



# Northern Capital Management

## FORM ADV Part 2A Firm Brochure

**March 25, 2022**

Item 1 – Cover Page

**Main Office Address:**

2700 S. Southeast Blvd., Suite 205  
Spokane, WA 99223-4894

**Branch Office Address:**

1810 Schneidmiller Ave., Suite 340  
Post Falls, ID 83854

Telephone: (509) 456-2526 or (800) 826-9803

Fax: (509) 456-2550

Website: [www.northernwelcome.com](http://www.northernwelcome.com)

This brochure provides information about the qualifications and business practices of Northern Capital Management, Inc. If you have any questions about the contents of this brochure, please contact Michelle Warner, Chief Compliance Officer, at (509) 456-2526 or (800) 826-9803 or via email to [michelle@northernwelcome.com](mailto:michelle@northernwelcome.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.

Additional information about Northern Capital Management, Inc. also is available on the SEC's website at <http://www.adviserinfo.sec.gov>.

Northern Capital Management, Inc. is a registered investment adviser. Registration does not imply a certain level of skill or training.

## Item 2 – Material Changes

Northern Capital Management, Inc. updates and distributes this brochure annually or, in the event of material changes, more frequently. This section summarizes material changes, if any, to our brochure since our last update on October 21, 2021. Since that update, there have been no material changes to the firm or our brochure.

## Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management.....	6
Item 7 - Types of Clients.....	6
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9 - Disciplinary Information .....	10
Item 10 - Other Financial Industry Activities and Affiliations .....	10
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12 - Brokerage Practices .....	12
Item 13 - Review of Accounts.....	16
Item 14 - Client Referrals and Other Compensation.....	16
Item 15 – Custody .....	17
Item 16 - Investment Discretion.....	17
Item 17 - Voting Client Securities .....	18
Item 18 - Financial Information.....	18

## Item 4 – Advisory Business

### A. Overview and Ownership

Northern Capital Management, Inc. ("Northern Capital") has been in business since 1992. James K. Wilson is the Company's founder and principal owner. The name Northern Capital Management, Inc. was established in 2003. Northern Capital is an affiliate to SEC registered investment adviser Northern Capital Retirement Services, Inc. (formerly Capital Retirement Plan Services, Inc. established in 2012). The name change for this affiliate was effective March 28, 2018.

### B. Types of Advisory Services

Northern Capital offers a range of services including asset management and financial planning to individual clients, families, corporations, and foundations.

Our service offering includes financial planning, investment advice, asset management, administrative and non-investment related services. Clients can choose from asset management only to a range of financial planning topics. These topics typically include:

- Budgeting assistance
- Cash Flow planning
- Net worth statement
- Retirement planning
- Timing of initiating social security
- Tax management strategies
- Investment and withdrawal strategies
- Estate plan review
- Insurance review including long term care, Disability, Life, etc.
- College planning
- Charitable gifting

Planning work is tailored to the client's needs and can either be a targeted analysis of a specific topic (e.g. college planning) or comprehensive in nature. We typically meet with clients on an annual basis to review and update a client's financial circumstances, investment objectives and goals.

### C. Tailoring of Advisory Services and Investment Solutions

Investment advice is tailored to the needs of the client based on your individual financial situation, tolerance for risk, and long-term plans and goals. Based on this information, a suitable Investment Objective is assigned to your portfolio. The Investment Objective corresponds to an allocation model used to manage your investments. Investment selection and portfolio allocation is offered on a discretionary or non-discretionary basis. Each client's portfolio is monitored and managed by our Investment Committee. A client can request Northern Capital to restrict trading for one or more specific securities within their portfolio. Permitted restrictions are limited and must be agreed upon in writing.

### D. Wrap Fee Programs

Northern Capital does not participate in wrap fee programs.

### E. Assets Under Management

Total assets under management as of December 31, 2021:

Discretionary Assets:	\$387,950,295
Non-Discretionary Assets:	\$405,763
Total Assets Under Management:	\$388,356,058

## Item 5 – Fees and Compensation

### A. Compensation for Advisory Services and Fee Schedule

Northern Capital is primarily compensated for advisory services by charging a management fee based on the amount of assets that we manage or advise. This is called our “management fee” or “advisory fee.” The annual rate is detailed in the Financial Advisory Agreement including any minimum fee that applies.

Northern Capital occasionally charges fixed fees, a combination of a fixed percentage with a flat minimum fee or graduating scales where the fee percentage drops as specific break points in portfolio value are reached.

- **Fee Schedule:**

Our standard fee is 1% annually on assets under management up to \$3,000,000 and 0.75% thereafter. The standard fee schedule can vary based on factors such as client type, service levels, complexity, account size or other special circumstances. Non-standard fee schedules are negotiable and subject to approval by the Chief Operations Officer.

We offer management of 529 plan accounts. Those that are invested using an age-based track where the investments automatically become more conservative over time are not assessed a fee. Those that are invested using a static portfolio where the investments are reviewed and updated periodically by Northern Capital are charged 0.50%.

Northern Capital considers cash (e.g. money market and cash sweep funds) to be an asset class and includes cash positions in our fee calculation when the balance is within a portfolio that is assigned an Investment Objective other than Cash Only. In times of low interest rate environments, it's possible our fee will exceed the yield generated by this asset class. However, when the cash position is held within a portfolio assigned a Cash Only Investment Objective, the position will not be assessed a fee.

### B. Calculating Your Fee and Paying Your Bill

Fees are charged every six months on a lagging basis, including new accounts that are not fully funded for the entire six-month period. Our fee is calculated every six months based on the market value of the account as of the billing date without regard to additions or withdrawals during the prior six-month period.

When calculating the fee, illiquid securities are generally valued at \$0 due to a lack of marketability and difficulties in obtaining and verifying an accurate current price.

Northern Capital will provide you with an itemized bill that includes a description of how the fee was calculated and the total amount due. Methods of payment include:

- **Automatic Fee Deduction:**

Eligible accounts are set up for automatic fee deduction unless the client specifically asks to pay by check. If you authorize custodian(s) to process the auto deduction from your account(s), once authorization is established, future fees are deducted each billing cycle automatically. You continue to receive an itemized bill indicating the amounts deducted and fees can be confirmed using your independent brokerage statements that you receive from your qualified custodian.

- **Pay by Check:**

If you elect to pay by check, you will receive an itemized bill on each billing cycle and a request for payment.

### **C. Additional Fees and Expenses**

In addition to our fees, you are responsible for fees and expenses charged by third parties such as custodians, mutual funds, and ETFs. These fees can include custodial fees, brokerage commissions, fees and expenses charged by mutual funds and ETFs, and clearing fees. Advisory clients pay these fees and expenses in addition to the management fee we charge.

Item 12 – Brokerage Practices further describes the factors that Northern Capital considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions or transaction fees).

### **D. Fees Paid in Advance**

Northern Capital does not charge fees in advance for services. Because Northern Capital does not charge fees in advance, but rather on a lagging basis, you are only billed for services up to and including your termination date.

### **E. Compensation for the Sale of Securities or Other Investment Products**

Northern Capital, and employees of the firm, do not receive compensation for the sale of securities or other investment products.

The firm 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, the firm only charges fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

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

Northern Capital does not charge performance-based fees or engage in side-by-side management.

## **Item 7 - Types of Clients**

Northern Capital provides investment advice to the following types of clients:

- Individuals
- Retirement plan participants
- Trusts
- Estates
- Organizations such as corporations, foundations, and partnerships

There is no minimum account size for new clients.

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

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

Northern Capital utilizes an Investment Committee which consists of the Chief Investment Officer, Investment Adviser Representatives, and members of the Trading Department. Investments and the Investment Objective model allocations are established and reviewed on an ongoing basis by the Investment Committee.

The Investment Committee employ a host of tools when selecting and monitoring investments. The process of selection, review, and testing is the same for all service model types. The main sources of information used in our research include FactSet products, Morningstar products, Fi360 products, financial newspapers, other research publications, and websites (both paid and non-paid subscriptions).

### Types of Investments

Investments commonly include open-end mutual funds that are no-load/noncommissioned products and exchange traded funds ("ETFs"). However, advice can also include stable value funds, closed-end funds, unit investment trusts, exchange listed securities, debt securities such as corporate, municipal or governmental bonds, certificates of deposit or debt other than commercial paper, variable life insurance products, and interests in real-estate partnerships. Investments are not guaranteed. Investing in securities or debt instruments (directly or in the form of mutual funds, exchange traded funds, etc.) involves risk of loss that clients should be prepared to bear.

### Mutual Funds and Exchange Traded Funds

Investments, primarily open-end mutual funds and exchange traded funds, are selected by our Investment Committee through a vetting process. The initial review includes but is not limited to reviews of expenses, transaction fee/commission vs. non-transaction fee/commission arrangements, risk rating, performance relative to other funds considered peers or benchmarks, and management tenure if applicable.

Mutual funds and ETFs that have been selected and approved for use undergo ongoing quarterly reviews. Northern Capital utilizes a third-party scoring system provided by Fi360, known as the Fi360 Fiduciary Score®, to monitor these types of investments. This is a peer percentile ranking of an investment against a set of quantitative due diligence criteria. The Fi360 Fiduciary Score® Average is a one, three, five or ten-year rolling average of an investment's score.

When an investment has a failing Fi360 Fiduciary Score® a more thorough analysis will be conducted. This is an indication that the investment is not adhering to a combination of the below score criterion:

- Operations
  - **Inception Date:** At least a 3 year track history
  - **Manager Tenure:** At least a 2 year track history (most senior manager's tenure)
  - **Net Assets:**  $\geq 75$  million under management (total across all share classes)
  - **Composition:**  $\geq 80\%$  allocation to primary asset (not applied to all peer groups)
  - **Style:** The current style box matches the peer group (not applied to all peer groups)
- Expenses
  - **Prospectus Net Expense Ratio:** Placed in the top 75% of its peer group
- Risk
  - **Alpha – Broad Market (3 Year):** Placed in the top 50% of its peer group
  - **Sharpe (3 Year):** Placed in top 50% of its peer group
- Performance
  - **Return (1 Year):** Placed in top 50% of its peer group
  - **Return (3 Year):** Placed in top 50% of its peer group
  - **Return (5 Year):** Placed in top 50% of its peer group

Ultimately, the decision to retain or replace an investment cannot be made by a formula. It is the Investment Committee's confidence in the investment's ability to perform in the future that ultimately determines whether to retain or replace an investment.

## Other Investments

The Investment Committee utilizes fundamental investment analysis when selecting other investment types. Most commonly, this is used for individual stock recommendations. The sources of information can include FactSet products, Morningstar products, financial newspapers, other research publications 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, filings with the Securities and Exchange Commission, company Press Releases, investment company sales and advertising literature, and/or discussions with individuals deemed to have expert or specialized knowledge. The underlying financial health of a company or asset is considered. This includes industry, products, revenues, earnings, future growth potential, return on equity, profit margins, earnings per share, historical dividend payouts, and so on, to determine an asset's underlying value, potential for future growth, and/or anticipated dividend income. 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. Investing in securities or debt instruments involves risk of loss that clients should be prepared to bear.

## Asset Allocation/Portfolio Composition

Asset allocation is how we balance risk and reward by dividing up your investments into different asset classes according to your goals, risk tolerance and investment horizon. The three main asset classes are stocks, bonds, and cash. Additional asset classes can be used. Each asset class has different levels of risk and return and will behave differently over time. The Investment Committee manages investment models, referred to as Investment Objectives. These models range from conservative to aggressive.

Short-term investment performance is not the primary measure when evaluating the success of a portfolio. All models are offered with long-term investing as the focus and keeps long-term trends in mind. We seek to improve take-home returns through goal-based financial planning, tax-loss harvesting, asset allocation and retirement guidance, rather than focusing on investment performance alone. In both programs, short-term model changes are therefore not a prominent part of our asset management approach. We do not attempt to "time the market" with short market movements or intraday trading and prefer longer-term allocation strategies. Progress toward long term goals is our aim. Proactive wealth-preservation such as "selling to cash" is not part of Asset Allocation/Portfolio Construction. This creates risk in market corrections and downturns.

## Asset Management by Investment Objective

The Investment Committee meet regularly to review the Investment Objective models available and confirms the target allocations for each. Some IOs have a Base *and* Plus allocation model available. The *Plus* model will increase equity exposure above the Base model. This is used if you wish to be slightly more aggressive than peers in your Investment Objective model but not so aggressive as to require a change to your Investment Objective completely.

## Selecting an Investment Objective Strategy

When you become a client, you are asked to complete a Financial Advisory Agreement including questions that help us confirm your investment objectives, risk tolerance and select an appropriate Investment Objective for your accounts as well as detail any cash reserves, cash minimums, custom allocation model instructions, and account or investment restrictions. Unless we are directed otherwise, all accounts in your portfolio will be managed under one group ("portfolio") and the portfolio will be allocated according to the Investment Objective model, even if the various accounts that collectively make up the portfolio are invested differently.

## B. Material Risks

With all investments there are inherent, unavoidable, and often unforeseeable risks. 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. 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 risk
- Market disruptions
- Exchange disruptions or malfunctions
- Currency risk (principally for foreign securities)
- Liquidity risk
- Risk of default
- Financial and business risk of investing in individual companies or securities
- Inflation risk
- Market volatility

Performance can also be affected by government legislation or regulation directly or indirectly to include changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations. Clients risk earning taxable income on investments without having a cash distribution to pay the tax due. Regarding tax-loss harvesting transactions, you must confer with your personal tax adviser regarding the tax consequences of trades placed by our firm based on your circumstances. You and your personal tax advisors are responsible for how the transactions in your account are reported to the IRS or any other taxing authority. We assume no responsibility to you for the tax consequences of any transaction.

Additional risks include inaccurate data used by the Investment Committee while making recommendations (despite our efforts to verify information as accurate) and negative tax consequences because of recommendations. While Northern Capital seeks to assess the merits of investing in a 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 later. Any past success of a particular investment strategy or methodology does not imply or guarantee future success.

### **C. Additional Risks to Consider for Particular Types of Securities**

**Fixed Income Investing:** In addition to the risks discussed above, fixed income market risks include:

- The duration of these securities affects risk, with longer term securities generally more sensitive to interest rates and more volatile than shorter term securities.
- A rise in interest rates can cause fixed income investments to decline in value. When interest rates are low, the income distribution can be reduced.
- Investing in cash or money markets as an alternative fixed income allocation can create a negative rate of return

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

**Fund of Funds:** A "Fund of Funds" is a mutual fund with underlying investments comprised solely of other mutual funds. Risks in addition to those above include but are not limited to higher fees and lower returns for investors.

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

**Stable Value Funds:** Risks in addition to those above, include restrictions on distributions or transfers out of the fund. Transfers to competing investment options must be held in a non-competing investment option for a minimum of 90 days before a transfer to a competing option can occur.

**Inverse Securities:** Inverse securities 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. The nature of these derivatives can lead to inaccurately priced positions in the fund and high-risk unpredictable performance.

**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 operating expense ratios (OERs).

## Item 9 - Disciplinary Information

Northern Capital has no disciplinary history to report. Northern Capital 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 firm. 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 is an affiliate to registered investment adviser, Northern Capital Retirement Services, Inc. (NCRS). SEC registration does not imply a certain level of skill or training. NCRS offers services to employers, retirement plan sponsors, trustees, and participants for 401(k), 403(b), SIMPLE IRA Plans and SEP retirement plans. The firms share resources including offices and staff. This affiliation presents a conflict of interest for situations such as trading and rollover recommendations.

When possible, trade orders for accounts are aggregated and submitted as a block trade. This ensures all clients receive the same execution price. We are unable to block trades for clients of Northern Capital with clients of NCRS, therefore block trades in the same security on the same day for both firms will cause one firm to trade ahead of the other. As a result, clients of each firm will potentially receive different prices. These instances are rare, but our policy to address this conflict of interest is to alternate the firm that trades first.

From time to time, clients also request advice regarding distributions or rollovers from their retirement accounts. Those accounts include retirement plans managed by NCRS as well as retirement accounts a client has in an outside or former employer retirement plan. This presents a conflict of interest as we have an economic incentive to encourage clients to roll their retirement assets into an IRA managed by Northern Capital.

To address these conflicts of interest, we have policies and procedures in place that prohibit firm personnel from making rollover recommendations to a client on their retirement assets held within a plan that NCRS manages as a 3(38) Investment Manager. Only rollover education can be provided in that circumstance and the client must select which rollover option is best for them.

For retirement assets where our affiliate NCRS is not a 3(38) Investment Manager, rollover recommendations can be provided. Our policy is that rollover recommendation must meet impartial conduct standards which includes ensuring recommendations are always in the client's best interest. We do this by carefully considering available distribution and rollover options including:

- maintain the balance within the existing retirement plan
- rollover the balance to an IRA, including an IRA managed by NCM
- rollover the balance to a new employer's retirement plan
- distribute the balance (cash out)
- or a combination of any of the above

Clients are urged to carefully review all information regarding their rollover options and the associated fees before making a decision. Clients are under no obligation to rollover retirement plan assets to an account managed by Northern Capital. If you choose to rollover assets into an IRA account to be managed, it is possible you will pay higher advisory and/or fund expense fees. This creates additional conflicts of interest if Northern Capital will earn a new advisory fee or increase its current advisory fee as a result of the rollover. While we believe the fees charged are fair and reasonable for the service provided, higher fees can diminish overall returns and there is no guarantee new investments in an IRA will outperform the investments offered within a retirement plan. To address these conflicts of interest, we have policies and procedures in place to assess the appropriateness of rollover recommendations.

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

### A. Code of Ethics

Northern Capital has established a Code of Ethics for our personnel that imposes a high standard of business conduct on us and our employees and emphasizes our fiduciary duty to our clients. The Code includes provisions regarding prohibitions on insider trading, personal trading activity in employee and employee-related accounts, and compliance with laws. Our Code of Ethics emphasizes that employees have a duty to place the interests of our clients first.

Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between us and our clients.

A copy of our Code of Ethics is available to current or prospective clients upon request by contacting our Chief Compliance Officer.

### B. Participation or Interest in Client Transactions

By policy we do not participate in principal transactions or agency cross transactions. Employees are prohibited from buying and selling directly to or from a client account.

### C. Personal Trading

The Code establishes rules of conduct for all employees. It is designed to govern personal securities trading activities, among other things. 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.
- Prohibited or undisclosed conflicts of interest.
- Any abuse of their position of trust and responsibility.

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

Under the Code of Ethics, each employee (i.e. employee, director, partner, officer or spouse, including minor children or relatives residing with such individuals) is allowed to trade for their own accounts in

securities which are recommended to and/or transacted for clients. The Code requires pre-clearance of all individual equity trades, Initial Public Offerings (IPOs), and Private or Limited Offerings.

#### **D. Personal Trading Simultaneously with Clients**

Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. To mitigate this conflict, employees buying or selling the same security on the same day as a client account, must do so by aggregating their trade with those of our clients (known as a "block trade"). A block trade ensures all participants receive the same price. If employees did not participate in the block trade, the employee must wait until the next business day to place their trade. If the block order was partially filled, shares for employee and employee related accounts will only be included in the allocation with clients when allocated on a pro rata basis. If a random allocation is more efficient due to allocation size (e.g. only a small number of shares were executed), then all trades for employee and employee related accounts are excluded from the allocation that day.

To supervise compliance with the firm's Code of Ethics, we require that employees provide annual securities holdings reports and quarterly transactions reports to the firm's Chief Compliance Officer. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended, and are required to follow the Code of Ethics.

### **Item 12 - Brokerage Practices**

#### **A. Custodians and Brokers We Use**

Northern Capital does not maintain custody of your assets that we manage or on which we advise, although we could be deemed to have custody of your assets if you give us that authority (see Item 15—Custody, below). Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian although we do allow clients to use other qualified custodians such as TIAA. For non TIAA accounts, to the extent you can transfer assets to Schwab, we will require you do so. If you hold assets at a qualified custodian other than Schwab and TIAA, and are unable to transfer, we have the option to manage the account or not and limitations to service will apply. See individual section below for specific information on TIAA and how the firm handles trades for multiple custodians under the Block Trade and Aggregation of Client Orders section.

We are independently owned and operated and are not affiliated with Schwab or any other qualified custodian. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we will assist you in doing so. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client Referrals and Other Compensation). You should consider these conflicts of interest when selecting your custodian.

#### **How We Select Brokers/Custodians**

We recommend Schwab, a custodian/broker that will hold your assets and execute transactions. When considering whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, we take into account a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, other fees, etc.)
- Reputation, financial strength, security and stability
- Prior service to us and our clients
- Services delivered or paid for by Schwab
- Availability of other products and services that benefit us, as discussed below (see “Products and services available to us from Schwab”)

### Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) do not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab’s Cash Features Program.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/custodians”). By using another broker or dealer you can pay lower transaction costs.

### Products and Services Available to Us From Schwab

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors are able to get institutional brokerage services from Schwab without going through us. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of Schwab’s support services:

***Services that benefit you:*** Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

***Services that do not directly benefit you:*** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts and operating our firm. They include investment research, both Schwab’s own and that of third parties as well as discounts on certain third-party research products. We use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, compliance, recordkeeping, and client reporting

***Services that generally benefit only us:*** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and related compliance needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees.

Schwab also provides us with other benefits, such as:

- Occasional business entertainment of our personnel
- Discounts for Morningstar research products, Fi360 products, and Junxure CRM
- Access to Schwab Compliance Technologies (a compliance tracking tool)
- Trade error costs less than \$100

If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services and these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/ custodians") and not Schwab's services that benefit only us. We have adopted policies and procedures designed to ensure that our use of Schwab's services is appropriate and in the best interest of our clients.

### **TIAA**

Custody fees for TIAA plans vary and are approved by the client or a retirement plan sponsor. TIAA is used when a client has a retirement plan account or other account (IRA, Roth, etc.) at TIAA and the client has requested discretionary management. For accounts offered through an employer, the participant account receives the custody services and trading platform approved by the plan sponsor and must remain on the TIAA platform due to the association with the retirement plan. Account types such as IRA, Roth, etc. can remain at TIAA when the investment options available and cost savings associated with the platform are found to be in the best interest of that client. All TIAA accounts are limited to specific investment options. We agree to manage the assets at TIAA using the investment options available.

### Soft Dollar Arrangements

Section 28(e) of the Securities Exchange Act of 1934 allows an adviser to cause an account to pay higher commissions if the adviser determined in good faith that the amount of commission is reasonable in relation to the value of brokerage and research services provided by such broker-dealer (also referred to as "soft dollars").

Northern Capital does not maintain any soft dollar arrangements. This means clients do not pay higher transaction fees or commissions charged by the custodians for brokerage services received by Northern Capital. Our firm receives research and brokerage services that enhance the investment advice provided to clients, but this is in exchange for assets held in custody and is not connected to transactions.

### Brokerage for Client Referrals

Northern Capital has no formal arrangement regarding referrals with custodians or broker-dealers. When a referral is made to or from these entities no compensation is received or paid as a result. Northern Capital has no obligation to maintain any specific amount of business (including the amount of assets held with the custodian or the volume of trading activity) in response to client referrals.

### Directed Brokerage

Northern Capital does not permit clients to direct transactions to a specific broker-dealer for execution.

### Trade Error Policy

It is the firm's policy to exercise the utmost care when handling client orders and correcting transactions when a trade error occurs. From time to time, an error in submitting a trade can occur. If a trade error occurs in a client account, the party responsible for the error will bear the cost of correcting the error. If we are responsible for the error, we will bear the cost and clients will always be made whole.

## B. Block Trades and Aggregation of Client Orders

Whenever feasible, trade orders will be aggregated together. This occurs when trade orders to purchase or sell the same security for multiple clients is needed at the same time. Block orders merge client transactions into a single aggregated trade that is executed in one block trade. The block trade creates one price per share to be received by all participating clients. Once the block order is executed, the aggregated transactions are allocated to each client account. In the event a block order does not completely fill, trades are allocated to various accounts using an objective method (e.g. pro rata or random allocation) to ensure over time one group of clients does not receive preferential treatment over another.

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner. The policy of the firm is to aggregate client transactions where possible and when advantageous to clients, however in some cases certain accounts will trade ahead of other accounts. Delays in trades for any reason can negatively or positively impact returns due to market fluctuations. Circumstances that will impact our ability to aggregate orders and/or the timing in which we submit orders:

- **Investment Objective Models:** If we are unable to aggregate all clients together for purposes of block trades in a single trading day, we will randomize client-wide or within IOs over the length of the trading initiatives.
- **Market Volatility:** In fast moving markets, when increasing equity exposure in positions across all client accounts, aggressive models are often traded first while more conservative models are traded after. Conversely, when decreasing equity exposure, conservative models are often traded first and the most aggressive are traded last.

- **Affiliates:** We are unable to block trades for clients of Northern Capital with clients of our affiliate, Northern Capital Retirement Services, Inc., therefore block trades in the same security on the same day for both firms will cause one firm to trade ahead of the other. These instances are rare, but our policy to address this conflict of interest is to alternate the firm that trades first.
- **Trading Authorization:** Clients that do not grant full trading discretion can experience delays due to pre-approval requirements. Northern Capital will execute trades on behalf of all discretionary accounts before contacting non-discretionary accounts or making recommendations related to non-discretionary investments.

## Item 13 - Review of Accounts

### A. Frequency and Nature of Review

Our Advisers have primary responsibility for managing the relationships with each advisory client. Advisers are supported by our Portfolio Managers and Portfolio Administrators that assist with monitoring and servicing of the advisory client's account(s). Accounts are reviewed by our Portfolio Managers during initial account setup and periodically thereafter to monitor items such as portfolio cash flows, security weightings, investment actions and restrictions to ensure adherence to client stated investment objectives or limitations. For additional information on Investment Objective models see Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.

Financial plans are offered when establishing a relationship with Northern Capital. If the client elects to engage in financial planning, the plan is typically prepared during onboarding. Reviews of financial plans are offered annually thereafter and can also be updated during client review meetings or after life changing events.

### B. Factors that Trigger a Review

We also review a client's goals and objectives more frequently in response to various events, including a change in market, political or economic conditions, or a change in an advisory client's circumstances or financial goals, among other things. The Investment Committee regularly reviews the securities held in the model portfolios.

### C. Reporting

The account custodian sends statements to advisory clients no less frequently than quarterly. These statements list the account positions and activity in the account for the period, as well as other related information. The custodian also sends trade confirmations to advisory clients following each transaction or on a consolidated basis if requested by the client.

In addition to the statements and confirmations that advisory clients receive from their custodian, Northern Capital provides clients with a quarterly report delivered electronically via an online client portal. Quarterly reports summarize account assets, performance, asset allocation, weighting, and change in value of the account. Reports can also be delivered to clients at any other time upon client request.

## Item 14 - Client Referrals and Other Compensation

### Referrals

From time to time, various professionals and firms introduce prospective clients to Northern Capital. Northern Capital does not pay referral fees to any sources or receive or provide any economic benefit for referrals.

## **Solicitors**

Northern Capital does not currently have any solicitor arrangements. When and if Northern Capital hires a solicitor to seek out potential clients for our firm, under these contracted arrangements, Northern Capital 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.

## **Custodians**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of Schwab's products and services is not based on us giving investment advice, such as buying securities for our clients.

## **Item 15 – Custody**

Northern Capital maintains custody for clients in situations where investment adviser representatives of Northern Capital are appointed as trustee, power of attorney, or personal representative of an estate. Per the written agreements, these accounts allow us to move and transfer funds or securities and/or change account information on behalf of clients. We limit these types of accounts and each request for appointment as a power of attorney, trustee, or personal representative is reviewed on a case-by-case basis. Additionally, Northern Capital maintains custody for accounts held at Lincoln Annuity due to the transaction authorization granted on these types of accounts which allows us to move and transfer funds to third parties without client consent. Northern Capital complies with the requirements of the Custody rules by obtaining an annual surprise examination from an independent auditor that is certified and subject to oversight by the Public Company Accounting Oversight Board to perform annual surprise audits of any accounts where we have been deemed to have custody.

Under government regulations, we are deemed to have custody of your assets if for example, you authorize us to instruct your custodian to deduct advisory fees directly from your account or if you grant us authority to move money to another person's account. The custodians maintain actual custody of your assets.

Under all custody arrangements, you will receive account statements directly from your custodians (e.g. Schwab, TIAA) at least quarterly. They will be sent to the email or postal mailing address you provided to the custodian. We urge you to carefully review such statements promptly when received and compare such official custodial records to the account statements that we provide to you. Our statements can vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 - Investment Discretion**

### **Discretionary Authority**

Northern Capital has discretionary trading authority for most clients. When a client provides Northern Capital with discretionary management authority, they delegate all investment decisions to the adviser. The adviser, without obtaining additional client consent, makes all investment decisions including the investments to be bought or sold and the amount to be bought or sold.

A client provides Northern Capital with discretionary authority upon execution of a Financial Advisory Agreement (FAA).

### Account Restrictions

Periodically clients will desire to restrict trading for one or more specific securities within their portfolio. All restrictions are limited and must be made in writing on the Financial Advisory Agreement.

### Allowed Investment Restrictions

- Non-discretionary: A position coded as "Non-discretionary" requires the firm to contact you prior to trading.
- Unmanaged: A position coded as "Unmanaged" is a client-directed asset and the client has full responsibility for managing and trading the position.
- Clients are permitted on a limited basis to impose restrictions on specific companies, industries, or sectors.

## Item 17 - Voting Client Securities

Northern Capital has no authority to vote proxies on behalf of advisory clients. Upon request, Northern Capital will help regarding proxy matters, however clients always retain proxy voting responsibilities. Clients will receive proxy information directly from the custodian.

## Item 18 - Financial Information

Northern Capital is required in this Item to provide you with certain financial information about its financial condition. We have no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.