



# *Northland Capital Management*

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## **Disclosure Brochure**

Form ADV Part 2A  
March 15, 2011

This brochure provides information about the qualifications and business practices of Northland Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 218-722-0559. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Northland Capital Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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Northland Capital Management LLC has been in the investment advisory business since June 6, 2008. Christopher A. Erickson is the sole owner and president of the firm.

We tailor our investment advisory services to the individual needs of our clients by understanding each client's investment objectives, financial circumstances, and stated risk tolerance. We deliver investment advisory services using either discretionary or non-discretionary trading authority.

***Discretionary trading authority:***

Discretionary trading authority means that we can buy or sell securities in our clients' accounts without receiving approval for each transaction before it occurs.

At the beginning of a discretionary relationship, we help clients select a model portfolio appropriate for their investment objectives and stated risk tolerance. We use five model portfolios ranging from Conservative to Aggressive. Each portfolio has asset allocation ranges for equities, fixed income, cash, and alternative investments that we must abide by in our ongoing management.

We diversify our model portfolios across many aspects of the financial markets including various asset classes, countries, industries, and styles. Because we seek to deliver superior long-term risk-adjusted returns, we are cost and tax-sensitive in our selection of investments. We use Exchange Traded Funds (ETFs) extensively in our discretionary-managed accounts because ETFs provide diversification in a low-cost, tax-efficient format. ETFs form the core of our model portfolios' equity investments. CDs, government bonds, corporate bonds, preferreds, and bank loans (including mutual funds that invest in these types of securities) are our primary fixed income investments. Clients may limit our ability to purchase specific securities or types of securities, but clients rarely impose this type of restriction.

We continually review and update our model portfolios as market conditions change. When we update our models, discretionary trading authority allows us to promptly make corresponding purchases and sales of securities in our clients' accounts to reflect the new models. This allows us to provide consistent performance for all of our clients' accounts with the same risk profile.

We generally recommend that clients not change their model portfolios in response to market conditions. However, clients should notify us of changes in their financial situation or investment objectives, because we might recommend a different portfolio in light of their new circumstances.

As of March 15, 2011 we managed 134 accounts worth \$23,680,681 with discretionary authority.

***Non-discretionary trading authority:***

A non-discretionary relationship allows clients to remain in control of every investment decision. We do not use model portfolios to guide investments in non-discretionary accounts because each non-discretionary client ultimately makes their own investment decisions. As a result, our clients' non-discretionary accounts usually are not as well-diversified as our discretionary accounts. However, we periodically suggest investment changes for clients to consider in light of changing market conditions.

As of March 15, 2011 we managed 129 accounts worth \$9,928,834 with non-discretionary authority.

In certain situations we also provide financial planning services as a courtesy to clients or prospective clients. We do not receive any compensation for these services.

## *Fees and Compensation*

Northland Capital Management is a fee-only investment advisory firm. We are compensated solely by management fees based on the value of our clients' accounts.

We charge management fees quarterly in advance. During the first month of each quarter we instruct Fidelity to deduct our management fees for the current quarter from our clients' accounts and remit them to us. To calculate our fees, we multiply each account's value on the last day of the previous quarter by the account's annual fee percentage and divide by four. If a client deposits or withdraws assets from their account, we do not adjust up or down the fee for that quarter. Clients may terminate our services at any time by notifying us in writing. If a client terminates our services, we will pro-rate and refund our management fee based on the number of days remaining in the quarter.

Our discretionary management fees are negotiable within a range of 1.00% to 1.25%. Our non-discretionary management fees also are negotiable within a range of 0.02% to 0.75%. Although our discretionary fees are higher than our non-discretionary fees, our discretionary accounts often have a lower *total cost of investing* than our non-discretionary accounts due to internal cost differences of the investments selected. A client's fee within the above ranges will depend on a variety of factors including account value, types of investments, anticipated future assets, pro-bono activities, etc.

Our management fees do not include costs that other parties might charge. These costs include brokerage commissions (usually \$12.95), expenses inside ETFs and mutual funds, transaction fees, wire transfer fees, etc. We do not receive any portion of these costs. Additional brokerage information is provided in the Brokerage Practices section of this document.

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

We do not charge performance-based fees.

In a performance fee arrangement, an advisor may charge a fee based on a share of a client's capital gains or capital appreciation, in addition to a fee based on the value of their account. A performance fee arrangement involves a conflict of interest because it might encourage an advisor to make more aggressive investments than if the advisor's fee is based solely on account value. An advisor also might have a financial incentive to favor clients who pay performance fees over clients who don't.

## *Types of Clients*

Our clients include individuals, trusts, estates, businesses, and state/municipal pension plans.

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

### ***Discretionary Accounts:***

As an independent firm we use investment research from a variety of sources, but our discretionary accounts generally have a “value” investment style. Value managers attempt to purchase investments that are undervalued and wait for the investments to return to higher levels that are closer to historical norms. (The opposite of a value manager is a momentum manager. A momentum manager purchases an investment because its price has increased recently and they believe the upward trend will continue.) Although our clients’ risk profiles range from Conservative to Aggressive, we try to play “defense first and offense second” when managing all of our discretionary accounts.

We generally manage our discretionary portfolios with a “top-down” process. A “top-down” manager makes macroeconomic decisions and invests in broad segments of the financial markets. For example, if we believe the technology sector is a good overall value, we usually will purchase an ETF that owns many technology stocks, as opposed to selecting individual company stocks from within the technology sector. Our primary fixed income investments include CDs, government bonds, corporate bonds, preferreds, and senior bank loans (including mutual funds that invest in these types of securities.)

### ***Non-discretionary Accounts:***

We also attempt to guide our clients’ non-discretionary accounts with a value-oriented philosophy. However, because the client controls every investment in a non-discretionary account, our firm’s value orientation might not be reflected in these accounts. Clients’ non-discretionary accounts usually are not as well-diversified as our discretionary-managed accounts.

### ***Risks (Discretionary and Non-Discretionary Accounts):***

Our clients invest in the following types of securities. We have listed their primary risks below. This is not a comprehensive list of all of the types of securities in which our clients may invest, nor is it a comprehensive list of all the risks involved. Investing in securities involves a risk of loss that clients should be prepared to bear.

- Equities – The prices of equity securities are affected by changes in a company’s expected profitability, economic conditions, market conditions, geopolitical events, investor psychology, interest rates, etc.
- Fixed income – The prices of fixed income securities are affected by changes in interest rates, credit risks, economic conditions, market conditions, investor psychology, etc.
- Exchange Traded Funds (ETFs) – ETFs that invest in equities or fixed income securities possess the same risks as their underlying equity or fixed income investments described above. In addition, while ETFs trade on a stock exchange, there is no guarantee that an active market for

ETFs will continue. ETFs also may trade at prices above or below the fair market value of the investments owned by the ETF.

- Open-end mutual funds – Mutual funds that invest in equities or fixed income securities possess the same risks as their underlying equity or fixed income investments described above. In extreme market conditions, open-end mutual funds also may trade at prices above or below the fair market value of the investments owned by the mutual fund. Most open-end mutual funds can only be purchased or sold at the end of the trading day.

Some investments also are denominated in foreign currencies. These investments may possess additional risks due to currency exchange rate issues. Clients receive prospectuses for many investments which discuss their risks in greater detail.

Finally, our clients (particularly clients with discretionary-managed accounts) assume “manager risk” or “selection risk.” The profitability of our portfolios is partly determined by our ability to predict future prices of investments. Although we are pleased with our discretionary portfolios’ past performance, we cannot make any assurances about how our portfolios will perform in the future.

## *Disciplinary Information*

We are required to disclose if there are legal or disciplinary events that are material to a current or a prospective client’s evaluation of our advisory business or the integrity of our management. We have no legal or disciplinary events to disclose.

## *Other Financial Industry Activities and Affiliations*

Management fees are Northland Capital Management’s sole source of income. In turn, Northland Capital Management is Chris Erickson’s sole source of business income. Neither Northland Capital Management nor Chris Erickson receives compensation from any other financial industry activities or affiliations.

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

As a fee-only investment advisor, Northland Capital Management is held to a fiduciary standard. One way we fulfill our fiduciary duty is through our Code of Ethics. Our Code of Ethics requires that we place our clients’ interests first, monitor our employees’ personal investments and trading, prohibit insider trading, comply with securities laws, etc. We would be pleased to provide a copy of our Code of Ethics to current or prospective clients upon request.

We may buy or sell for ourselves the same investments that we recommend to our clients. However, in order to avoid a potential conflict of interest, we may not buy or sell the same investment for ourselves earlier in the day before we buy or sell for our clients. Under a discretionary trading agreement, our firm's personnel may receive on the same day the same transactions as our clients, provided our orders are combined with our clients' orders so everyone receives the same price at the same time.

## *Brokerage Practices*

Prior to forming Northland Capital Management we conducted a nationwide search of brokerage firms to serve as a custodian for our clients' accounts. We selected Fidelity because of their financial strength, their status as a privately held company, and their expertise in executing large securities orders. We require that all of our clients' accounts be held at Fidelity.

### ***Research and Other Soft Dollar Benefits:***

In our business we interact with business partners who could affect our clients' investment experience. These business partners include mutual fund companies, ETF providers, brokerage firms, etc. Some investment advisors allow and even ask their business partners to pay for business expenses that they could pay for themselves. In exchange for the business partner's financial assistance, the investment advisor might direct some of their clients' investments to the business partner. These relationships also can cause clients to pay higher commissions than they otherwise would. We do not participate in these or any other types of "soft dollar" arrangements. Whenever we can pay for a service, we pay for it ourselves in an arms-length transaction, independent of our business relationships.

However, in our industry we cannot avoid receiving some benefits from business partners, including basic services provided by brokerage firms. The fact that Fidelity (as well as their major competitors) provides these services for free to firms our size had no bearing on our selection of Fidelity for our clients' accounts. Nevertheless, because we selected Fidelity as our clients' brokerage firm, Fidelity provides us with the following capabilities to help us manage our clients' accounts:

- Access to Fidelity's secure website to view our clients' account information
- A service team to call with account-related questions
- Access to Fidelity's trading desk dedicated to investment advisory firms
- PC software to upload orders to Fidelity for execution
- Debiting of quarterly management fees from our clients' accounts and remittance to our firm
- Market commentary via newsletters and conference calls

This is an unavoidable conflict of interest. In the future Fidelity could decide to charge us for these services. Our firm's financial interest would be to ask our clients to change brokerage firms so we could continue to receive these services at no cost from another brokerage firm ... despite our belief that Fidelity provides our clients with the best overall value. However, in that situation we would have a fiduciary duty to recommend that our clients remain at Fidelity, even if it increased our costs.

***Brokerage for Client Referrals:***

We do not accept client referrals from Fidelity. This is to eliminate a potential conflict of interest. If we accepted referrals from Fidelity, our clients might believe that we selected Fidelity because it is best for our business instead of best for our clients.

***Directed Brokerage:***

We currently execute all of our clients' securities orders through Fidelity because we believe Fidelity provides our clients with the best overall value in terms of execution quality, commission rates, and various other factors. However, Fidelity's commissions and transaction fees might be higher or lower than those charged by other brokerage firms for any given transaction. If our overall assessment of Fidelity changes in the future, we are free to recommend that our clients change brokerage firms. We do not receive any compensation from commissions our clients pay to Fidelity.

If a client wants us to execute their orders through another brokerage firm, we generally will comply with their request. Clients should realize that another brokerage firm's commissions, transaction fees, or execution capabilities might be inferior to those of Fidelity or other brokerage firms. Directing orders to another brokerage firm actually could increase a client's cost.

***Order Aggregation:***

When we decide to buy or sell an investment for multiple clients, such as when making changes in discretionary-managed accounts, we usually combine all of our clients' orders into one order. This provides all of our clients the same price on any given day, so no client receives a better price than another. Exceptions to this practice are rare, but could occur when a client places an order for a security after we already have placed an aggregated order for the same security earlier in the day, when minor share quantities are involved, etc.

## *Review of Accounts*

Every week we review cash levels and various other items in our clients' accounts. We also regularly review our clients' discretionary-managed accounts for deviations from our model portfolios and make adjustments as warranted. Chris Erickson, President of Northland Capital Management, conducts these reviews with the assistance of Maryellen Whitcomb, Senior Administrative Assistant.

We formally contact our clients every year to review their portfolio in light of potential changes to their financial situation or investment objectives. However, we often contact clients more frequently. During the first month of the quarter, we send our clients a written letter describing recent investment changes and their portfolio's performance relative to various indices. We encourage clients to contact us at any time with questions about their investments or if their financial circumstances change.



## *Client Referrals and Other Compensation*

While we welcome referrals of potential clients to our firm, we do not accept any referrals from any of our business partners whose activities might affect our clients' accounts. We do not pay anyone, nor do we accept any payments, for client referrals.

## *Custody*

Our clients' accounts are held at Fidelity. Fidelity provides our clients with monthly account statements, except for 403(b) clients who receive quarterly statements. Please carefully review Fidelity's account statements and compare them with any information you receive from us. If you believe there are any discrepancies, please contact us immediately.

## *Investment Discretion*

Our firm regularly uses discretionary trading authority to manage our clients' accounts. Clients must sign our Investment Management Agreement which includes a limited power of attorney before we can accept discretionary trading authority. However, we must abide by the asset allocation ranges specified in the agreement. Clients also may limit our ability to purchase specific securities or types of securities, but clients rarely impose this type of restriction.

## *Voting Client Securities*

Our clients occasionally receive proxies or solicitations from Fidelity or transfer agents. Proxies allow clients to vote on matters regarding their investments. Please feel free to call us if you have questions about any proxies you might receive. We do not vote proxies for our clients.

## *Financial Information*

Northland Capital Management does not have any debt, nor do we plan to incur any debt in the future. We have no financial obligations that would impair our ability to meet our contractual commitments to our clients. Every year we prepare an unaudited balance sheet which we would be pleased to share with clients or prospective clients upon request.



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## **Exhibit A**

### **Summary of Material Changes**

Form ADV Part 2A  
March 15, 2011

The purpose of this document is to list the material changes we have made to our firm's disclosure brochure since its last annual update on January 19, 2010.

We at Northland Capital Management LLC have a fiduciary duty to our clients. As fiduciaries we try to avoid conflicts of interest in our business activities, and then disclose whatever conflicts that may remain. Since our disclosure brochure's last annual update, we initiated several changes to our business that eliminated some potential conflicts of interests and made us more efficient. The following list summarizes only the material changes to our disclosure brochure. Immaterial changes are not listed.

- Our new disclosure brochure no longer uses a "check-the-box" format. The new brochure describes our business in a plain-English narrative.
- We previously offered performance-based management fees as an alternative for certain accounts, but we no longer offer that option. In a performance fee arrangement, an advisor may charge a fee based on a share of a client's capital gains or capital appreciation, in addition to a fee based on the value of their account. A performance fee arrangement involves a conflict of interest because it might encourage an advisor to make more aggressive investments than if the advisor's fee is based solely on account value. An advisor also might have a financial incentive to favor clients who pay performance fees over clients who don't.
- We previously offered a wrap fee program for discretionary-managed accounts, but we no longer offer one. In our previous wrap fee program, Fidelity charged our firm for commissions (usually \$12.95 per transaction) we incurred when managing our clients' accounts. This posed a conflict of interest, because whenever we believed buying or selling a security would benefit our clients, we still had a short-term financial incentive to not initiate the transaction because doing so would increase our business expenses. Therefore we decided to discontinue our wrap fee program and unbundle commissions from management fees. We no longer absorb the cost of commissions. Clients now pay brokerage commissions directly to Fidelity as part of their securities transactions.
- Christopher A. Erickson and Steven C. Erdal previously held dual roles as Investment Advisory Representatives of Northland Capital Management and Registered Representatives of Purshe Kaplan Sterling (PKS) Investments. Steve Erdal also was a licensed insurance agent.

In order to improve efficiency and reduce potential conflicts of interest, Chris and Steve have restructured their respective roles. Chris is no longer affiliated with PKS and is solely affiliated with Northland Capital Management. Steve remains a Registered Representative of PKS and a licensed insurance agent, but is no longer an Investment Advisory Representative of Northland Capital Management.

However, Steve remains available to provide administrative assistance to our clients in the event of Chris' absence. Maryellen Whitcomb, the firm's Senior Administrative Assistant, also helps with administrative matters. In addition, Steve can assume all of Northland Capital Management's business including portfolio management in the event of Chris' death.