

## Item 1: Cover Page

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

February 23, 2024

#### **North Shore Investment Consulting LLC**

SEC File No. 801-118847

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This brochure provides information about the qualifications and business practices of North Shore Investment Consulting LLC. If you have any questions about the contents of this brochure, please contact us at 847-445-4100 or via email to [jsmith@nsinv.com](mailto:jsmith@nsinv.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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about North Shore Investment Consulting LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the 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 business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. At this time there are no material changes.

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## **Item 4: Advisory Business**

### **A. Ownership Structure**

North Shore Investment Consulting LLC ("NSIC") and/or the "firm") was incorporated on February 4, 2004, as a limited liability corporation under the laws of the state of Delaware. NSIC is a private company that is majority-owned by Jeffrey R. Smith, president and senior advisor, and his spouse. At the current time, NSIC does not have any subsidiary relationships.

### **B. Advisory Services Offered**

NSIC is a level fee ("fee-only") investment advisor providing investment management, comprehensive financial planning, and consulting services. NSIC's mission is to furnish objective financial guidance to each client in a customized and cost-efficient manner.

Clients are required to enter into the NSIC Service Agreement prior to the firm providing investment management, planning, and/or consulting services. The Service Agreement sets forth the terms and conditions under which NSIC will render professional retainer services on the behalf of clients.

NSIC gathers client information through a series of face-to-face discussions, interviews, and the collection of a complete set of personal financial data. This initial in-take phase is critical as NSIC endeavors to develop a holistic understanding of client cash flow patterns (income, expenses, savings/investing patterns), current financial status (components of net worth), future goals and objectives (retirement, education planning, charitable, etc.), and attitudes regarding risk. Specific financial information and details may be derived by virtue of clients completing and submitting a set of documents collectively entitled "Client Data Analysis," as well as other supporting documents, or by providing such details verbally. NSIC maintains data and copies of provided documents and further applies these inputs into financial projection software and programs to ascertain the efficacy of current strategies and to identify areas where improvements are warranted. Development of a complete understanding is necessary in order for NSIC to adhere to its fiduciary duties and to dispense appropriate financial planning guidance. In most cases, such an understanding is a necessary condition prior to the identification and implementation of a supportive investment program.

Clients may communicate preferences and impose certain restrictions on specific investment options and/or asset classes that are utilized in the construction of their portfolios, consistent with the personalized approach to planning that NSIC strives to employ.

After NSIC and the client concur on a specific portfolio and investment strategy to support client goals and objectives, implementation will take place. Going forward, clients are then encouraged to meet/speak with NSIC on a regular basis (preferably quarterly, as practical or on an ad hoc basis as circumstances warrant). Such frequent communications are important as NSIC works to assure that both client human capital (e.g., employment) and financial capital (e.g., investment assets) remain well-balanced and supportive of goals and objectives.

Clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and should promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. NSIC will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. NSIC will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

NSIC does not participate in wrap fee programs, where certain brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

### **E. Client Assets Under Management**

As of December 31, 2023, NSIC managed \$140 million in non-discretionary assets. Such assets are held in custody at Fidelity Investments. NSIC also dispenses advice on assets not held in custody at Fidelity Investments as well as employer-sponsored plans ("assets under advisory").

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

The annual fee for portfolio management will be charged as a percentage of assets under management according to the following fee schedule, which represents the firm's maximum fees for individual services.

<u>Portfolio Value</u>	<u>Annual Fee</u>
Up to \$1,000,000	.95%
Next \$1,000,000	.85%
Next \$1,000,000	.75%
Next \$1,000,000	.65%
Above \$4,000,000	.55%

NSIC has a stated minimum account balance of \$1,000,000 of which such assets are to be held in direct custody at Fidelity. NSIC may negotiate fees and account minimum balances at its sole discretion.

Asset-based fees are always subject to the investment advisory agreement between the client and NSIC. Fees are deducted from client accounts quarterly in arrears based on the market value of assets held in direct custody at Fidelity and as aggregated by the Black Diamond® performance and balance reporting platform. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. If insufficient cash is available to deduct the required fee amount, NSIC is permitted to liquidate mutual fund and/or ETF shares to raise said fees. Adjustments for significant contributions to a client's portfolio are prorated for the quarter in which the change occurs; no adjustments will be made for withdrawals.

In compliance with ERISA/Department of Labor rules NSIC acknowledges its "level fee" fiduciary status and intent to adhere to "Impartial Conduct Standards" which require (a) advice that is in the best interests of retirement investors, (b) fees that represent no more than reasonable compensation and (c) no misleading statements regarding investment transactions.

### B. Client Payment of Fees

NSIC does not require the prepayment of its fees. NSIC requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

NSIC will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The

client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be terminated by either party for any reason upon 30 days' receipt of written notice. Upon termination, any earned, unpaid fees will be immediately due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using NSIC may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

### **D. External Compensation for the Sale of Securities to Clients**

NSIC advisory professionals are compensated solely through a salary and bonus structure. NSIC is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

### **E. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and



generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

***Additional Disclosure Concerning Wrap Programs:*** To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

NSIC does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Item 7: Types of Clients

NSIC currently provides investment management, financial planning and consulting services on the behalf of the following types of clients:

- High net-worth individuals and families
- Professionals (attorneys, medical, sales professionals, etc.)
- Retirees and persons approaching retirement
- Profit-sharing plans

As indicated in Item 5, NSIC has a stated minimum account balance of \$1,000,000 of which such assets are to be held in direct custody at Fidelity. At its sole discretion, NSIC may accept smaller portfolios and negotiate fees. NSIC may aggregate portfolios of family members to satisfy the \$1,000,000 minimum portfolio requirement

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

### **A. Methods of Analysis and Investment Strategies**

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

#### **A.1. Methods of Analysis**

NSIC uses a variety of sources of data to conduct its economic, investment and market analysis, which may include economic and market research materials prepared by others, conference calls hosted by individual companies or mutual funds, corporate rating services, annual reports, prospectuses, and company press releases, and financial newspapers and magazines. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

NSIC and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, NSIC reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. NSIC may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

During the portfolio engineering process, NSIC will heavily rely upon the tenets of "Modern Portfolio Theory" as advanced by Harry Markowitz, Merton Miller and William Sharpe, each awarded the Nobel Prize in economics for research in the role of science in finance. Related guiding principles employed by NSIC during the portfolio engineering process include:

- Importance of diversification
- Theorems relating corporate finance to return expectations
- Capital Asset Pricing Model ("CAPM") applications
- Efficient Market Hypothesis
- Advantages of indexing
- Equity factor analysis
- Term structure/ interest rate analysis
- Business cycle patterns in stock and bond returns

### **A.3. Material Risks of Investment Instruments**

NSIC may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, NSIC may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Asset-backed securities
- Collateralized obligations

#### **A.3.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.3.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The

price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.3.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.3.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.3.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or

greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.3.f. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.3.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.3.h. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.3.i. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of

conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHMLC are *not* backed by the full faith and credit of the U.S. government.

#### **A.3.m. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

#### **B.1. Margin Leverage**

Although NSIC, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, NSIC will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.



Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although NSIC, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

NSIC generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **B.4. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

## **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither NSIC nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither NSIC nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

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

There is nothing to report for this item.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

NSIC does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, NSIC has adopted policies and procedures designed to detect and prevent insider trading. In addition, NSIC has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of NSIC's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of NSIC. NSIC will send clients a copy of its Code of Ethics upon written request.

NSIC has policies and procedures in place to ensure that the interests of its clients are given preference over those of NSIC, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

NSIC does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, NSIC does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

NSIC, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which NSIC specifically prohibits. NSIC has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow NSIC's procedures when purchasing or selling the same securities purchased or sold for the client.

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

NSIC, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other NSIC clients. NSIC will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. It is the policy of NSIC to place the clients' interests above those of NSIC and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

NSIC may recommend that clients establish brokerage accounts with Fidelity Institutional Wealth Services ("Fidelity"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although NSIC may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. NSIC is independently owned and operated and not affiliated with custodian. For NSIC client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

NSIC considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by NSIC, NSIC will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by NSIC will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

NSIC seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Soft Dollar Arrangements**

NSIC does not utilize soft dollar arrangements. NSIC does not direct brokerage transactions to executing brokers for research and brokerage services

#### **A.1.c. Institutional Trading and Custody Services**

The custodian provides NSIC with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian'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.

#### **A.1.d. Other Products and Services**

Custodian also makes available to NSIC other products and services that benefit NSIC but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of NSIC's accounts, including accounts not maintained at custodian. The custodian may also make available to NSIC software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of NSIC's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help NSIC manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession

- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of NSIC personnel. In evaluating whether to recommend that clients custody their assets at the custodian, NSIC 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 it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.e. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to NSIC. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to NSIC.

#### **A.1.f. Additional Compensation Received from Custodians**

NSIC may participate in institutional customer programs sponsored by broker-dealers or custodians. NSIC may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between NSIC's participation in such programs and the investment advice it gives to its clients, although NSIC receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving NSIC participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to NSIC by third-party vendors

The custodian may also pay for business consulting and professional services received by NSIC's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for NSIC's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit NSIC but may not benefit its client accounts.



These products or services may assist NSIC in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help NSIC manage and further develop its business enterprise. The benefits received by NSIC or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

NSIC also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require NSIC to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, NSIC will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by NSIC's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for NSIC's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, NSIC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by NSIC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence NSIC's recommendation of broker-dealers for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

NSIC does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. NSIC Recommendations**

NSIC typically recommends Fidelity as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct NSIC to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage NSIC derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. NSIC loses the ability to aggregate trades with other NSIC advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

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

### **B.1. Best Execution**

NSIC recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. NSIC will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

To the best of NSIC's knowledge, these custodians provide high-quality execution, and NSIC's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, NSIC believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **B.2. Security Allocation and Order Aggregation**

NSIC does not aggregate client orders for either purchases or liquidations since each respective client portfolio is managed in accordance with customized asset allocation targets and strategies.

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

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

NSIC monitors portfolios on an on-going basis. Detailed account reviews, including performance measurement and attribution analysis, are conducted at least on a semi-annual basis (preferably on a quarterly basis). NSIC coordinates the dates and timing of such meetings. Reviews are conducted by Jeffrey R. Smith, president and senior advisor.

Additional issues are frequently discussed at meetings depending on circumstances, including but not limited to education planning, cash flow analysis, risk management, general estate planning and tax-related issues and an evaluation to the on-going effectiveness of the overall financial plan and its support of goals and objectives.

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

NSIC may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how NSIC formulates investment advice. Clients are expected to advise NSIC of any changes in their circumstances, as soon as feasible, which may reasonably be expected to impact any component of the financial planning process.

### **C. Content of Client-Provided Reports and Frequency**

NSIC reports to the client on a quarterly basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).

In addition to the reports and projection schedules furnished at recurring meetings as described above, clients are provided with either hard-copy or electronic versions (at the preference of the client) of transaction confirmations and account statements directly from the custodian. Clients can access investment balances and details on a daily basis by virtue of logging on to the Fidelity Investment website and entering their personal credentials. The site includes current and historical investment statements, individual position balances, trade confirmations and tax-related documents.

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

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

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), NSIC does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

NSIC does not pay for client referrals.

## Item 15: Custody

NSIC is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- NSIC aggregates certain held-away client investment accounts (e.g., 401(k) and 403(b) plans and other accounts) through Morningstar's ByAllAccounts® software. In order to conduct the aggregation of such held-away assets, client log-in credentials are required to establish the data collection link. As such, NSIC is subject to the SEC's Custody Rule and has engaged an independent accounting firm to conduct annual "surprise audits" in order to comply with SEC requirements.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

NSIC does not have discretion over client investment assets. Securities bought and/or sold in client accounts take place after NSIC obtains client consent, verbal, in writing or electronic (via e-mail), to take any such actions (except if insufficient cash is available to satisfy quarterly fee deductions and/or if a client is making an extraordinary contribution or withdrawal from an account). Any activity in client accounts is made strictly in accordance with each respective client's predetermined investment objectives and ability/willingness to tolerate investment risk.

## Item 17: Voting Client Securities

NSIC does not take discretion with respect to voting proxies on behalf of its clients. NSIC will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of NSIC supervised and/or managed assets. In no event will NSIC take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, NSIC will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. NSIC has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. NSIC also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, NSIC has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where NSIC receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

NSIC does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

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

NSIC does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.