

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

**Essex National Securities, Inc.**

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This brochure provides information about the qualifications and business practices of Essex National Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 707-258-5000 or [jcooney@ensinet.com](mailto:jcooney@ensinet.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration does not imply a certain level of a skill or training.

Additional information about Essex National Securities, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 25454.

## **Item 2    Material Changes**

The SEC adopted new rules and rule amendments under the Investment Advisers Act of 1940 to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, we are no longer eligible for SEC registration. We are in the process of switching from federal to state oversight, and the transition must be complete by June 28, 2012. Once the transition is complete, our investment advisory business will be regulated by the California Department of Corporations.

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#### **Item 4 Advisory Business**

Essex National Securities, Inc. is an investment adviser with its principal place of business located in California. Essex National Securities, Inc. began conducting business in 2002. Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Essex National Holding Company, LLC

In addition, the following information identifies subsidiaries that indirectly own 25% or more of our firm:

- Samson Essex, LLC

Essex National Securities, Inc. offers the following advisory services to our clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Mutual fund shares

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

#### **THIRD-PARTY MONEY MANAGERS PROGRAMS**

We also offer advisory management services on a discretionary basis to our clients through the

Manager Selection Programs (hereinafter, "Programs").

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's Personal Investment Policy Statement ("PIPS").

Based on the client's individual circumstances and needs (as exhibited in the client's PIPS) we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

Once we determine the most suitable investment adviser(s) for the client, we provide the selected adviser(s) with the client's PIPS. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs as exhibited in the PIPS.

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's PIPS, we may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, our firm assists the client in selecting a new registered investment adviser and/or program. However, any move to a new registered investment adviser and/or program is solely at the discretion of the client.

## **ENVESTNET'S MANAGED ACCOUNT SOLUTIONS PROGRAM**

Through the Program, Essex offers its clients access to a range of investment management services. These services consist of two general types: model asset allocation portfolios and separately managed accounts. In the first type, Essex will manage on a discretionary basis client accounts through a selection of model asset allocation portfolios positioned at various points along the risk/return spectrum. Each portfolio is designed to meet a particular investment goal and will be managed based on the goals of the individual circumstances of any client account. Depending upon the service, the portfolios may typically contain either mutual funds or exchange-traded funds ("ETFs").

In the second type of service, Envestnet offers clients access to an actively managed investment vehicle chosen from a roster of independent asset managers (each a "Sub-Manager") from a variety of investment disciplines. Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually owned securities that can be tailored to fit a client's investing preferences. Envestnet has performed due diligence on sets of Sub-Managers and make these Sub-Managers available to clients through the Program. Depending upon the service, Envestnet or Essex will assist the client in determining an appropriate asset allocation among the available Sub-Managers

based on the investment style and asset classes employed by the Sub-Managers.

Essex and Envestnet will have full discretionary authority to invest, reinvest and otherwise deal with the Program assets in their discretion. For all services, Essex and the client will compile pertinent financial and demographic information to develop a personal investment policy that will meet the client's goals and objectives. Essex will analyze the information and recommend an appropriate investment strategy based on the client's needs and objectives, time horizon, risk tolerance and any other pertinent factors. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums. Essex will then propose an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes. The client's information is then forwarded to Envestnet for review. Essex will then assist the client with selecting the appropriate service based on the individual needs of the client.

On an ongoing basis, we will monitor the performance of Envestnet and the Sub-Managers, as applicable. If we determine that a particular service or Sub-Manager is not providing sufficient services to the client, or is not managing the client's portfolio in a manner consistent with that client's personal investment policy, then we will suggest that the client move their account to a different service and/or Sub-Manager. Under this scenario, our firm assists the client in selecting a new service or Sub-Manager. However, any such move is solely at the discretion of the client.

At least annually, Essex will meet with the client to review and update, as necessary, the client's personal investment policy. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's personal investment policy is warranted.

Clients will receive a separate disclosure document (Form ADV Part 2) prepared by Envestnet describing in detail the services offered within the Program. Clients are encouraged to review the disclosure document to learn more about the particular characteristics of each of the services offered within the Program, including whether they may impose restrictions on the investment in certain securities or types of securities.

## **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.

- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Mutual fund shares

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **AMOUNT OF MANAGED ASSETS**

As of May 29, 2012, we were actively managing \$32,270,188 of clients' assets on a discretionary basis.

**California Clients:** All material conflicts of interest under CCR Section 260.238(k) are disclosed regarding our firm, our representatives and any employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management.

The independent Registered Investment Adviser provides a fully managed advisory account which invests the client's funds into selected no-load mutual funds. Decisions for the specific funds or investments are made by the investment adviser based upon the information obtained by the Firm. The fee schedule is as follows:

#### **Separate Accounts**

<u>Invested Amount</u>	<u>Type</u>	<u>Client Fee-Annual (basis points)</u>
\$10,000 - \$500,000	Equity	200
	Fixed Income	125
\$500,000 - \$1,000,000	Equity	180
	Fixed Income	105
\$1,000,000 - \$5,000,000	Equity	170
	Fixed Income	85
\$5,000,000 - \$10,000,000	Equity	150
	Fixed Income	65
Over \$10,000,000	Equity	130
	Fixed Income	55

The fee charged for the fully managed advisory account is negotiable. Fees are determined at the point of sale by Essex, who may select a fee within a range of .55 - 2.00%. In determining what fee to charge, the investment adviser representative may take into consideration, among other things, the sophistication and needs of the client, the amount of his involvement in the client account, and the anticipated asset levels to be held in the account. Fees are charged quarterly, in advance.

The Firm which is involved with the completion of the questionnaire and maintains the ongoing relationship with the client, will receive a portion of the advisory fee charged or is compensated indirectly by the placing of securities transactions through the Firm and may pay a percentage to its associated Investment Advisory Representatives.

A minimum of \$10,000 of assets under management is required for this service. This account size may



be negotiable under certain circumstances. Essex National Securities, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Essex will provide monitoring of the funds' performance relative to other funds and indices and recommend and implement changes when appropriate. The service provides for, at a minimum, annual reallocation of assets and counseling with the client. Essex normally charges 1-1/2% of the average daily balance in the account. The fees will be charged quarterly in advance. The client shall grant limited authorization to Essex to withdraw the contractually agreed upon fees from the account. Essex will notify the client in writing of the exact amount of the withdrawal and the specific manner and basis on which the fee is calculated. The brokerage firm or custodian of the account is advised in writing of the limitation of Essex's access to the account. Clients may terminate their contracts with Essex. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Limited Negotiability of Advisory Fees:*** Although Essex National Securities, Inc. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **THIRD-PARTY MONEY MANAGERS FEES**

We are paid by the independent adviser selected by the client for portfolio management services. Our fee is based on a percentage of the client's managed assets, which is included in the independent investment adviser's annual management fee. The portion of the advisory fee paid to us does not increase the client's ultimate advisory fee paid to the selected independent investment adviser.

The independent Registered Investment Adviser provides a fully managed advisory account which invests the client's funds into securities. Decisions for the specific funds or investments are made by the investment adviser based upon the information obtained by the Firm. The fee schedule is as follows:

#### **Investment and Trust Services**

<u>Invested Amount</u>	<u>Client Fee-Annual (basis points)</u>
First \$1,000,000	150
Next \$4,000,000	100
Over \$5,000,000	75

#### **Investment Portfolio without Trust Services**

<u>Invested Amount</u>	<u>Client Fee-Annual (basis points)</u>
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First \$1,000,000	150
Next \$4,000,000	100
Over \$5,000,000	75

**Private Wealth Management includes Trust Services**

<u>Invested Amount</u>	<u>Client Fee-Annual (basis points)</u>
First \$500,000	250
Next \$500,000	200
Next \$2,000,000	150
Next \$3,000,000	125

Clients are provided with a separate disclosure document describing the fee paid to us by such independent registered investment advisers. The total asset management fee, including the referral fee paid to our firm, is disclosed in the independent investment adviser's disclosure document.

The fee charged for the fully managed advisory account is negotiable. Fees are determined at the point of sale by the, who may select a fee within a range of .75 - 2.50%. Depending on the nature and size of your account, you may pay up to 2.5% of assets in advisory fees. You are advised that any fee over 2% of assets may be considered higher than that normally charged by persons in the investment industry. These higher fees may be necessary due to the expense of utilizing certain money managers who charge fees for their services in addition to those charged by your advisor. Other investment advisors may provide the same or similar services at lower rates.

In determining what fee to charge, the investment adviser representative may take into consideration, among other things, the sophistication and needs of the client, the amount of his involvement in the client account, and the anticipated asset levels to be held in the account. Fees are charged quarterly, in advance. The Firm which is involved with the completion of the questionnaire and maintains the ongoing relationship with the client, will receive a portion of the advisory fee charged or is compensated indirectly by the placing of securities transactions through the Firm and may pay a percentage to its associated Investment Advisory Representatives. Under WAC460-24A-005, Essex does not maintain custody of client assets.

Envestnet's annual advisory fee for services it provides to clients in the Program ranges from 0.12% to .56% of the total client assets invested in the Program. Envestnet's fee is negotiated with the client within this range, on a client-by-client basis. Client facts, circumstances and needs determine Envestnet's Fee. These include the Program service(s) selected by the client, the complexity of the client's circumstances, and the amount of client assets in the Program.

Essex's advisory fee and the Program Fee are charged on a calendar quarter basis in advance, based on the value (market value or fair market value in the absence of market value) of the account at the end of the quarter and prorated to the end of the quarter upon inception of the account. Fees will be debited from the account in accordance with client authorization.

Clients will receive a separate disclosure document (Form ADV Part 2) prepared by Envestnet describing the specific fees charged within the Program, the minimum account requirements, billing arrangements and service termination provisions. Clients are encouraged to review this disclosure document regarding the particular characteristics of the fees charged within the Program.

***Limited Negotiability of Advisory Fees:*** Although Essex's has established the aforementioned fee schedules; we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

**California Clients:** Subsection (j) of Rule 260.238, California Code of Regulations requires that all investments advisers disclose to their advisory clients that lower fees for comparable services may be available from other sources.

## **FINANCIAL PLANNING FEES**

Essex's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged as follows:

Written Financial Plan: \$500  
Financial Consultation: \$100/hr

The balance is due upon completion of the plan.

**California Clients:** Pursuant to §260.235.2 CCR, a conflict exists between the interests of the investment adviser or associated persons and the interest of the client; the client is under no obligation to act upon the investment adviser's or associated person's recommendation; if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser, the associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either

party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees:*** All fees paid to Essex National Securities, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs and Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Essex National Securities, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** Essex National Securities, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Essex National Securities, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in

excess of \$500 more than six months in advance of services rendered

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

Essex National Securities, Inc. does not charge performance-based fees.

## **Item 7 Types of Clients**

Essex National Securities, Inc. provides advisory services to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans(other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service. A minimum of \$10,000 of assets under management is required for this service.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for

this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

We are 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.

1. Essex inadvertently failed to fully disclose two AWC orders entered into with FINRA occurring in 2003 and 2005. Result, Essex entered into a stipulation with Louisiana Department of Insurance and paid the amount of \$1000 and the Louisiana Department of Insurance approved its application for licensure as a non-resident life, health and accident, and variable annuity insurance producer.
2. FINRA alleged violations of (1) sec rule 15c3-3(k)(2)(i) regarding special reserve bank account, (2) NASD rules 2420 and 2110 regarding commissions paid to non-member third-party insurance agencies, and (3) NASD rules 3010 and 2110 regarding establishment and maintenance of supervisory system and written supervisory procedures. Without admitting or denying the allegations, Essex, Consented to the described sanctions and to the entry of findings, therefore Essex was censured and fined \$60,000.00.
3. Essex allowed two individuals to engage in securities business while not registered. The fine of \$25,000.00 includes disgorgement totaling approximately \$7,000.00. Fine was paid on 2/24/2003.
4. The firm consented to the following findings without admitting or denying actual Violations: 1.) Membership agreement violation by participating in an initial public offering of stocks; 2.) Conduct rule violation by receiving payments for securities transactions prior to effective date; 3.) Conduct rule violation for failure to properly supervise two violations noted above; and 4.) Conduct rule violation of continuing education rules by allowing two (2) "inactive" representatives to conduct business for a short period. The firm submitted a statement of mitigation and statement of corrective action along with the AWC. The Fines were \$20,000 plus disgorgement of \$49,225.50 and a fine and censure of \$5,000 to John Cooney and Essex jointly and severally.
5. Essex failed to renew branch registrations with the Texas State Securities Board due to an administrative oversight. Upon discovery, the firm notified the state and registered the branches. The firm received a reprimand from the Texas State Securities Board.
6. NASD Dispute Resolution Case Number 04-00686 where the client claimed unsuitable investments and lost her retirement savings. The adviser settled for \$17,000.

7. FINRA Case Number 09-07100 where the customer stated she wanted her retirement account to go into an annuity and not a mutual fund. The adviser settled for \$25,000.
8. FINRA case number 10-03657 where the client claims he thought his principal was guaranteed and safe while when he withdrew his money he lost money. The adviser settled for \$18,750.

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

In addition to Essex National Securities, Inc. being a registered investment adviser, our firm is registered as a FINRA member broker-dealer. A list of affiliated broker-dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Our investment advisor representatives, in their capacities, are registered representatives of Essex National Securities, Inc. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by Essex National Securities, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Essex National Securities, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and

- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

As previously disclosed, we recommend the services of various registered investment advisers to its clients. Although this is a referral arrangement each entity separately receives a portion of the fee which is assessed to the respective client. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. . As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

Clients should be aware that the receipt of additional compensation by Essex National Securities, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Essex National Securities, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for us or our employees to earn compensation from the referral of clients to other registered investment advisers;
- we disclose to the client in a separate disclosure document the compensation we receive in exchange for the client's referral to the selected investment adviser;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we conduct initial and periodic due diligence on the selected investment advisers to establish that the advisers are suitable to recommend to our clients; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Essex National Securities, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Essex National Securities, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-



public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [jcooney@ensinet.com](mailto:jcooney@ensinet.com), or by calling us at 707-258-5000.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission

compensation when effecting transactions during the implementation process.

- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

Essex National Securities, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Essex National Securities, Inc. requires that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct Essex National Securities, Inc. as to the broker-dealer to be used.

Essex National Securities, Inc. requests that clients direct us to place trades through Pershing. Essex National Securities, Inc. has evaluated Pershing and believes that it will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than Pershing if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of Pershing, it should be understood that Essex National Securities, Inc. will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker).

Clients should note, while Essex National Securities, Inc. has a reasonable belief that Pershing is able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers. Not all advisers require clients to direct it to use a particular broker-dealer.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several brokers (including, but not limited to Pershing

provided that such recommendation is consistent with our firm's fiduciary duty to the client. Our clients must evaluate these brokers before opening an account. The factors considered by Essex National Securities, Inc. when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to effect trades through any recommended broker.

Essex National Securities, Inc. will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Essex National Securities, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Essex National Securities, Inc.'s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Essex National Securities, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Essex National Securities, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Essex National Securities, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Essex National Securities, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

### **Item 13    Review of Accounts**

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**These accounts are reviewed by the Registered Principals of Essex.**

#### **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS**

**REVIEWS:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Essex National Securities, Inc. will provide reviews on a quarterly basis.

**These accounts are reviewed by the Registered Principals of Essex.**

#### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

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

#### **CLIENT REFERRALS**

It is Essex's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Essex's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Essex National Securities, Inc. requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account.

## **Item 17 Voting Client Securities**

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting **Essex** by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose

securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Essex by telephone, email, or in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at ESNI.

### **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Essex National Securities, Inc. has no additional financial circumstances to report.

Essex National Securities, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

### **Item 19 Requirements for State-Registered Advisers**

The following individuals are the principal executive officers and management persons of Essex National Securities, Inc.:

- John M. Cooney, COO/Chief Compliance Officer/CFO/Treasurer Born 1960
- Scott K. Davis, CEO/President/National Sales Manager Born 1959
- Ella Sankisov, Financial & Operations Principal Born 1965
- Robert H. Watts, Director Born 1947
- John B. Porter, Chairman, Director Born 1965
- Warren Geddes, Senior Vice President Born 1968

None of the named individuals are compensated for advisory services with performance-based fees.

One or more of the management persons listed above have been involved in one of the events listed below. Please see Item 9 above for further detail.

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

(a) an investment or an investment-related business or activity;

- (b) fraud, false statement(s), or omissions;
  - (c) theft, embezzlement, or other wrongful taking of property;
  - (d) bribery, forgery, counterfeiting, or extortion; or
  - (e) dishonest, unfair, or unethical practices.
2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
- (a) an investment or an investment-related business or activity;
  - (b) fraud, false statement(s), or omissions;
  - (c) theft, embezzlement, or other wrongful taking of property;
  - (d) bribery, forgery, counterfeiting, or extortion; or
  - (e) dishonest, unfair, or unethical practices.

None of the management persons list above has a relationship with any issuer of securities

Information regarding the formal education and business background for each of these individuals is as follows:

**John M. Cooney**

*Education:*

- San Diego State University (1979-1984)

*Business Background:*

- Essex National Securities, Inc., Chief of Operations/Chief Compliance Officer/Chief Financial Officer, 2006 – Present
- Essex National Securities, Inc., Chief of Operations/Chief Compliance Officer, 2005 - 2006
- Essex Corporation, Vice President, ENSI Operations, 1993-2006

**Scott K. Davis**

*Education:*

- Northeastern University, B.S.

*Business Background:*

- Essex National Securities, Inc., President/CEO/National Sales Manager/Director, 2006-Present
- Addison Avenue Financial Partners LLC, Registered Rep/CUSO President, 2003-2006
- CUSO Financial Services, LP, Registered Rep/CUSO President, 2002-2003

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted. Please see item 9

above for a narrative disclosure of the material facts regarding the events.

As previously disclosed in "Other Financial Industry Activities and Affiliations" (Item 10), neither Essex National Securities, Inc nor our management personnel have a relationship or arrangement with any issuer of securities.



## **John W. Weidert**

### *Education:*

- Wharton School of the University of Pennsylvania, Advanced Management Program, 1992
- University of Santa Clara, M.B.A., 1992
- San Jose State, B.S.M.E., 1972

### *Business Background:*

- Essex National Securities, Inc., Director, 2006-Present
- Agilent Technologies, Senior Director, 2000-2005

## **Ella Sankisov**

### *Education:*

- San Francisco State University, B.S. in Finance, 1987

### *Business Background:*

- Essex National Securities, Inc., Accounting Manager, Financial and Operations Principal, 2006-Present
- Vintage Bank, Accountant, 05/2006-06/2006
- K Force Consulting, Accountant, 01/2006-04/2006
- Accountants, Inc., Accountant, 05/2005-11/2005
- Wells Fargo Securities, LLC, Controller, 2004-2005
- Banc of America Securities, Vice President, Broker-Dealer Accounting, 2003-2004
- Essex National Securities, Inc., Controller, 2000-2003

## **Robert H. Watts**

### *Education:*

- Boston University, B.S. in Business Administration, 1968

### *Business Background:*

- Essex National Securities, Inc., Director, 2006-Present
- Retired, 2005-Present
- John Hancock, Consultant, 2004-2005
- John Hancock, Senior Vice President/Chief Compliance Officer, 1996-2004

## **John B. Porter**

### *Education:*

- Whitman College, B.A. in Economics, 1987
- Seattle University, Juris Doctorate, 1992

### *Business Background:*

- Essex National Securities, Inc., Chairman/Director, 2007-Present
- Addison Avenue Federal Credit Union, CEO/President, 2007-Present
- Washington Mutual, Chief Administrative Officer and Executive Vice President-Corporate Affairs, 2004-2007
- Washington Mutual, Senior Vice President-Corporate Relations, 2002-2004

## **Warren Geddes**

### *Education:*

- University of Stirling, B.A. in Business & Marketing, 1991

### *Business Background:*

- Essex National Securities, Inc., Senior Vice President, 2007-Present
- Essex National Securities, Inc., Director of Finance, 2006-2007
- LSG Sky Chefs, General Manager, 2002-2005

In addition to Essex National Securities, Inc. being a registered investment adviser, our firm is registered as a FINRA member broker-dealer.

Neither our firm nor our supervised persons are compensated for advisory services with performance-based fees.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted. Our firm and our management personnel have no reportable disciplinary events to disclose.

Neither our firm nor our management personnel have a relationship or arrangement with any issuer of securities.