

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

Item 1 Cover Page

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**FORM ADV PART 2 BROCHURE**

**Dated March 25, 2015**

**This brochure provides information about the qualifications and business practices of Northeast Financial Consultants, Inc. If you have any questions about the contents of this brochure, please contact us at 203-226-8997 and/or [Elwood@nfc-westport.com](mailto:Elwood@nfc-westport.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.**

**Northeast Financial Consultants, Inc. is a Registered Investment Advisor – NOTE: Such registration does not imply a certain level of skill or training.**

**Additional information about Northeast Financial Consultants, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

This brochure Revision is dated March 25, 2015.

The following material changes have occurred since our previous filing of Form ADV Part 2 dated March 24, 2014.

- While preparing this year's Form ADV it came to our attention we overstated the total number of accounts on the prior submission. The total Assets Under Management ("AUM") was reported correctly.
  - o Discretionary and Non-Discretionary overstated by 260 accounts
  - o Custody overstated by 80 accounts
- Upon review of the instructions for Form ADV it came to our attention Item 5F asks for a total number of Discretionary and Non-Discretionary *accounts* under management while Item 9 asks for a total number of Custody *clients*. Previously we had reported the total number of Custody *accounts*. For example if the *client* "ABC Trust, Elwood B. Davis, Trustee" had 2 separate brokerage accounts we counted it as 2 in Item 5F and Item 9, this year we have counted it as 2 in Item 5F (Discretionary *accounts*) and 1 in Item 9 (Custody *clients*).
- 3 of our Custody clients have a significant ownership stake in a private operating company. Our firm was not involved in making this investment decision as it was driven by either the Grantor and/or Co-Trustee of the 3 Custody clients. To-date the investment has returned more than 20 times the original investment. A new appraisal of the business in 2014 reduced the remaining value for these 3 investors from approx. \$287,020,000 to \$16,300,000. The result is a reduction of NFC's overall AUM of approx. \$270,720,000.

## Table of Contents

Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	6
Item 7 – Types of Clients .....	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9 – Disciplinary Information .....	9
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts.....	13
Item 14 – Client Referrals and Other Compensation .....	14
Item 15 – Custody .....	15
Item 16 – Investment Discretion.....	16
Item 17 – Voting Client Securities .....	17
Item 18 – Financial Information .....	18
Item 19 – Requirements for State-Registered Advisors.....	19

#### Item 4 Advisory Business

Northeast Financial Consultants, Inc [NFC] is a multi-family office providing investment advice, tax and estate planning, tax preparation services, and guidance on life and casualty insurance. We also provide advice on charitable giving, and act as executor and trustee for clients looking for these services. NFC was formed February 1, 1983 and incorporated October 28, 1999. Elwood Davis owns 100% of the stock and the officers of the corporation are Elwood Davis, Catherine Davis and Patrice Reilly. Patrice Reilly is the Office and Operations Manager, as well as the Chief Compliance Officer of NFC. Only she and Elwood Davis have the ability to place client trades for NFC.

NFC is an SEC registered investment advisor. NFC does notice filings in the following States: Arizona, Connecticut, Florida, New Jersey, New York, Pennsylvania, South Carolina and Texas.

NFC works with clients independently to review risk tolerance and develop an asset allocation in line with their objectives. NFC may recommend individual equities and bonds, mutual funds, and investment managers. For accredited investors with a higher risk tolerance, NFC will also recommend option strategies, alternative investments, and private placement opportunities. These funds may have investments in arbitrage, currencies, commodities, CMBS, distressed debt, mezzanine debt, opportunistic real estate and other investment disciplines. A limited number of clients have expressed interest, and NFC has recommended, direct investments in real estate and venture capital investments. NFC restricts its recommendations to those listed above and clients may impose restrictions on investing in certain securities if they desire.

NFC does not participate in wrap fee programs, does not receive part of mutual fund fees, or receive commissions on securities it recommends.

As of January 1, 2015 NFC manages \$1,155,222,684 of assets on a discretionary basis and \$1,531,389,210 on a non-discretionary basis for a total of \$2,686,611,894 Assets Under Management.

#### EDUCATION AND BUSINESS BACKGROUND

##### Elwood B. Davis

Date of Birth: December 18, 1952

Mr. Davis received a B.S. in Economics from Wharton School in December, 1974, and concurrently, a B.A. in Psychology from the University of Pennsylvania. He received his Juris Doctor from St. John's University School of Law in June, 1977, and is licensed to practice law in New York and Florida. After law school, Mr. Davis did post-graduate work in New York University School of Law's LLM program in Taxation at night from July 1977 to August 1978, when he joined the Ayco Corporation, a national financial counseling firm, headquartered in Albany, New York. Mr. Davis was an account manager for four years with Ayco Corporation, working with senior executives at over fifteen "Fortune 500" companies. He left Ayco on February 1, 1983 to start Northeast Financial Consultants. He is currently the President of Northeast Financial Consultants.

##### Patrice S. Reilly

Date of Birth: August 2, 1965

Ms. Reilly joined Northeast Financial Consultants in October 1996 and currently serves as the Office Manager, Operations Manager and Chief Compliance Officer. Prior to joining NFC she spent 10 years working in the financial services industry at Quick and Reilly, Inc. (1986 – 1988) and then at Dean Witter Reynolds, Inc. (1988 – 1996). Beginning as a wire operator she became a Series 7 Registered Representative in 1988 and eventually worked her way up to Registered Sales Assistant to the Assistant Branch Manager as well as serving as the Assistant Operations Manager of Dean Witter's Greenwich, CT office.

## Item 5 Fees and Compensation

Fees are charged on an individual (family) basis as negotiated with each client. NFC charges either a flat fee or as a percentage of assets under management, ranging between .25% and 1.00%. All relationships are terminable at any time by either party, with fees being refunded on a prorated basis.

Clients may elect to have fees billed directly to them or have their fees debited from their brokerage account. Flat fee arrangements are typically billed annually after July 1<sup>st</sup> although some families are billed quarterly in arrears. Most accounts being charged on a percentage basis are billed quarterly in arrears although some may negotiate semiannual or annual assessments.

In addition to the fees charged by NFC, clients also pay commissions to brokerage firms, money managers and mutual fund companies. These fees are further discussed in Section 8 – Brokerage practices. Clients investing in alternative investments are also paying management fees of up to 4% plus performance fees of up to 20% of their returns as outlined in the Private Placement Memorandum provided by each alternative investment.

Elwood Davis serves on the board of Private Client Resources, a private company where he receives board compensation. Elwood Davis and several clients have invested in this company.

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

NFC does not charge performance based fees.

Item 7      Types of *Clients*

NFC provides Financial Planning for Ultra High Net Worth families including individual family members, their trusts, Foundations and Donor Advised Funds.

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

NFC's starting point in developing a strategy for a family's investments is their risk tolerance and investment goals. We also look at the macroeconomic picture and focus on economic growth and inflation expectations. We believe the most important investment decision is asset allocation and typically take a long term investment view. We are not "traders." In fixed income we focus on the quality of the issuers and duration. There is a material risk of devaluation of principal if interest rates increase. The longer the maturity length of the portfolio, the greater the risk.

We feel the proper allocation to fixed income should provide enough cash flow for the client's spending needs. Any excess can be invested in equities, real estate, and other investments. When investing in equities we typically recommend mutual funds and are most comfortable with managers that are value investors. These managers typically invest in stocks with low P/E multiples. There is still risk in investing in stocks and we believe a client needs a long term investment horizon for these investments.

We only recommend start-up venture investments to very high net worth clients who have the risk tolerance to lose their entire investment commitment to such an investment and the business expertise to understand the risk of a start-up company.

There is an inherent risk of loss when investing in any security which clients should be prepared to bear.



Item 9      Disciplinary Information

There are no disciplinary proceedings against NFC or any of its Officers.

Item 10      Other Financial Industry Activities and Affiliations

NFC is not affiliated with any broker-dealer, law firms, or accounting firms. Through the years NFC has worked with many different law firms and, when asked, will make a recommendation to meet a client's particular legal need.

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

NFC believes that high ethical standards are essential for the continuing success of its business. NFC has adopted a Code of Ethics and Standards of Conduct which is reviewed and agreed to annually by all employees. A copy of the Code of Ethics and Standards of Conduct is available to any client or prospective client upon request.

All employees are required to request permission to trade securities prior to execution. NFC has a watch list of securities which includes public companies where an NFC client is an officer or a member of the Board of Directors. Employee trades are compared to the watch list and approved when we are confident no one is privy to sensitive information.

Client trades are always given priority if an employee wants to trade the same security.

Item 12      Brokerage Practices

NFC recognizes its duty of best execution when executing trades on behalf of its clients. NFC does not require client securities to be custodied with a particular broker. Clients may choose what brokerage firm(s) they wish to use. In selecting brokers or dealers to execute transactions, NFC is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission.

NFC maintains most client accounts with Fidelity Investments and Charles Schwab & Company. Due to the large Assets Under Management [AUM] with these firms NFC is able to negotiate low commission rates for all accounts linked to NFC at these firms. Because of these relationships, NFC has certain institutional investment products available to its clients. These include access to certain mutual funds that are closed to the general public, and the waiver of front-end loads on certain mutual funds.

Both Fidelity Investments and Charles Schwab provide NFC with access to research and material on SEC compliance. NFC uses Portfolio Center as its client management and performance reporting software. Portfolio Center is owned by Charles Schwab and a discount is provided to NFC.

Item 13      Review of Accounts

Clients receive written Quarterly reports which are reviewed by an Investment Advisor of the firm prior to mailing to the client.

Client portfolios are also reviewed in preparation of a client meeting or at the request of an individual client.

Item 14      *Client* Referrals and Other Compensation

NFC has no history of providing compensation for referrals.

If an Investment Advisor is deemed to have “custody” of client assets as defined by the SEC’s Custody Rule, the advisor is subject to increased regulations in order to be in compliance of the Rule. NFC has been deemed to have custody of certain accounts under management and complies with the Rule by ensuring the following:

- (1) Qualified custodian.** A qualified custodian maintains those funds and securities (i) in a separate account for each client under that client’s name; or (ii) in accounts that contain only clients’ funds and securities, under Elwood B. Davis’s name as trustee for the client.
- (2) NFC does not open** accounts with a qualified custodian on a client’s behalf. All clients are required to complete new account documents directly with the qualified custodian. In the case of a Trust where Elwood B. Davis serves as Trustee new accounts will be opened and duplicate statements will be sent to an independent third party as directed by the client.
- (3) Account statements to clients directly from qualified custodians.** All clients are required to receive statements directly from qualified custodians on all accounts. Statements provided by NFC have a disclosure directing clients to compare the statement with ones received directly from qualified custodians.
- (4) Independent verification.** The client funds and securities of which NFC has custody are verified by actual examination at least once during each calendar year by an independent public accountant. Beginning in 2010 NFC has engaged the accounting firm of Capossela, Cohen LLC to perform an annual audit at a time that is chosen by the accountant without prior notice or announcement to our firm and is irregular from year to year.

Item 16      Investment Discretion

NFC accepts discretion to manage securities on behalf of clients when trading authorization is given on a brokerage account. When Elwood Davis is acting as trustee, he would have full discretion to make investment decisions. In most cases, but not all, Elwood Davis discusses investments prior to execution with the family involved to ensure the client's investment objectives are being met.



Item 17      Voting *Client* Securities

Clients can authorize NFC to vote proxies for their securities but it is not required.

All proxies are reviewed by NFC and voted in the best interests of our clients. It is the general policy of NFC to vote proxies according to management recommendations.

As required by the SEC, NFC keeps records of all proxies it has voted for the last 6 years, copies are available to any client who would like to review them.

A copy of NFC's proxy policy is mailed to all clients annually.

Item 18 Financial Information

NFC is not required to produce a financial statement as it does not bill clients 6 months in advance.

Item 19      Requirements for State-Registered Advisors

NFC is a registered investment advisor with the SEC. NFC is not required to register with the State of Connecticut. NFC does notice filings with Arizona, Connecticut, Florida, New Jersey, New York, Pennsylvania, South Carolina and Texas and pays annual fees to these States.

