



FORM ADV Part 2A Firm Brochure

Northern Capital Management, Inc.

2700 S. Southeast Blvd. • Suite 205 • Spokane, WA • 99223-4984, USA • T 509.456.2526 • TF 800.826.9803 • F 509.456.2550
www.ncm-inc.com

December 4, 2013:

This Brochure provides information about the qualifications and business practices of Northern Capital Management, Inc.

Please note 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. Northern Capital Management, Inc. is a registered investment adviser and registration does not imply any level of skill or training.

For more information about Northern Capital Management, Inc., visit the SEC's website:
www.adviserinfo.sec.gov

If you have any questions about the contents of this Brochure, please contact Sarah Miller, Chief Compliance Officer, at (509) 456-2526 or (800) 826-9803 extension 21 or via email to sarah@ncm-inc.com.

Item 2 – Summary of Material Changes

Northern Capital Management, Inc. updates and distributes this document annually or, in the event of material changes, more frequently. This section summarizes changes made since the previous brochure dated *March 13, 2013*:

Policy Additions: Block Trades and Aggregation of Client Orders Policy added to Item 12 Brokerage Practices.

Custody Disclosure Changes: Prior to December 2013, the ADV Brochure indicated it was the practice of Northern Capital Management, Inc. to not assist clients in setting up access to the Schwab Alliance website. However, in practice employees did assist clients in establishing online access to these accounts. The problem associated with such assistance is it potentially gives employees access to client passwords, which is contrary to Northern Capital Management, Inc. policies for client account security. In an effort to adhere to best practices for client account security Northern Capital Management, Inc. requested Charles Schwab reset passwords for all clients. You received notification of this on November 12, 2013. Despite our objective to provide "best in class" client service, effective immediately staff will not be able to directly assist clients in establishing online access to Schwab Alliance accounts. However, we will provide comprehensive instructions to aide in the process. This policy is reflected in the Custody section of our ADV Brochure. Item 15 – Custody

Organizational Changes and Conflict of Interest Disclosure Changes: Northern Capital Management, Inc. is affiliated with a broker-dealer NCM Securities, Inc. (previously named W.F.C.G. Securities, Inc.) Both companies are under common ownership and control and share an office and employees. The broker-dealer changed its name from W.F.C.G. Securities, Inc. to NCM Securities, Inc. in March of 2013. Prior to June 2013, NCM Securities, Inc. did not allow registered representatives to actively sell commission based products or services. NCM Securities, Inc. existed primarily to hold American Funds positions purchased many years ago prior to their no-load availability at Charles Schwab. As the fee business of Northern Capital Management, Inc. has grown, it has become increasingly important to try

Northern Capital Management, Inc.

and enforce account minimums. In an effort to provide investment services for new accounts which may fall below Northern Capital Management, Inc.'s fee minimums, NCM Securities, Inc. has begun to offer commission alternatives. After June 2013, registered persons will be permitted to make recommendations resulting in commissions paid to the advisor representative. Read more about NCM Securities, Inc. and representatives thereof in the following sections: Item 10 - Other Financial Industry Activities and Affiliations and Item 12 – Brokerage Practices

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Item 4 – Advisory Business

Company History

Northern Capital Management, Inc. has been in business since 1992. The name Northern Capital Management, Inc. was established in 2003. Northern Capital Management, Inc. is an affiliate to the Registered Investment Advisor Capital Retirement Plan Services, Inc. (Est. 2012) and the broker-dealer NCM Securities, Inc. (Est. 1993). All three entities are incorporated and owned solely by James K. Wilson.

Services Offered

Northern Capital Management, Inc. offers investment management services to individual investors and entities along with retirement plans. Management services may be discretionary or non discretionary. See Item 16 (Investment Discretion) for more information. Services established under the advisory contract commonly include [financial planning](#), [wealth management](#) and [investment advice](#). These services must be suitable for the client's stated investment objectives, tolerance for risk and income needs. [Administrative services](#) and [non-investment related services](#) are provided under the advisory contract for no additional charge. Each service is further described below:

Financial Planning:

Northern Capital Management, Inc. provides assistance with topics like these:

- Understanding and implementing basic budgeting principles includes cash flow reviews.
- Planning for retirement, *including*:
 - Helping clients anticipate when they can retire.
 - Anticipating income needs in retirement.

- Creating investment and withdrawal strategies for retirement.
- Helping clients decide when to take Social Security benefits.
- Planning for college expenses and other financial goals.
- Legacy planning including reviews of current estate plans and documents.
- Personal liability planning including reviews of current life, health, disability, long-term care, home and auto insurance.

Wealth Management:

Northern Capital Management, Inc. provides assistance with the following:

- Ongoing monitoring of investments.
- Portfolio reallocations, as we deem appropriate.
- Recommendations to buy and sell investments.
- Account reviews with clients, offered annually but available upon request.
- Educational materials, publications and/or webinars, as we deem appropriate.
- Professional monitoring of economic and market conditions on a continuous basis.

Investment Advice:

Northern Capital Management, Inc. tailors advisory services to the individual needs of our clients through the use of assigned Investment Objectives (“IOs”). Representatives meet with clients to discuss financial planning topics, tolerance for risk, long-term plans and goals. Based on the detailed information collected, representatives help clients select a suitable Investment Objective (“IO”). Client portfolios are coded by the IO selected and investments are managed by Northern Capital Management, Inc. according to the IO and the relationship established in the advisory contract.

Investment Objectives:

Northern Capital Management, Inc. has an Investment Committee that meets regularly to review Investment Objectives (“IOs”) available to clients. IOs range from the most aggressive investors to highly risk adverse investors. The Committee creates target allocations for each IO. The target allocations created by the Committee for each IO are called Allocation Models (“models”). Further, each IO has a Base and Plus model. The *Plus* model allows the Committee the latitude to increase stock exposure above the Base model for clients slightly more aggressive than others with the same IO.

Selecting an Investment Objective (“IO”):

Each client must approve in writing the IO being used to manage assets. The advisor may select a Base or Plus model (within the framework of the Investment Objective selected in writing by the client) without written client consent.

Administrative Services:

All clients are provided:

- Monthly or quarterly account statements from custodians;
- Unlimited consultations via email, telephone or meetings in our office;
- Access to our website: www.ncm-inc.com.
- Access to educational materials at no additional cost
- Access to our Strategic Partner program (See Item 14 related to our professional referral network)

Non-Investment Related Services:

We offer:

- Tax data sufficiency checks, upon request.
- Required Minimum Distribution assistance (for clients over 70 ½ years old).
- Completion of Class Action Proof of Claim and Release Forms, upon request. We can help complete a claim form, gather documentation required as part of the litigation and will submit the claim form (electronically or by mailing the form to the claims administrator) on the client’s behalf. However, Northern Capital Management, Inc. does not advise or act for the client in legal

proceedings. By requesting assistance, the client is allowing Northern Capital Management, Inc. to assist with the claim form and access to the client's attorney in any matter relating to the claim.

Menu Retirement Plans

Menu Retirement Plans, if they so choose, receive the following services in addition to those referenced above (Administrative Services) for all clients:

- Recommendations for the selection of Designated Investment Alternatives and Qualified Default Investment Alternatives commonly referred to as "the menu of investment options."
- Ongoing monitoring of the menu of investment options.
- Employee benefits booklets, upon request.
- Account reviews offered annually but available, upon request.
- Decision making and educational materials, publications, and/or webinars, as we deem appropriate.

Services Not Offered:

We do not:

- Offer Wrap Fee Programs.
- Sell insurance.
- Provide legal or tax advice outside the scope of Certified Financial Planner Designations. (See Brochure Supplements)

Types of Investments

Northern Capital Management, Inc. does not invest client funds in proprietary products. We do not directly manage the mutual funds or private money managers we recommend. Northern Capital Management, Inc. considers mutual fund selection to be our primary area of expertise. The majority of our advice is regarding no-load open-end mutual funds. However, our advice can also include commission based open-end mutual funds or variable annuity products (See Item 10 for more information) and non-commission based close-end mutual funds, exchange-listed securities, corporate, municipal and governmental securities including debt other than commercial paper, certificates of deposit, variable life insurance, variable and fixed annuities and interests in partnerships investing in real estate. See Item 5 (Additional Fees and Expenses) for more information regarding recommendations that result in sales loads, commissions and transaction fees.

Account Trading Restrictions

The majority of arrangements are discretionarily managed by Northern Capital Management, Inc. This means the firm may place trades in the portfolio without contacting the client first. (See Item 16 for more information). From time to time a client who is discretionarily managed will desire to restrict trading on specific accounts or securities even though they are discretionarily managed. Northern Capital Management, Inc. allows two levels of restrictions to accommodate these requests. However, if an entire portfolio is to be restricted, it will become a Non-Discretionary Management arrangement and these restrictions will not apply. Restrictions are limited.

Trading Restrictions: Clients can request a non-discretionary management arrangement in writing for specific accounts within a discretionarily managed portfolio. The two types of non-discretionary arrangements are "Contact First" Accounts or Securities and "No Trading" Accounts or Securities

- The **Contact First Arrangement** is used for clients that want to be managed but want to be contacted prior to Northern Capital Management, Inc. placing trades in a specific account within a portfolio. Accounts coded as "Contact First" are not reviewed or traded as quickly as discretionarily managed assets.
- The **No Trading Arrangement** is used for clients that want to direct all trades within an account. Some discretionarily managed clients have one or two specific accounts within a discretionarily managed portfolio that they have restricted Northern Capital Management, Inc. from trading.

Investment Restrictions: Allowed

- **Contact First Securities** – A security coded as "Contact First" by client written request requires the firm to contact the client prior to trading the security. The security is *included* in the client's

portfolio allocations and the advisor will review and rebalance the client's managed portfolio *making recommendations to the client* if and when the advisor wants to trade the asset. The security **is** included when calculating the management fee for the client because the advisor is accommodating the position within the managed portfolio and adjusting other managed investments to accommodate the position.

- **Hold Securities** – A security on “Hold” by client written request is considered a client-directed asset. The security is *included* in the client's portfolio allocations and the advisor will review and rebalance the client's managed portfolio *around* the asset. Unless requested in writing, the advisor does not review, monitor or make recommendations for securities on hold. The security **is** included when calculating the management fee for the client because the advisor is accommodating the position within the managed portfolio and adjusting other managed investments to accommodate the position.
- **Unmanaged Securities** – A security that is “Unmanaged” by client written request is considered to be a client-directed asset. The security is *excluded* in the client's portfolio allocations. The advisor does not review, monitor or make recommendations for the security. The client directs all trades for unmanaged assets. The security is *excluded* when calculating the management fee.

Investment Restrictions: **Prohibited**

- Clients are not permitted to impose restrictions against specific companies, industries or sectors. Examples include:
 - Specific individual stocks or bonds like Coca Cola, McDonald's, etc.
 - “Sin” industries like gambling or tobacco.
 - Specific sectors like foreign stocks, precious metals, commodities, etc.

Assets Under Management

As of December 31, 2012, the values of assets under management were as follows:

Discretionarily Managed: \$ 228.5 Million
Non Discretionary Managed: \$ 188 Million
Total Managed: \$416.5 Million

See Item 16 (Investment Discretion) for more information about Discretionary and Non Discretionary management arrangements.

Item 5 – Fees and Compensation

Compensation

Northern Capital Management, Inc. is compensated for all services by charging a fee that is a fixed percentage of total assets under management. This is referred to as our “management fee.” The annual management fee rate is listed on the client's Financial Advisory Agreement. Fees are payable on a six month lagging basis. Clients can request to pay fees on a lagging annual basis, without paying every 6 months, but this is not an arrangement preferred by Northern Capital Management, Inc.

Management fees are negotiable.

Fee structures are determined by the account size and intensity of the management responsibilities. Most commonly, Northern Capital Management, Inc. charges a fixed percentage of assets under management, but our firm can also elect to charge fixed fees (not including subscription fees) or commissions under the broker-dealer relationship with NCM Securities, Inc. See Item 10 (Investment Companies – Commissions, Sales Charges and Loads) and Item 12 for more information. Our firm may also elect to charge a flat annual fee, combine a fixed percentage of assets under management with a flat minimum fee, or create graduating scales where the fixed percentage drops at specified breakpoints as assets under management increase.

Fee Schedule

Our standard annual fee structure is 1% on assets under \$3,000,000 and .75% thereafter, with no minimum annual fee. Management fees are negotiable and therefore clients should consult their

Financial Advisory Agreement for detailed information regarding their specific fee arrangement and any minimum fees that apply.

Calculating Your Bill

Our fee is calculated every six months and is based upon the assets in the portfolio on the billing date without regard to additions or withdrawals during the prior six month period. When calculating the management fee, limited partnerships and other thinly traded securities are generally valued at \$0 due to a lack of marketability and the difficulty associated with verifying a price with outside third parties. Illiquid securities are valued at \$0.

Paying Your Bill

Our standard billing procedure is to send each client an itemized bill. This bill includes a description of how the fees were calculated and the total amount due. Standard procedure for new clients is to arrange an automatic fee deduction process as part of the new financial advisory agreement. Clients must also grant the custodian(s) authorization prior to allowing Northern Capital Management, Inc. to auto deduct fees. This is done on the new account application with the custodian. Clients may request to pay by check at any time.

Automatic Fee Deduction: Once authorization is established to allow Northern Capital Management, Inc. to automatically deduct management fees, fees are deducted at each billing cycle until authorization is revoked in writing. Clients will continue to receive an itemized bill each cycle indicating the amount auto deducted from the client's account(s). Fee deductions can be confirmed by the client using independent brokerage statements provided by the custodian.

Pay by Check: Clients electing to pay by check will receive an itemized bill on each billing cycle. Checks must be made payable to Northern Capital Management, Inc.

Pre-Paying Management Fees

Northern Capital Management, Inc. does not allow for the pre-payment of management fees.

Refunding Management Fees at Termination

Northern Capital Management, Inc. does not have a termination penalty. In the event a client wishes to terminate our services, the client is liable for fees charged for the services rendered through the termination date. Our contract allows termination by either party to take effect 30 days after the request has been provided in writing by the client or advisor.

In the event the client elects to terminate within the first 30 days of the advisor-client relationship, Northern Capital Management, Inc. will not charge management fees. The advisor-client relationship is considered to be established on the date the financial advisory agreement is signed by both the client and advisor representative. Please note additional fees incurred during the account integration process or the implementation of trades is non refundable.

Additional Fees and Expenses

In addition to our management fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including registered representatives of our affiliated broker-dealer NCM Securities, Inc. Please refer to the Brokerage Practices section (Item 12) for additional information.

Fees and expenses take many forms, but the most commonly include:

- **Transaction fees charged by the broker-dealer:** Examples include any transaction fees imposed by a broker dealer that Northern Capital Management, Inc. trades through on behalf of the client.
- **Mutual fund fees:** Northern Capital Management, Inc. primarily uses load-waived mutual funds, but mutual funds can still have Operating Expense fees that are separate from transaction fees. The Operating Expense Ratio ("OER") reflects a percentage paid to the manager of the mutual fund. Mutual Funds can also have 12b1 fees that are charged to investors to pay for the fund's sales and advertising expenses. OERs and 12b-1 fees are charged on an ongoing basis for as long as the mutual fund is owned.

- **Custody fees:** These are charged by some custodians for housing certain assets and/or real estate. Some custodians do not charge custody fees, but are compensated in other ways (like transaction fees). See Item 12 (Broker-dealer Arrangements – In Detail) for more information.

ERISA Accounts:

Revenue Sharing Arrangements: Revenue sharing arrangements may exist in retirement plans where a structured menu of investment options is used for the plan. In these agreements, a portion of the mutual fund's OER is paid to our firm or the Third Party Administrator. These fees are used to pay the management fee or to offset costs for the retirement plan. These fees are 12b-1 fees and Sub TA fees. Sub TA fees are intended to offset TPA fees and 12b-1s are used to offset the management fee from Northern Capital Management, Inc.

Additional Compensation for Retirement plans: Northern Capital Management, Inc. manages retirement plans with a structured menu of funds that pay trailing commissions to NCM Securities, Inc. from the American Funds Mutual Fund group. Examples include larger asset retirement plans utilizing loaded A shares and smaller asset plans. For this reason, plans that pay trailing commissions are not charged a separate management fee by Northern Capital Management, Inc. See the Supervised Persons Receive Commissions section below and Item 12 (*NCM Securities, Inc.*) to understand the relationship between Northern Capital Management, Inc. and NCM Securities, Inc.

Supervised Persons Receive Commissions

Compensation can be provided to employees of Northern Capital Management, Inc. who are also registered with the broker-dealer NCM Securities, Inc. In order for supervised persons to receive commissions, either by sales charges or trailing commissions, the arrangement must be disclosed to the client in writing. Once initial disclosure is made, future trades resulting in commissions must receive client consent or be part of a pre-determined and agreed upon portfolio allocation.

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

Northern Capital Management, Inc. does not charge performance-based fees.

Item 7 - Types of Clients

Types of Clients

Northern Capital Management, Inc. generally provides investment advice to:

- Individuals
- Trusts, Estates and Charitable Organizations
- Corporations and business entities
- Pooled Retirement Plans, Menu Retirement Plans, Defined Benefit Plans and Profit Sharing Plans

Minimum Account Size

The minimum size for new assets under management is \$300,000.

Northern Capital Management, Inc. will accept a limited number of engagements below the minimum account size for referrals of family or friends from existing clients. The minimum account size may be waived at our sole discretion. Extenuating circumstances in the past have included the source of the referral, family legacy accounts, and potential future funding. If an account falls below the minimum account size, Northern Capital Management, Inc. reserves the right to terminate the advisory relationship. This seldom occurs unless Northern Capital Management, Inc. or the client determines the minimum fee is too significant, given the size of the account.

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

Method of Analysis:

The Investment Committee utilizes fundamental investment analysis in determining the types of investments to be recommended to clients. The main sources of information used in our research include financial newspapers, magazines and websites (both paid and non-paid subscriptions),

research material prepared by outside entities including custodians and earnings analysts, corporate rating services, annual reports, prospectuses and filings with the Securities & Exchange Commission, company Press Releases, investment company sales and advertising literature and discussions with individuals deemed to have expert or specialized knowledge.

Fundamental research requires the Investment Committee to evaluate economic, political and monetary factors including industry trends and business cycles, production, inventories and demand across different industries and sectors, and underlying financial health of a particular company or asset. This includes revenues, earnings, future growth potential, return on equity, profit margins, earnings per share, and so on, to determine an asset's underlying value and potential for future growth. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market, regardless of factors considered when evaluating the investment.

Investment Strategies

The investment strategies we use to implement investment advice to clients include:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)

Long-Term Investing is the core component of Northern Capital Management, Inc.'s overall trading practices. The decisions of the Investment Committee are primarily long-term in nature and are not contingent upon day-to-day market fluctuations. The performances of investments we recommend are measured relative to comparable peers and indices in the same segment of the market rather than broad based stock market indices such as the S&P 500 or the Dow Jones Industrial Average.

Short term Investing is not a prominent part of Northern Capital Management, Inc.'s core trading practices. However, in certain circumstances, when a short term trade is suitable and the Investment Committee is able to trade fairly across all suitable accounts, the Committee will make recommendations for short term trades. Examples include market distortion opportunities in individual corporate stocks and bonds, tax loss harvesting strategies at year-end and short term opportunistic trades for our more aggressive clients. In general, as a firm, we do not attempt to "time the market" with short market movements or intraday trading and we prefer longer-term investing strategies.

Risk of Loss

Securities investments are not guaranteed. Investing in securities involves risk of loss that clients should be prepared to bear. As with all investments, there are inherent, unavoidable and often unforeseeable risks in investing in securities. These risks will vary depending on the nature of the investment, the strategy pursued, the type of instrument used to pursue or give effect to that strategy, the conditions and performance of the U.S. and global economies, as well as the performance/financial condition of the individual company or entity issuing the security. As with all investments, the value of the investment at the time of sale will fluctuate and might be greater or less than the value at the time of purchase. Primary risks inherent in investing in the types of securities used for client accounts include, but are not limited to, risk of loss of principal; interest-rate risk; credit risk; reinvestment risk; economic risk; political risks; market disruptions; exchange disruptions or malfunctions; and currency risk (principally for foreign securities); interest rate risk; liquidity risk; risk of default; inflation and market volatility in general. Additional risks inaccurate data used by Northern Capital Management, Inc. while making recommendations (despite our efforts to verify information as accurate) and negative tax consequences as a result of recommendations. While Northern Capital Management, Inc. seeks to assess the merits of investing in a particular security or recommending a third-party investment manager based upon an assessment of the perceived risks and potential rewards, there are no assurances that our assessments will be correct or that subsequent events or company, market, or investment manager changes will not render the assessment incorrect at a later time.

Additional Risks to Consider

Inverse Securities: Inverse securities, as indicated by the name, seek investment results that are opposite to that of an assigned benchmark or index. Risk factors include but are not limited to liquidity and **deviations** from expected rates of return. Many inverse securities include derivatives using complex trading strategies to generate returns. The nature of these derivatives can lead to inaccurately-priced positions in the fund and not perform as anticipated.

Index Funds: An index mutual fund (open, closed or exchange listed) aims to replicate the movements of an index of a specified financial market. Risk factors include but are not limited to muted returns and tracking errors.

Leveraged Mutual Funds: Leveraged Mutual Funds often seek investment results that are amplified or multiples of the performance of an index or benchmark they track. Risk factors include but are not limited to higher volatility, trading restrictions, deviations from anticipated returns and the potential for higher fees and OERs.

Investing for Dividends and Interest Only: Clients utilizing the Investment Objectives Pure Equity Income and/or Long Term Income will receive a separate disclosure called “Investing for Dividends and Interest” that explains associated risks.

Fund of Funds: Risks include but are not limited to higher fees lower returns for investors.

Commodities, including Precious Metals: Investments in commodities, including precious metals, may vary greatly. Some investments may be to purchase the commodity directly, some through companies producing or developing the commodity (mining stock, for example) and some through derivatives. Risks include but are not limited to loss of principal, leverage, and high volatility.

Alternatives to Fixed Income Investing: During low interest rate environments, the Investment Committee may use alternatives to traditional bonds to satisfy the fixed income requirement of a portfolio. Alternatives may include Alternative Bond Funds (which exchange interest rate risk for higher default risk), cash in lieu of bonds (which can create a negative rate of return), and/or Balanced and Flexible mandate Funds (which can increase equity exposure in a manner not obvious to investors while increasing market correlation and adding exposure to international markets, precious metals, foreign currencies and/or leverage).

Item 9 - Disciplinary Information

Northern Capital Management, Inc. has no disciplinary history to report. Northern Capital Management, Inc. is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and personnel have no reportable disciplinary events to disclose at the present date.

Item 10 - Other Financial Industry Activities and Affiliations

Northern Capital Management, Inc. strives at all times to put the interest of our clients before our own. As Investment Advisor Representatives, we have a fiduciary responsibility to make recommendations suitable and in the best interest of our clients. In this Brochure, you will find disclosure of all material conflicts of interest, including the potential for our firm and our employees to earn additional compensation from advisory clients. Since the amount of compensation we receive may vary depending on the custodian and/or broker-dealer we recommend to you, Northern Capital Management, Inc. and its representatives may have a conflict of interest in making recommendations regarding custodians, broker-dealers and mutual fund purchases.

Affiliated Broker-Dealer Registered Representatives

Although clients will most commonly receive recommendations for no-load mutual funds, clients may also receive recommendations from representatives of Northern Capital Management, Inc. who are also registered representatives of our affiliated broker-dealer NCM Securities, Inc. and the recommendations to purchase American Funds on a direct-way basis, may result in compensation, in the form of commissions, being paid to the representative. This creates a monetary incentive for the representative to recommend buying American Funds shares on a direct-way basis instead of purchasing load-waived shares of the same investment through an alternative custodian. Northern Capital Management, Inc. employees must disclose to the client all commissions or fees associated

with such recommendations at the time the recommendation or a trade is placed. Additionally, all recommendations must undergo a suitability determination.

Another conflict of interest exists regarding client balances held directly at the American Funds. This mutual fund group may pay the registered representative 0.25% annual “trailing commission” as long as these account balances remain at the American funds direct-way. This compensation presents a conflict of interest to the representative when recommending an account remain at the American Funds directly or be moved to another custodian.

The following employees of Northern Capital Management, Inc., in alphabetical order, are also registered with NCM Securities, Inc., an affiliated broker-dealer. The individuals marked with an *** may collect commissions (sales charges, loads, 12b-1 fees) from the sale of mutual funds.

- Molly J. Chase
- Richard P. Cullen ***
- Laura E. “Elizabeth” Hail-Stutzke
- David B. Holloway ***
- Joshua H. McLaughlin
- Sarah J. Miller
- Deborah A. Sandeno
- Michelle L. Warner
- James K. Wilson ***

Insurance Agents

The following employees of Northern Capital Management, Inc., in alphabetical order, are licensed insurance agents in addition to being registered representatives. The individuals marked with an *** may collect commissions from the sale of variable annuity products.

- Molly J. Chase
- Richard P. Cullen ***
- David B. Holloway ***
- Michelle L. Warner

These individuals, in their capacity as insurance agents and registered representatives, are able to make recommendations related to the replacement of *existing* variable annuity products into *new* variable annuity products. They may also make recommendations while serving existing variable annuities. New sales are prohibited unless they are associated with a replacement. Although clients may receive recommendations for replacements into non-commissioned variable annuity products, clients may also receive recommendations to purchase a variable annuity product resulting in compensation, in the form of commissions, being paid to the representative during the replacement of the old policy. This creates a monetary incentive for the representative to recommend buying the commission based product instead of the non-commission based product. Northern Capital Management, Inc. employees must disclose to the client all commissions or fees associated with such recommendations at the time the recommendation or a trade is placed. Additionally, all recommendations must undergo a suitability determination.

Responses to these Conflicts of Interest

Disclosure – The following steps are taken to ensure Northern Capital Management, Inc. honors its fiduciary duty with respect to recommendations of direct-way American Funds purchases and variable annuity products that may result in a commission paid to registered representatives:

- Registered persons must ensure products recommended are suitable for clients;
- Registered persons must disclose to clients in writing all commissions or fees to be paid to the representative at the time the recommendation is made to purchase such investments;
- Clients must be told they are not obligated to purchase investment products from our employees or affiliated companies that involve sales charges, commissions, trails or 12b-1 fees;

- Registered persons with NCM Securities, Inc. must provide clients with proper disclosures, including a fund prospectus, explaining fees and other forms of compensation when the initial trade is executed;
- Registered persons sales activity will be supervised; and
- Education will be provided to registered persons regarding their responsibilities as a fiduciary while acting as an investment advisor representative.

Individual Clients – Northern Capital Management, Inc. recommends the load-waived F series share class of American Funds mutual funds (available through Charles Schwab and other broker-dealers) to avoid sales charges in most cases to all clients that meet the firm’s minimum account size. (See Item 7) Clients that do not meet the minimum account size requirement may not become clients of Northern Capital Management, Inc., rather they may agree to become customers of the broker-dealer NCM Securities and invest on a direct-way basis at American Funds (paying sales charges and trailing commissions to NCM Securities, Inc. but not paying a management fee to Northern Capital Management, Inc.). In either case, the individual paying Northern Capital Management, Inc. a management fee *or* representatives of NCM Securities, Inc. a commission, but not both.

Retirement Plans –ERISA prohibits plan fiduciaries from engaging in certain conflicts of interest, called Prohibited Transactions. In the event an ERISA plan is custodied at the American Funds on a direct-way basis, contributions from participants may result in commissions (sales charges, loads, 12b-1 fees) being paid to the registered representative (who may also be an advisor to the plan under Northern Capital Management, Inc.). These arrangements are not viewed as violations of the Prohibited Transaction Rule, even though commissions are paid to registered representative, provided the following steps are followed:

1. **Client-Driven Recommendation:** If a plan’s situation prevents use of alternative broker-dealers, the plan can be established on a direct-way basis with the American Funds.
2. **Billing Arrangement:** If commissions are paid to the advisor in exchange for management of the plan, commissions must be the sole source of revenue to the advisor from the plan. The advisor may not charge a management fee in addition to commissions paid.
3. **Fair and Reasonable Plan Costs:** Contributions made by participants in this case will result in commissions paid to the advisor; however the fees are allowable if reasonable for the services rendered.
4. **Non-Discretionary Management:** Representatives of NCM Securities, Inc. cannot have the authority to move plan balances discretionarily. The Plan Sponsor and/or Participants must approve all transactions that will result in a commission paid to a registered representative.
5. **Annual Plan Review:** A review for best execution and share classes used by the plan (and corresponding commission schedules) must be completed annually by an advisor representative.

Outside Business Activity

Employees must seek prior approval of outside employment activity to ensure any material conflicts of interests in such activities are properly addressed and disclosed. Management monitors outside employment activities to verify.

Item 11 - Code of Ethics

Code of Ethics

A Code of Ethics (Code) has been adopted by Northern Capital Management, Inc. and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (Advisers Act). The Code is based upon the principle that Northern Capital Management, Inc. and its employees owe a fiduciary duty to our clients. The Code is designed to ensure this high ethical standard continues to be applied. The excellent name and reputation of our firm is a reflection of the ethical conduct of each employee. Northern Capital Management, Inc. has created Compliance Policies and Procedures. The Code is created as a result of these Policies and Procedures. **Northern Capital Management, Inc. will provide a copy of our Code of Ethics to any current or prospective client, upon request.**

Highlights from our Code of Ethics

Policy on Employee Personal Trading - The Code establishes rules of conduct for all employees of Northern Capital Management, Inc. It is designed to, among other things, to govern personal securities trading activities in employee accounts. According to the Code, employees agree to conduct their affairs, including their personal securities transactions, in such a manner as to avoid:

- Serving their personal interests ahead of clients.
- Taking inappropriate advantage of their position with the firm.
- Any actual or potential conflicts of interest.
- Any abuse of their position of trust and responsibility.

The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

Participation or Interest in Client Transactions -The Investment Committee manages portfolios for many of our employees. Therefore, investments and trading strategies recommended by the Committee for client accounts may also be recommended for employee accounts. Purchases or sales of mutual funds and variable annuities that are recommended to clients may be placed in employee accounts also. Currently, there are no policies or procedures in place to prevent this from occurring. However, the execution of mutual fund and variable annuity transactions must be made in such a way to honor the Code and not put an employee's personal interests ahead of our clients. Employee transactions into other types of investments including individual stock, individual bonds and exchange traded funds require prior approval from a supervisor. Registered Principals complete these reviews to ensure transactions are not violating our Code and trades are not placed ahead of pending client orders for the same security.

Employees are prohibited from:

- Buying and selling directly to or from a client account.
- Participating in client trades by way of aggregation or allocation.

Duplicate statements for employee transactions are reviewed by the Chief Compliance Officer to ensure compliance with these policies.

Trade Error Policy - It is the policy of Northern Capital Management, Inc. to exercise the utmost care when handling client orders and correcting orders when a trade error occurs. When an employee of Northern Capital Management, Inc. is notified or discovers a trade error, the Chief Compliance Officer is notified immediately for review and correction of the order. Depending on the situation, the type of error and the custodian involved, the correction of trade error will be facilitated differently. Regardless of the method, Northern Capital Management, Inc.'s philosophy stays the same:

- Employees are not allowed to correct their own trade errors due to the conflict of interest that arises.
- The party responsible for the error will bear the cost of correcting the error. If an employee of Northern Capital Management, Inc. is responsible for the error, Northern Capital Management, Inc. will bear the cost.
- Northern Capital Management, Inc. will arrange for the reversing of an erroneous trade as allowed by the custodian.
- Gains in client accounts caused by trade errors, discovered after settlement, will generally be credited to the affected client account with one exception: If the client's account is prohibited from making the transaction necessary to correct the trade error, the position will be moved to Northern Capital Management, Inc.'s trade error account where it will be sold at a gain, which Northern Capital Management, Inc. will keep as long as the client's account was not negatively impacted by the error. If the client bears any negative impact (including opportunity cost associated with missing out on other investment opportunities while money is tied up in the wrong asset) the gain will be forwarded to the client as remuneration.
- Losses in client accounts caused by trade errors will be reversed or reimbursed. If the custodian will not allow Northern Capital Management, Inc. to reverse the erroneous trade, Northern Capital Management, Inc. will fully reimburse the client in another way. Options will be presented to the client. Options include:

- Restorative payments: This is when a deposit of funds is made into the client account to fully reimburse them for the error. In an IRA account, the deposit is coded so it will not be considered a contribution by the IRS.
- Management fee offset – Northern Capital Management, Inc. may offset management fees for the client until the loss is fully reimbursed.

Item 12 - Brokerage Practices

Selecting Broker-dealers

Northern Capital Management, Inc. has discretion regarding the selection of broker-dealers for client accounts. In seeking best execution through broker-dealers (“BDs”) on behalf of our clients, Northern Capital Management, Inc. does not use the lowest possible cost as the main determining factor. Final broker-dealer selections are based on a comprehensive review of fees, services, historical professional relationships, reputation, financial strength, custody capabilities, order entry and execution systems, commission rates, transaction fees, execution capability, reporting features, technology, research, customer service, and tools provided to the Investment Committee and Compliance Department. Northern Capital Management, Inc. also considers “Soft Dollar” arrangements.

Block Trades and Aggregation of Client Orders Policy

Whenever feasible, trade orders will be aggregated when Adviser Representatives desire to purchase or sell the same security for multiple clients. Block orders merge more than one client transaction into a single aggregated trade to be executed by the broker-dealer in one block. The block trade, now a single trade, creates one price per share to be received by all clients participating in the block order. Once the block order is executed, the aggregated transactions are separated out again and each client’s trade is recorded in their account(s).

Soft Dollar Arrangements

The Securities Exchange Act of 1934 allows Northern Capital Management, Inc. to direct clients to pay higher commissions or transaction fees to broker-dealers (“BDs”) in exchange for research and services provided to Northern Capital Management, Inc. by the broker-dealer *provided* Northern Capital Management, Inc. has made a good faith determination that the value of the research and brokerage services received *enhances the quality of investment advice provided to clients*. This arrangement is known as a “soft dollar” arrangement.

Northern Capital Management, Inc. receives research and brokerage services that enhance the investment advice provided to clients, but this is due to assets held in custody with the BD and the benefits are not received in connection with client securities transactions. As a result, we do not believe “soft dollar” arrangements exist. Northern Capital Management, Inc. does not believe clients pay higher fees or commissions as a result of working with our recommended BDs. We do, however, believe material conflicts of interest exist with the BDs providing Northern Capital Management, Inc. with research and brokerage services in exchange for custody business. Please read the next section regarding conflicts of interest carefully. Please also review full descriptions of the research and services provided to Northern Capital Management, Inc. by our BDs below.

Conflicts of Interest

As a fiduciary, Northern Capital Management, Inc. endeavors to act in the best interest of its clients. The Northern Capital Management, Inc. requirements for clients to use specific broker-dealers for transactions are largely due to the fact the broker-dealer is also the custodian for the client’s accounts (the accounts where the investments are held). These custodians/broker-dealers are selected in large part based upon the products and services provided to Northern Capital Management, Inc. Because the cost or quality of services provided to clients is not the only determining factor in Northern Capital Management, Inc.’s selection of the broker-dealer, material conflicts of interest exist. In order to address this conflict of interest, Northern Capital Management, Inc. monitors the cost structures of various custodians in a bid to minimize trading costs for clients *while* maximizing other benefits to Northern Capital Management, Inc. *and* clients.

Current Broker-dealer Arrangements

Formal agreements have been established between Northern Capital Management, Inc. and the following BDs for various client relationships:

- Charles Schwab & Company, including the affiliate Great West Annuities.
- TD Ameritrade
- TIAA CREF
- Fidelity Investments
- *Affiliate* NCM Securities, Inc.
- Charles Schwab Trust Company
- Wilmington Trust Company
- Mountain West
- Pensco

To the extent the client is able to transfer or rollover assets to these custodians, Northern Capital Management, Inc. will require the use of the custodians and the BD services they provide. See “Further Details” below for specific information regarding each BD arrangement.

Broker-dealer Arrangements – In Detail

Charles Schwab & Company (Schwab), Great West, TD Ameritrade, Fidelity, Charles Schwab Trust Company and Wilmington Trust Company serve as BDs and custodians for clients of Northern Capital Management, Inc. Northern Capital Management, Inc.’s affiliate NCM Securities, Inc. serves as a BD but not a qualified custodian. Any assets invested through NCM Securities, Inc. are custodied with Capital Bank & Trust for the American Funds Mutual Fund Group or another qualified custodian. See Item 15 for more information regarding custody.

Most of Northern Capital Management, Inc.’s assets consist of investments in mutual funds, ETFs, exchange-traded securities and similar vehicles and instruments. If a client holds an alternative asset, Northern Capital Management, Inc. may request bids from a variety of broker-dealers to attempt to “find a market.” Northern Capital Management, Inc. primarily recommends our clients establish brokerage accounts with Charles Schwab.

NCM Securities, Inc.

NCM Securities, Inc. has been in business since 1993. NCM Securities, Inc. is incorporated and owned solely by James K. Wilson. The name, originally Bergeron & Wilson Securities, Inc., has changed throughout the years. James has retained majority ownership since the start of the firm. Select investment adviser representatives and clerical associates are registered representatives with NCM Securities, Inc. an affiliated FINRA-member broker-dealer. In select circumstances this arrangement may present a material conflict of interest. See Item 10 (Other Financial Industry Activities and Affiliations) to read about NCM Securities, Inc., representatives thereof and the conflicts of interest that exist due to this affiliated broker-dealer.

Commissions: Recommendations from Northern Capital Management, Inc. to be executed through NCM Securities, Inc. will result in compensation being paid to the representative both on an initial and ongoing basis. See Item 10 for more information regarding the relationship between Northern Capital Management, Inc. and NCM Securities, Inc. You will also find information related to the conflict of interest associated with using this broker-dealer under Item 5 (Supervised Persons Receive Commissions).

Agreements: NCM Securities, Inc. does not currently have any agreement or responsibility to provide Northern Capital Management, Inc. with any research, products or services. The client does not pay higher or lower sales charges or trailing commissions as a result of using NCM Securities, Inc. versus other direct-way mutual fund broker-dealers. However, the amount of the commissions paid by the client to representatives of NCM Securities, Inc. are likely to be higher than what the client would pay if they bought the no-load share class of the same mutual fund through another broker-dealer like Charles Schwab.

Custody Fee: Not applicable. NCM Securities, Inc. is not a custodian. Assets traded by NCM Securities, Inc. are custodied elsewhere. For example Capital Bank & Trust is the custodian for American Funds Mutual Funds Group.

Transaction Fees: Not applicable. Northern Capital Management, Inc. employees will not utilize our affiliated broker-dealer NCM Securities, Inc. to affect securities transactions beyond the direct-way purchase of American Funds mutual funds or a limited number of variable annuity contracts. This is because NCM Securities, Inc. is a limited broker-dealer and does not provide additional transaction services.

Charles Schwab & Company (“Schwab”)

Schwab provides Northern Capital Management, Inc. with access to Schwab’s institutional trading and custody services. This includes access to brokerage, custody and research services. Typically the same kinds of services are not available to Schwab retail clients. For example, institutional clients have access to some investments, including mutual funds, at lower initial minimum requirements than retail investors.

The services provided are available to most independent investment advisors at no additional cost contingent upon an advisor committing a specific amount of business (assets in custody or trading) to the custodian.

Custody Fees: This custodian does not charge a separate fee for custody but is compensated through transaction related fees for trades executed through the broker-dealer or trades that settle into accounts custodied with the broker-dealer. Northern Capital Management, Inc. attempts to use non-transaction fee funds as much as we are able without compromising our investment strategies or taking undue investment risk.

Benefits to Clients: Schwab makes available products and services that benefit Northern Capital Management, Inc. clients. These services include providing Northern Capital Management, Inc. with software and other technology to access client account data process trades for clients, provide research, pricing information and other market data to clients. Schwab also provides a platform for deducting fees from client accounts and assisting with other back-office functions related to record keeping and client reporting. These services are used for a substantial number of Northern Capital Management, Inc.’s accounts, including accounts not maintained at Schwab.

Northern Capital Management, Inc. Business Development: Schwab makes available services intended to help Northern Capital Management, Inc. manage and develop its business including consulting, publications and conferences that focus on practice management, information technology, business succession, regulatory compliance and marketing. Schwab may also pay independent third parties to provide these services to Northern Capital Management, Inc. Schwab makes additional products and services available that benefit Northern Capital Management, Inc.’s business but may not necessarily benefit client accounts.

Discounts: Schwab may discount or waive fees it would otherwise charge for some of the services provided to Northern Capital Management, Inc. Schwab may also pay all or a part of the fees for a third-party to provide these services. Discounts received in the last year and discounts Northern Capital Management, Inc. expects to receive this year, include:

1. **Ongoing** – Discount for subscription to Morningstar.com (Research)
2. **2011** – Waived Schwab IMPACT Event Registration Fee (Business Development)
3. **2011** – Discount for a new Portfolio Center User Interface (Client Reporting)

TD Ameritrade (“TDA”)

TDA provides Northern Capital Management, Inc. with access to institutional trading and custody services. This includes access to brokerage, custody and research services. Typically the same kinds of services are not available to retail platform clients. For example, institutional clients have access to some investments, including mutual funds, at lower initial minimum requirements than retail investors. The services provided are available to most independent investment advisors at no additional cost contingent upon an advisor committing a specific amount of business (assets in custody or trading) to the custodian.

Recommendations: Northern Capital Management, Inc. does not actively recommend TDA as the broker-dealers for client accounts. Northern Capital Management, Inc. maintains relationships with

this BD in order to accommodate existing client accounts, new client accounts already custodied at TDA and provide a BD option in addition to Schwab.

Custody Fees: This custodian does not charge a separate fee for custody but is compensated through transaction related fees for trades executed through the broker-dealer or trades that settle into accounts custodied with the broker-dealer. Northern Capital Management, Inc. attempts to use non-transaction fee funds as much as we are able without compromising our investment strategies or taking undue investment risk.

TIAA CREF (“TIAA”)

Fidelity Investments (“Fidelity”)

Charles Schwab Trust Company (“CSTC”)

Wilmington Trust Company (“Wilmington”)

TIAA, Fidelity, CSTC and Wilmington provide Northern Capital Management, Inc. with access to trading and custody services for retirement plan related accounts.

TIAA and Fidelity are used when a client has a retirement plan account that must remain on the TIAA or Fidelity platform and the client has requested a discretionary management arrangement for the account. These accounts are bound to a menu of investment options selected by the employer for the retirement plan. Northern Capital Management, Inc. can agree to manage the client’s assets at TIAA or Fidelity directly. This arrangement requires a Financial Advisory Agreement with the participant.

CSTC and Wilmington are used to custody structured menu retirement plans. These custodians can pay commissions, more concisely revenue sharing fees, when used as a platform for these retirement plans. See Item 5 (Additional Fees and Expenses) for more information regarding revenue sharing. These plans have a single account at CSTC or Wilmington for the retirement plan. The retirement plan hires a Third Party Administrator (“TPA”) to keep track of the assets that belong to each participant within the plan account. Trades are submitted to the TPA. The TPA records the transactions for each participant and forwards the trades to CSTC or Wilmington for execution.

Northern Capital Management, Inc. does not place trades through CSTC and Wilmington directly. All trades, whether placed by the participant or Northern Capital Management, Inc. are initiated through the TPA. Northern Capital Management, Inc. can agree to discretionarily manage a participant’s assets, through the TPA, at CSTC or Wilmington. This arrangement requires a Financial Advisory Agreement with the participant.

Custody Fees: TIAA and Fidelity custody fees vary depending on the retirement plan. Northern Capital Management, Inc. is not involved in the fee deduction process. CSTC and Wilmington charge annual custody fees, at comparable rates, to retirement plans. Custody fees can be a fixed dollar amount or a combination of a fixed fee and percentage of assets under management, depending on the client arrangement. Custody fees are invoiced to the plan quarterly. Plan trustees can elect for the plan to pay the custody fees or pass the fees through to the retirement plan participants. CSTC and Wilmington work with the TPA to process these fees, including fee deductions, for the plan. Northern Capital Management, Inc. is not involved in this fee deduction process.

Mountain West (“Mountain West”)

Pensco Trust Company (“Pensco”)

Mountain West and Pensco provide Northern Capital Management, Inc. with access to custody services for hard asset real estate held within an IRA account. Our other custodians do not offer this service. Northern Capital Management, Inc. may be linked as the advisor on the client’s account and charge a management fee for assisting the client with services related to the account. An example would be facilitating property tax payments for the property held within the IRA. Northern Capital Management, Inc. only recommends Mountain West or Pensco on an “as needed” basis.

Custody Fees: Mountain West and Pensco charge annual custody fees, at comparable rates. Custody fees are a fixed dollar amount. Custody fees are paid to the custodian and are not included in Northern Capital Management, Inc. separate management fee.

Brokerage for Client Referrals

Northern Capital Management, Inc. has no formal arrangement regarding referrals to be received from broker-dealers. When a referral is made to or from a BD no compensation is received or paid as a result. Northern Capital Management, Inc. has no obligation to maintain any specific amount of

Northern Capital Management, Inc.

business (including assets under custody or trading activity) in response to client referrals. To date, Schwab and CSTC have a history of referring clients to Northern Capital Management, Inc. Other BDs listed do not.

Directed Brokerage

Northern Capital Management, Inc. does not allow directed brokerage. Northern Capital Management, Inc. will not accept client instructions to direct brokerage transactions to a particular broker-dealer.

Item 13 - Review of Accounts

Reviewers

Portfolios and mutual funds are reviewed by supervised licensed individuals. Reviewers must have a bachelor's degree, a minimum of two years relevant investment industry experience, and maintain a national securities license Series 6 or 7 and Series 66 (Series 63 and Series 65 equivalent). Reviewers must also be in good standing with FINRA and the Securities Exchange Commission. See Item 10 (Broker-Dealer Registered Representatives) for a list of the current individuals considered to be qualified reviewers. See the Brochure Supplements for more details.

Fund Manager Reviews

As previously mentioned, a large part of Northern Capital Management, Inc.'s managed assets are mutual funds. These mutual funds are reviewed on an ongoing basis by the Investment Committee.

Initial Reviews: Mutual funds are selected by the Investment Committee through a vetting process. The initial review of a mutual fund includes but is not limited to reviews of the fund's management tenure, risk rating and performance relative to other funds considered peers.

Ongoing: Reviews occur as information regarding the various mutual funds becomes available through subscriptions, articles, newspapers and conversations with fund sponsors.

Quarterly: Mutual fund manager performance is evaluated upon receipt of research data provided by Principia (a product of Morningstar). The Investment Committee compares the performance of selected mutual funds compared to other funds considered peers. The Committee also looks for fundamental changes to the fund's management or portfolio. In these reviews, the Investment Committee determines when fundamental changes and/or portfolio underperformance is great enough to warrant the recommendation for the fund to be removed from client portfolios. Mutual fund reviews do not necessarily result in trades.

Please Note: During times of extreme movements in the investment markets, when a mutual fund manager's capability to mitigate losses becomes unachievable given the magnitude of forced redemptions from the mutual fund, quarterly testing may be suspended until such time as the Investment Committee determines conditions have adequately changed.

Review of Accounts

Over time, client portfolios will deviate from the Investment Objective model assigned. Performance of investments, deposits and withdrawals, and other things can cause a portfolio to deviate from the assigned model rather quickly. In order to keep the investments in portfolios compliant with the assigned IO models, reviews and rebalances must periodically occur. Review Item 4 for more information regarding the Investment Committee and the services Northern Capital Management, Inc. provides to clients.

Client Specific Reviews

Reviews of account allocations and financial plans with clients are provided upon request. Most commonly this review occurs during account review meetings with an advisor representative. This review could also occur in response to an unscheduled meeting, telephone call or email communication with the client.

Life changing events may also prompt a review of your Investment Objective and financial plans. We ask clients to keep our office informed of all life-changing events that may affect the client's financial profile. Examples include changes to health (including illness or disability), changes to marriage status (including divorce or marriage), death or severe illness of a close family member (spouse or

dependents) and any other changes that may affect how your investments should be managed. Account reviews will lead to portfolio rebalances as advisor representatives deem necessary.

Client Wide Reviews

In addition to client specific reviews described above, Investment Committee members also complete account reviews in various ways:

Annually: At a minimum, reviews of all discretionarily managed accounts occur annually. These reviews are commonly incidental to client-wide trades directed by the Investment Committee.

Semi-Annually: Portfolio Managers review each discretionarily managed client account to confirm trade restrictions, trade notes and trade settings are complete and accurate. Portfolio Managers also review outstanding trade related items.

Monthly: Portfolio Managers review all discretionarily managed portfolios. The report, created via our Tamarac trading system, includes each client's Investment Objective model and broad based allocation targets (most commonly, stock/bond ratio) for each client. Portfolio allocations that deviate from the model by greater than 8% are reviewed and, if needed, trades are placed to bring the account closer to the model. Ongoing deviations deemed acceptable by the Portfolio Manager must be justified and documented.

Ongoing: The Investment Committee makes recommendations to purchase or sell investments throughout the year. These client-wide recommendations are implemented for all clients, generally within a short time frame. Client-wide trades are called "trading projects." Trading projects are consistently in progress. Examples include selling out of a particular investment/market sector and funding a new investment/market sector with the proceeds. While processing trading projects, Portfolio Managers complete account reviews that focus on the trading project being completed and the accounts affected by the project. This review ensures all client accounts participate in the project if they are eligible and remain in compliance with the model they are assigned.

Item 14 - Client Referrals and Other Compensation

Referrals

From time to time, various professionals and firms introduce clients to Northern Capital Management, Inc. Northern Capital Management, Inc. does not receive referral fees and there are no written quid pro quo arrangements, however, Northern Capital Management, Inc. maintains a list of professional to whom we recommend clients and from whom we expect referrals. These professionals are referred to as our "Strategic Partners." Northern Capital Management, Inc. commonly recommends professionals in the following areas: banking, accounting, legal, insurance, real estate, elder care, estate planning, Third Party Administration and recordkeeping. We do not recommend professionals in the following areas:

- Sponsor or syndicators of limited partnerships;
- Futures Commission Merchant, Commodity Pool or commodity trading advisors.

Solicitors

Northern Capital Management, Inc. does not currently have any solicitor arrangements. When and if Northern Capital Management, Inc. hires a solicitor to seek out potential clients for our firm, under these contracted arrangements, Northern Capital Management, Inc. will pay compensation, direct or indirect, to the solicitor in exchange for new advisory business. Solicitor activities are supervised by our firm and solicitor arrangements must be disclosed to potential clients in writing prior to the client's completion of a Financial Advisory Agreement.

Gifts and Entertainment

In the past, professionals have sent Northern Capital Management, Inc. or our affiliates a gift in thanks for a referral (such as a gift basket, gift certificate, or provided a discount on a service). Additionally, existing clients and non-client entities have periodically received gifts from our affiliates in thanks for a referral (such as a gift basket or gift certificate). These gifts are not obligatory or part of any formal referral arrangement and we anticipate a similar situation arising for Northern Capital Management, Inc. in the future.

Item 15 – Custody

Northern Capital Management, Inc. works with a number of custodians/broker-dealers. Charles Schwab serves as Northern Capital Management, Inc.'s primary custodian for client accounts, except annuities, which are custodied at Great West Insurance Group. At least quarterly, clients receive account statements from their custodian. Trade confirmations are also provided by the custodian to the client after trades are executed. Clients are responsible for reviewing custodial statements and trade confirmations and comparing them to reports provided by Northern Capital Management, Inc. Our reports may vary slightly from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities, but clients should contact Chief Operations Officer, Michelle Warner, immediately if any significant discrepancies or errors are discovered.

Northern Capital Management, Inc. does not generally take possession of client money or securities, although Northern Capital Management, Inc. generally has the authority to deduct its advisory fees from client accounts. Exceptions apply for a limited number of clients who have hired Northern Capital Management, Inc. to complete bill pay services on their behalf or select an advisor representative as a Power of Attorney or Trustee for their accounts. As required by the Securities & Exchange commission, these custody arrangements are audited annually by a qualified third party.

Northern Capital Management, Inc. may work with custodians to process transactions or money movement on the client's behalf, however Northern Capital Management, Inc. will use websites, software and databases belonging to Northern Capital Management, Inc. and not the client's personal login information. Northern Capital Management, Inc. will not take possession, custody or control of client assets by obtaining a client's personal login credentials. Clients should not provide personal login credentials to Northern Capital Management, Inc. or its staff unless it is to establish the management on a "held away" account.

Northern Capital Management, Inc. manages Held Away accounts, where Northern Capital Management, Inc. receives the client's usernames and password to a website in order to manage the client's account. This is allowed provided the following requirements are satisfied:

1. Held Away accounts are authorized by the client in writing.
2. Clients with Held Away accounts receive a written confirmation from Northern Capital Management, Inc. that access to the client's username and password does *not* create a custody arrangement.
3. The Chief Compliance Officer reviews each Held Away account initially and on an annual basis to confirm access to the login credentials does not create a custody situation.

Item 16 - Investment Discretion

Northern Capital Management, Inc. maintains discretionary trading relationships with most clients.

Discretionary Management: Discretionarily managed clients delegate all investment decisions to the advisor. The advisor, without obtaining specific client consent, can make all investment related decisions including the securities to be bought or sold, the amount of the securities to be bought or sold, the broker-dealer used to execute the trade and any commission rates or fees paid. These clients can be individuals, corporate entities, trusts or pooled retirement plans. These clients receive the following services in addition to those referenced in Item 4 (Administrative Services) for all clients:

- Discretionary Trading
- Ongoing Investment Advice and Financial Planning
- Ongoing Wealth Management Services
- Non-Investment Related services
- Full and secure access to the Northern Capital Management, Inc. website: www.ncm-inc.com

Exception: Transactions resulting in commissions paid to representatives of NCM Securities, Inc. require disclosure to the client. See Item 5 (Supervised Persons Receive Commissions) for more information about this disclosure.

Non-Discretionary Management:

Non-Discretionarily managed clients want ongoing monitoring and investment advice, but they do not authorize the advisor to make automatic investment decisions on their behalf. The Advisor must contact the client to recommend all trades and the client can either accept or deny the recommendation. For those clients who chose not to grant us investment discretion, there may be delays in the execution of investment recommendations as we will execute transactions on behalf of our discretionary clients before contacting any non-discretionary clients. While we will make every reasonable effort to mitigate the impact of this circumstance, it is possible that non-discretionary accounts may receive less favorable trade executions that might possibly result in poorer overall investment performance than those clients who grant us investment discretion.

The majority of our Non-Discretionary clients are retirement plans with a designated menu of investment options offered to participants. The participants of the plan choose from the menu of options to manage their own investments. Participants of these retirement plans are considered Non-Discretionary unless the participant completes a separate Financial Advisory Agreement with the advisor directly to create a discretionary arrangement.

Northern Capital Management, Inc. has a small number of individual clients who would be considered Non-Discretionary as well. Individual clients can also complete a Non-Discretionary Financial Advisory Agreement to establish this type of arrangement. Also, clients who have requested the “Contact First” arrangement on all accounts within their portfolio have requested a non-discretionary arrangement. See Item 4 (Investment Restrictions Allowed to Clients). In these cases, the Financial Advisory Agreement signed by the client set up a discretionary agreement, but written communications thereafter revoked the discretionary authority of the advisor.

Unmanaged or “Courtesy” Accounts

Unmanaged accounts, also referred to as “Courtesy” accounts, are client-directed and are not monitored or managed by our firm. Likewise, they are not charged a fee by our firm. Previously called “Non-Monitoring clients,” unmanaged account owners do not want the advisor to make recommendations or trade on their behalf. The advisor does not review, supervise or monitor investments, except upon client request. The accounts are linked to Northern Capital Management, Inc., upon request of the client, for informational purposes only.

Item 17 - Voting Client Securities

Northern Capital Management, Inc. has no authority to vote proxies on behalf of advisory clients. Upon client request, Northern Capital Management, Inc. may offer assistance regarding proxy matters. However, clients always retain proxy voting responsibilities.

Item 18 - Financial Information

Northern Capital Management, Inc. is not required to provide a Schedule G balance sheet.

Item 19 - Requirements for State-Registered Advisers

Northern Capital Management, Inc. is a federally registered investment advisor.

Brochure Supplement(s)

Northern Capital Management, Inc. is required to prepare a brochure supplement for each of the following supervised persons:

- Any supervised person who formulates investment advice for a client and has direct client contact; and
- Any supervised person who has discretionary authority over a client’s assets, even if the supervised person has no direct contact with the client.

Supplements are attached and employees listed in alphabetical order by last name.

Professional Designations Explained

Educational background and business experience is highlighted on each brochure supplement. To help clients understand the values of these designations, the following summary for each designation is provided. The goal is to explain the minimum qualifications required for each designation.

Additional information can be found through FINRA's website at:

<http://apps.finra.org/DataDirectory/1/prodesignations.aspx>

Certified Financial Planner® (CFP®)

The Certified Financial Planner® (or CFP®) is a professional designation from the Certified Financial Planner Board of Standards, Inc.

Purpose: To obtain expertise in the following areas: 1) General Principles of Finance and Financial Planning, 2) Insurance Planning, 3) Employee Benefits Planning, 4) Investment and Securities Planning, 5) State and Federal Income Tax Planning, 6) Estate Tax, Gift Tax, and Transfer Tax Planning, 7) Asset Protection Planning, 8) Retirement Planning, 10) Estate Planning

Minimum qualifications:

- Prerequisite: Minimum education and industry experience standards apply.
 - Education: Candidates must have a bachelor's degree (or higher), or its equivalent, in any discipline, from an accredited college or university.
 - Experience: The CFP Board requires a CFP® to have three years of full-time relevant personal financial planning experience.

For more information: <http://www.cfp.net/become-a-cfp-professional/cfp-certification-requirements>

Accredited Investment Fiduciary® (AIF®)

The Accredited Investment Fiduciary® (or AIF®) is a professional designation from Fiduciary360.

Purpose: To obtain a thorough knowledge of and ability to apply fiduciary practices as well as being able to assist others in implementing proper policies and procedures with regard to fiduciary standards.

For more information: <http://www.fi360.com/main/designations.jsp>

Insurance Licenses (Washington and Idaho)

Purpose: Provides an individual with the qualifications necessary to sell insurance policies and products under a NCM Securities, Inc.

Minimum qualifications vary by state.

FINRA Registrations Explained

FINRA is the largest independent regulator for all securities firms doing business in the United States. Certain designations are required of employees conducting business under a registered investment advisor (Northern Capital Management, Inc.) and other designations are required of employees conducting business under a broker dealer (Northern Capital Management, Inc.'s *affiliate* NCM Securities, Inc.) All of these examinations are created by the North American Securities Administrators Association (NASAA) and are administered by FINRA.

Registrations for Employees (Registered Reps and Investment Advisor Representatives):

Series 6 - Investment Company Products/Variable Contracts Limited Representative

Purpose: Provides an individual with the qualifications necessary to act as a registered representative and process transactions exclusive to mutual funds, unit investment trusts, variable annuities, and variable life insurance policies under the broker-dealer.

Series 7 - General Securities Representative

Purpose: Provides an individual with the qualifications necessary to act as a registered representative and process transactions in all types of corporate securities, excluding commodities and futures, under a broker-dealer.

Series 63 (Uniform Securities Agent Law)

Series 65 (Uniform Investment Advisors Law)

Series 66 (Uniform Combined State Law)

Purpose: The Series 66, along with successful completion of the Series 7 or Series 6, provides an individual with the qualifications necessary to act as an investment professional able to register as a securities agent and investment advisor. Individuals may take 2 tests for the Series 63 and Series 65 licenses separately or, alternatively, obtain both licenses at one time by passing the Series 66 exam. *Series 63 + Series 65 = Series 66*

Registrations for Supervisors and Compliance Professionals:

Series 99 – Operations Professional

Purpose: Provides an individual with the qualifications necessary to complete work that is essentially supervisory in nature over client-facing back office functions, including persons who design and implement back-office operations and control systems, while not being required to complete the Series 66 and Series 7 exam.

Series 24 – General Securities Principal

Purpose: Provides an individual with the qualifications necessary to manage or supervise representatives of a broker dealer (NCM Securities, Inc.) in investment banking, training, solicitation, as well as the general conduct of business operations as required by FINRA.

Series 27 – Financial Operations Principal

Purpose: Provides an individual with the qualifications necessary to prepare and maintains the books and records of the member as required under securities industry rules and regulations. The designation also requires an understanding of the broker-dealer's minimum net capital requirement. This is a required designation of a Chief Financial Officer for a broker-dealer.