities to Clients .....	9
<b>Item 6: Performance-Based Fees and Side-By-Side Management .....</b>	<b>9</b>
Sharing of Capital Gains .....	9
<b>Item 7: Types of Clients.....</b>	<b>9</b>
Description .....	9
Account Minimums .....	9
<b>Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>9</b>
Methods of Analysis.....	9
Investment Strategy.....	10
Security Specific Material Risks .....	10
<b>Item 9: Disciplinary Information .....</b>	<b>11</b>
Criminal or Civil Actions .....	11
Administrative Enforcement Proceedings .....	11
Self-Regulatory Organization Enforcement Proceedings.....	11
<b>Item 10: Other Financial Industry Activities and Affiliations .....</b>	<b>11</b>
Material Relationships Maintained by this Advisory Business and Conflicts of Interest .....	11
Recommendations or Selections of Other Investment Advisers and Conflicts of Interest.....	12
<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>12</b>
Code of Ethics Description .....	12

Investment Recommendations Involving a Material Financial Interest and Conflict of Interest	13
Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest	13
Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest	13
<b>Item 12: Brokerage Practices</b>	<b>13</b>
Factors Used to Select Broker-Dealers for Client Transactions	13
Aggregating Securities Transactions for Client Accounts	15
<b>Item 13: Review of Accounts</b>	<b>15</b>
Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved	15
Review of Client Accounts on Non-Periodic Basis	15
Content of Client Provided Reports and Frequency	15
<b>Item 14: Client Referrals and Other Compensation</b>	<b>15</b>
Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest	15
<b>Item 15: Custody</b>	<b>17</b>
Account Statements	17
<b>Item 16: Investment Discretion</b>	<b>17</b>
Discretionary Authority for Trading	17
<b>Item 17: Voting Client Securities</b>	<b>17</b>
Proxy Votes	17
<b>Item 18: Financial Information</b>	<b>17</b>
Balance Sheet	17
Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients	17
Bankruptcy Petitions during the Past Ten Years	17

## Item 4: Advisory Business

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### **Firm Description**

Clay Northam Wealth Management, LLC, ("CNWM") was founded in 2011. Brian Clay CFP®, Inc. and Darren Northam CFP®, Inc. are each 50% owners of CNWM.

CNWM provides personalized confidential financial planning and asset management to individuals, pension and profit sharing plans, trusts, estates, and charitable organizations. Advice is provided through consultation with the client and generally includes: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

CNWM is a fee-based financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm's Managing Members are affiliated with entities that sell financial insurance products.

An evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement or risk analysis. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis.

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### **Types of Advisory Services**

CNWM furnishes investment advice through consultations.

#### ASSET MANAGEMENT

CNWM acts as investment adviser and has discretionary investment authority over your Account. CNWM may delegate certain of its responsibilities to one or more unaffiliated investment advisers (each, a Sub-Adviser), in which case the Sub-Adviser, and not CNWM, will manage your Account on a discretionary basis, in accordance with the investment strategy you have selected and subject to CNWM's oversight.

#### FINANCIAL PLANNING

When CNWM determines it to be in the best interest of the client, we will provide comprehensive financial planning services as an ancillary service to our overall advisory services. When utilized, these services may involve but are not limited to a thorough review of applicable topics including Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Personal Tax Planning, Insurance Analysis, Business and Personal Financial Planning.

The client is under no obligation to act upon CNWM's recommendations. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through CNWM. CNWM's financial planning services sometimes include the preparation of a written financial plan, but do not include services pertaining to income tax, gift, or estate tax returns, or preparation of any legal documents.

We do not charge a separate fee for financial planning-related services.

## ERISA PLAN SERVICES

CNWM provides service to qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit sharing plans, cash balance plans, and deferred compensation plans. CNWM acts as a 3(21) or advisor:

**Limited Scope ERISA 3(21) Fiduciary.** CNWM typically acts as a limited scope ERISA 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions on a non-discretionary basis. As an investment advisor CNWM has a fiduciary duty to act in the best interest of the client. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using CNWM can help the plan sponsor delegate liability by following a diligent process.

### 1. Fiduciary Services are:

- Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Client will make the final decision regarding the initial selection, retention, removal and addition of investment options.
- Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5) and 404(a)-5.

### 2. Non-fiduciary Services are:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands the CNWM's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, the CNWM is not providing fiduciary advice as defined by ERISA 3(21)(A)(ii) to the Plan participants. CNWM will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.
- Meet with Client on a periodic basis to discuss the reports and the investment recommendations.

CNWM may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between CNWM and Client.

3. The CNWM has no responsibility to provide services related to the following types of assets ("Excluded Assets"):
  1. Employer securities;
  2. Real estate (except for real estate funds or publicly traded REITs);
  3. Stock brokerage accounts or mutual fund windows;
  4. Participant loans;
  5. Non-publicly traded partnership interests;
  6. Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
  7. Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to the CNWM under this Agreement.

Specific services will be outlined in detail to each plan in the 408(b)2 disclosure.

#### WRAP FEE PROGRAM

CNWM offers a wrap fee program which is described in the Wrap Fee Program Brochure (Form ADV Part 2A Appendix 1). A wrap fee program allows clients to pay a specified fee for investment advisory services and the execution of transaction. The advisory services include portfolio management and the fee is not based directly upon the transactions in the account. The wrap program is different from the services offered under Asset Management in that the fee is bundled with costs for execution transactions in the account. CNWM does not charge clients higher advisory fees based on their trading activity, but the CNWM has an incentive to limit the trading activities in the accounts to lessen the execution fees paid by the CNWM.

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#### **Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in our client files. Investment strategies are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without written client consent.

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#### **Wrap Fee Programs**

CNWM is a sponsor of a wrap program which is described in Form ADV Part 2A Appendix 1 of Form ADV. CNWM also recommends an outside wrap fee program, the Charles Schwab & Co., Inc. Managed Account Select program, to certain clients when we feel it is suitable.

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#### **Client Assets under Management**

As of December 31, 2018, CNWM managed \$121,391,939 of client assets under management on a discretionary basis and \$1,076,204 on a non-discretionary basis.

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### **Item 5: Fees and Compensation**

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#### **Method of Compensation and Fee Schedule**

CNWM bases its fees on a percentage of assets under management.

## ASSET MANAGEMENT

CNWM's asset management fees generally range between 0.80% to 1.50% annually based on the scope and complexity of the services provided to the client. Some accounts are under different fee schedules honoring prior agreements. Our fees may be negotiable based on a number of factors, which include but are not limited to "grandfathered" accounts, related accounts, and other structures that we may consider in special situations.

## SUB ADVISORY SERVICES

Fees for client accounts managed by a Sub-adviser are based on a percentage of Assets under Management. The total fee paid by the client is comprised of either two or three separate fees depending on the platform chosen by the CNWM.

For accounts managed through the Managed Account Access® and Managed Account Select® platform, the maximum fee is 1.75%. CNWM receives up to 1% with the remaining fee paid to custodian. The custodian is responsible for payment to the sub-adviser and for the brokerage fees.

The maximum fee for accounts managed through the Managed Account Marketplace® platform is 1.75%. The fee is paid to CNWM (maximum of 1%) and Sub-adviser. When choosing Asset-based Pricing, these accounts also pay 12 to 40 basis points to the custodian in lieu of transaction fees and the Client will sign an agreement with the Custodian agreeing to these fees.

Quarterly advisory fees deducted from the clients' account by the custodian will be reflected in a provided fee invoice as fees are withdrawn.

## ERISA PLAN SERVICES

The annual fees are based on the market value of the Included Assets and will not exceed 1.0% of the value. The fee is charged in advance and the initial fee will be based on the market value of the Plan assets as calculated by the custodian or record keeper of the Included Assets on the first business day of the initial fee period and will be due on the first business day of the fee period. Some plans are billed in arrears in accordance with the agreement between CNWM and the Plan. For services started any time other than the first day of a quarter, the fee will be prorated based on the number of days remaining in the initial fee period. Thereafter, the fee will be based on the market value of the Plan assets on the last business day of the previous fee period (without adjustments for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distribution of assets) and will be due within ten (10) business days. For Plans billed in advance, if the Agreement is terminated prior to the end of the fee period, the client shall be entitled to a prorated refund based on the number of days during the fee period services were not provided. All unearned fees shall be refunded to the Plan or Plan Sponsor.

The compensation of CNWM for the services is described in detail in Schedule A of the ERISA Plan Agreement. The Plan is obligated to pay the fees; however, the Plan Sponsor may elect to pay the fees. CNWM does not reasonably expect to receive any additional compensation, directly or indirectly, for its services under this Agreement. If additional compensation is received, CNWM will disclose this compensation, the services rendered, and the payer of compensation. CNWM will offset the compensation against the fees agreed upon under this Agreement.

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### **Client Payment of Fees**

Asset Management Fees and most ERISA Plan Fees are paid on a quarterly basis in advance. Client shall be given thirty (30) days prior written notice of any increase in fees.



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**Additional Client Fees Charged**

Custodians generally charge transaction fees on purchases or sales of certain mutual funds, equities and exchange-traded funds. However, we believe that the selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

CNWM, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

For more details on the brokerage practices, see Item 12 of this brochure.

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**Termination**

Clients may terminate advisory services upon written notice to CNWM. Client will be entitled to a pro rata refund for the days service was not provided in the final quarter.

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**External Compensation for the Sale of Securities to Clients**

Neither CNWM nor any of its investment advisor representatives receive external compensation for the sale of securities to clients.

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**Item 6: Performance-Based Fees and Side-By-Side Management**

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**Sharing of Capital Gains**

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

CNWM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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**Item 7: Types of Clients**

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**Description**

CNWM primarily provides investment advice to individuals and high net worth individuals. Client relationships vary in scope and length of service.

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**Account Minimums**

CNWM requires a minimum of \$500,000 to open and maintain an account. CNWM may waive or reduce this minimum at its sole discretion.

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

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**Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns.

Fundamental analysis involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth. Technical analysis involves evaluating securities based on past prices and volume. Cyclical analysis involves analyzing the cycles of the market.

When creating a financial plan, CNWM utilizes fundamental analysis to provide review of insurance policies for economic value and income replacement. Technical analysis is used to

review mutual funds and individual stocks. The main sources of information include Morningstar, client documents such as tax returns and insurance policies.

In developing a financial plan for a client, CNWM's analysis may include cash flow analysis, investment planning, risk management, tax planning and estate planning. Based on the information gathered, a detailed strategy is tailored to the client's specific situation. The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

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### **Investment Strategy**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases and short-term purchases, and margin transactions.

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### **Security Specific Material Risks**

Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with CNWM:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- *Long-term purchases:* Long-term investments are those vehicles purchased with the intention of being held for more than one year. Typically, the expectation of the investment is to increase in value so that it can eventually be sold for a profit. In addition, there may be an expectation for the investment to provide income. One of the biggest risks associated with long-term investments is volatility, the fluctuations in the financial markets that can cause investments to lose value.
- *Short-term purchases:* Short-term investments are typically held for one year or less. Generally, there is not a high expectation for a return or an increase in value. Typically, short-term investments are purchased for the relatively greater degree of principal protection they are designed to provide. Short-term investment vehicles may be subject to purchasing power risk — the risk that your investment's return will not keep up with inflation.
- *Trading on Margin:* In a cash account, the risk is limited to the amount of money that has been invested. In a margin account, risk includes the amount of money invested plus the amount that has been loaned. As market conditions fluctuate, the value of marginable securities will also fluctuate, causing a change in the overall account balance and debt ratio. As a result, if the value of the securities held in a margin account depreciates, the client will be required to deposit additional cash or make full payment of the margin loan to bring account back up to maintenance levels. Clients who cannot comply with such a margin call may be sold out or bought in by the brokerage firm.

## Item 9: Disciplinary Information

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### Criminal or Civil Actions

The firm and its management have not been involved in any criminal or civil action.

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### Administrative Enforcement Proceedings

The firm and its management have not been involved in administrative enforcement proceedings.

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### Self-Regulatory Organization Enforcement Proceedings

The firm and its management have not been involved in legal or disciplinary events related to past or present investment clients.

## Item 10: Other Financial Industry Activities and Affiliations

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### Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Darren Northam and Brian Clay are independent insurance agents. From time to time, they offer clients advice or products from those activities.

These practices represent conflicts of interest because it gives an incentive to recommend products based on the commission or fee amount received. This conflict is mitigated by disclosures, procedures, and the firm's Fiduciary obligation to act in the best interest of the clients and clients are not required to purchase any products. Clients have the option to purchase these products through insurance agent of their choosing.

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**Recommendations or Selections of Other Investment Advisers and Conflicts of Interest**

From time to time, CNWM also utilize the services of a sub-adviser to manage clients' investment portfolios. Sub-advisers will maintain the models or investment strategies agreed upon between Sub-adviser and CNWM. Sub-advisers execute all trades on behalf of CNWM in client accounts. CNWM will be responsible for the overall direct relationship with the client. CNWM retains the authority to terminate the Sub-adviser relationship at CNWM's discretion.

CNWM is a Registered Investment Adviser, offering investment management on a discretionary basis.

In addition to the authority granted to CNWM under the Agreement, Client hereby grants CNWM full discretionary authority and authorizes CNWM to select and appoint one or more independent investment advisers to provide investment advisory services to Client without prior consultation with or the prior consent of Client. Such advisory services will be as determined by CNWM. Such independent investment advisers shall have all of the same authority relating to the management of Client's investment accounts as is granted to CNWM in the Agreement.

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

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**Code of Ethics Description**

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

One area the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

CNWM's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of CNWM may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

CNWM's Code of Ethics is based on the guiding principle that the interests of the client are our top priority. CNWM's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When the potential for conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code of Ethics applies to “access” persons. “Access” persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

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

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**Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

CNWM and its employees do not recommend to clients securities in which we have a material financial interest.

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**Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

CNWM and its employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide CNWM with copies of their brokerage statements.

The Chief Compliance Officer of CNWM is Darren Northam. He reviews all employee trades each quarter. The personal trading reviews helps mitigate that the personal trading of employees does not affect the markets and that clients of the firm have received preferential treatment over employee trades.

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**Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CNWM does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist in this specific regard. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide CNWM with copies of their brokerage statements.

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**Item 12: Brokerage Practices**

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**Factors Used to Select Broker-Dealers for Client Transactions**

CNWM generally requires clients to establish brokerage accounts with the Charles Schwab & Co., Inc., a FINRA/SIPC registered broker-dealer (“Schwab”) CNWM selects Schwab based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. Clients pay for any and all custodial fees in addition to the advisory fee charged by CNWM.

- *Directed Brokerage*

In circumstances where a client directs CNWM to use a certain broker-dealer to custody their account, CNWM still has a fiduciary duty to its clients. The following may apply with Directed Brokerage: CNWM's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among clients, and conflicts of interest arising from brokerage firm referrals.

- *Best Execution*

Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation to seek best execution on behalf of clients. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

- *Research and Other Benefits*

CNWM has an arrangement with Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab Advisor Services/Schwab"). Under the arrangement with Schwab Advisor Services/Schwab, CNWM receives services which include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of clients but that may benefit CNWM.

As part of the arrangement, Schwab Advisor Services/Schwab also makes certain research and brokerage services available at no additional cost to CNWM. These services include certain research and brokerage services, including research services obtained by Schwab Advisor Services/Schwab directly from independent research companies, as selected by CNWM (within specific parameters). Research products and services provided by Schwab Advisor Services/Schwab to CNWM may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Schwab Advisor Services/Schwab to CNWM in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by CNWM to manage accounts for which CNWM has investment discretion. Without this arrangement, CNWM might be compelled to purchase the same or similar services at its expense.

As a result of receiving the services for no additional cost, CNWM may have an incentive to continue to use or expand the use of Schwab Advisor Services/Schwab's services. CNWM examined this potential conflict of interest when choosing to enter into the relationship with Schwab Advisor Services/Schwab and has determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including CNWM to seek best execution.

Schwab Advisor Services/Schwab charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Schwab Advisor Services/Schwab enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Schwab Advisor Services/Schwab's commission rates are generally discounted from customary retail commission rates. However, the commission and



transaction fees charged by Schwab Advisor Services/Schwab may be higher or lower than those charged by other custodians and broker-dealers.

CNWM's non-wrap fee program clients may pay a commission to Schwab Advisor Services/Schwab that is higher than another qualified broker dealer might charge to conduct the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although CNWM will seek competitive rates, to the benefit of all clients, CNWM may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Although the investment research products and services that may be obtained by CNWM will generally be used to service all clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

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### **Aggregating Securities Transactions for Client Accounts**

CNWM authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of CNWM. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

## **Item 13: Review of Accounts**

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### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Asset Management Account reviews are performed quarterly by the Portfolio Manager. The nature of the reviews is to learn whether the accounts are in line with the client's investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Account reviews are performed more frequently when market conditions dictate. Financial Plans are considered complete when recommendations are delivered to the client and a review is done only upon request of client.

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### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Content of Client Provided Reports and Frequency**

Clients receive written account statements no less than quarterly for managed accounts. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs.

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

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### **Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

CNWM generally requires clients to establish brokerage accounts with the Charles Schwab & Co., Inc., a FINRA/SIPC registered broker-dealer ("Schwab") to maintain custody of clients'

assets and to effect trades for their accounts. It is the client's ultimate decision to utilize the services of Schwab. CNWM and Schwab are not affiliated.

Schwab provides CNWM with access to its institutional trading and custody services which are not typically available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them if the advisor maintains at least \$10 million of client assets with Schwab Services. The services are contingent upon CNWM 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 CNWM's client accounts maintain in Schwab's custody, Schwab generally does not charge separately for custody services but is compensated by our firm through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

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

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

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

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



## **Item 15: Custody**

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by the Third Party Money Managers.

CNWM is deemed to have constructive custody solely because advisory fees are directly deducted from client's accounts by the custodian on behalf of CNWM.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

CNWM accepts discretionary authority to manage securities accounts on behalf of clients. CNWM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, CNWM consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. CNWM does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

## **Item 17: Voting Client Securities**

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### **Proxy Votes**

CNWM does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent. Client may call, write, or email CNWM to discuss questions about a particular proxy vote or other solicitations.

## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because CNWM does not serve as a custodian for client funds or securities and CNWM does not require prepayment of fees of more than \$1,200 per client and six months or more in advance.

### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

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

### **Bankruptcy Petitions during the Past Ten Years**

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