

## Item 1 – Cover Page

**Northeastern Star Asset Management, Inc.**

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Date of Disclosure Brochure: March 9, 2023

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This disclosure brochure provides information about the qualifications and business practices of Northeastern Star Asset Management, Inc. (also referred to as we, us and Northeastern Star Asset Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Kenneth R. Ferrone at 717-732-2719 or [kferrone@nestarassetman.com](mailto:kferrone@nestarassetman.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Northeastern Star Asset Management is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Northeastern Star Asset Management, Inc. or our firm's CRD number 171891.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This brochure, dated March 9, 2023, replaces the Other than Annual Amendment dated November 4, 2022. This item of the brochure discusses only the material changes that have occurred since Northeastern Star Asset Management's last update of this brochure, dated November 4, 2022. Northeastern Star Asset Management may, at any time, update this brochure and either: (1) send you a copy; or (2) provide a summary of the material changes and offer to send you a copy of the ADV Part 2, provided the offer is accompanied by certain contact information. Since the last annual amendment, the following changes have been made:

- Item 4 : Assets under Management

A copy of Northeastern Star Asset Management's Brochure may be requested by contacting Kenneth Ferrone at 717-732-2719. Northeastern Star Asset Management will provide a copy of its current brochure at any time without charge.

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#### **Item 4 – Advisory Business**

Northeastern Star Asset Management is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is an S-corporation formed under the laws of the State of PA.

- Kenneth R. Ferrone is the Chief Investment Officer & Chief Compliance Officer (CCO) and Managing Stockholder of Northeastern Star Asset Management. Kenneth R. Ferrone owns 50% of Northeastern Star Asset Management.
- Paul S. Dubendorf is the Chief Executive Officer (CEO) and Managing Stockholder of Northeastern Star Asset Management. Paul S. Dubendorf owns 50% of Northeastern Star Asset Management.
- Northeastern Star Asset Management filed its initial application to become registered as an investment adviser in August 2014.

#### **Introduction**

The investment advisory services of Northeastern Star Asset Management are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of Northeastern Star Asset Management (referred to as your investment adviser representative throughout this brochure).

#### **Description of Advisory Services**

The following are descriptions of the primary advisory services of Northeastern Star Asset Management. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Northeastern Star Asset Management before we can provide you the services described below.

**Asset Management Services** – Northeastern Star Asset Management offers asset management services, which involves Northeastern Star Asset Management providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk

tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Depending on the value of assets contributed by the client, contributions may not be invested immediately in order for Northeastern Star Asset Management to meet minimum purchase amounts and/or buy whole shares of ETFs.

**Financial Planning Services** - Northeastern Star Asset Management offers financial planning services, which involve preparing a written financial plan covering specific or multiple topics. We provide full written financial plans, which typically address the following topics: investment planning, retirement planning, insurance planning, education planning, portfolios review, and asset allocation. When providing financial planning services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. We also provide modular written financial plans which only cover those specific areas of concern mutually agreed upon by you and us. A modular written financial plan is limited or segmented and does not involve the creation of a full written financial plan. You should be aware that there are important issues that may not be taken into consideration when your investment adviser representative develops his or her analysis and recommendations under a modular written financial plan. Written financial plans prepared by us do not include specific recommendations of individual securities.

Our financial planning services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning recommendations. To the extent that you would like to implement any of our investment recommendations through Northeastern Star Asset Management or retain Northeastern Star Asset Management to actively monitor and manage your investments, you must execute a separate written agreement with Northeastern Star Asset Management for our asset management services.

**Retirement Plan Services – Fiduciary Retirement Plan Consulting Services** - Northeastern Star Asset Management offers retirement plan services to retirement plan sponsors and to individual

participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

Northeastern Star Asset Management provides the following Fiduciary Retirement Plan Consulting Services:

- Non-Discretionary Investment Advice. Northeastern Star Asset Management will provide you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your Plan's investment policy statement. Northeastern Star Asset Management will provide you with recommendations of investment options consistent with ERISA section 404(c).
- Investment Due Diligence Review. Northeastern Star Asset Management will provide you with periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- Investment Monitoring. Northeastern Star Asset Management will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and Northeastern Star Asset Management will make recommendations to maintain or remove and replace investment options.
- Asset Allocation Service. Northeastern Star Asset Management will make available to Plan participants an asset allocation service where Northeastern Star Asset Management will recommend to Plan participant an allocation of participant's assets among the Plan's Designated Investment Alternatives ("DIAs"). If Plan selects this service, it will be available to all of the Plan participants, however, each Plan participant will have the option to elect or not elect Northeastern Star Asset Management's Asset Allocation Service. If a participant elects to utilize this service, the participant will allocate all or a portion of their account to this investment option(s). Northeastern Star Asset Management will provide non-discretionary investment advice up to two times per calendar year to participant about asset classes and investments available under the Plan in accordance with participant's stated investment objectives and re-balancing participant's assets within the Plan's DIAs as necessary to maintain the desired balance. Northeastern Star Asset Management will not have authority to recommend any investments for the Asset Allocation Service other than the Plan's DIAs. The participant will be responsible for the implementation of any investment advice by Northeastern Star Asset Management.

For following Fiduciary Retirement Plan Consulting Services, all recommendations of investment options and portfolios will be submitted to you for your ultimate approval or rejection. For Fiduciary Retirement Plan Consulting Services, the retirement plan sponsor client or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Fiduciary Retirement Plan Consulting Services are not management services, and Northeastern Star Asset Management does not serve as administrator or trustee of the plan. Northeastern Star Asset Management does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

Northeastern Star Asset Management acknowledges that in performing the Fiduciary Retirement Plan Consulting Services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of providing non-discretionary investment advice only. Northeastern Star Asset Management will act in a manner

consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Northeastern Star Asset Management to be a fiduciary as a matter of law. However, in providing the Fiduciary Retirement Plan Consulting Services, Northeastern Star Asset Management (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client's retirement plan or the interpretation of Client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of Client's retirement plan as defined in ERISA.

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks for a particular client's circumstances and plan participants.

Clients and plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the clients' responsibility to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

We strive to render our best judgment for clients. Still, Northeastern Star Asset Management cannot assure that investments will be profitable or assure that no losses will occur in their portfolios. Past performance is an important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

Northeastern Star Asset Management will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

### **Retirement Plan Rollovers – No Obligation / Conflict of Interest**

A client or prospective client leaving an employer has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Northeastern Star Asset Management recommends that a client roll over their retirement plan assets into an account to be managed by Northeastern Star Asset Management, such a recommendation creates a conflict of interest if Northeastern Star Asset Management will earn new (or increases its current) compensation as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Northeastern Star Asset Management.

Northeastern Star Asset Management does not participate in a wrap fee program.

### **Limits Advice to Certain Types of Investments**

Northeastern Star Asset Management provides investment advice on the following types of investments:

- Mutual Funds
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Corporate Debt Securities
- Certificates of Deposit
- Municipal Securities
- US Government Securities

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Client Assets Managed by Northeastern Star Asset Management**

The amount of client assets managed by us totaled \$184,880,436 as of December 31, 2022. All assets are managed on a discretionary basis.



## Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Northeastern Star Asset Management.

### **Asset Management Services**

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are negotiable and subject to a minimum annual fee of \$100 (deducted at \$25 quarterly). Whether minimum fees will be based on the household level, client account level or billing entity level will be determined at the Firm's discretion. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

The asset management services continue until terminated by either party (i.e., Northeastern Star Asset Management or you) by giving thirty (30) days written notice to the other party. Since fees are billed in arrears, Northeastern Star Asset Management will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

For our asset management services, client will be charged the following annual fee based upon the amount of assets under management:

### **Accounts under \$100,000\***

Market Value of Portfolio	Maximum Annual Fee
\$0 - \$100,000.00	1.25%

\*Subject to a minimum annual fee of \$100

### **Accounts over \$100,000**

Market Value of Portfolio	Maximum Annual Fee
First \$0 - \$1,000,000.00	1.00%
Next \$1,000,001 - \$5,000,000	.75%
Next \$5,000,001 - \$10,000,000	.60%
Next \$10,000,001 and up	.50%

For the 529 college savings plan account(s) managed by Northeastern Star Asset Management under the asset management services, the annual fee is 00.50% (one-half of one percent) of the total market value of the 529 college savings plan account(s). Northeastern Star Asset Management does not apply any fee breakpoints to 529 plans by aggregating them with other household/client assets under management.

Northeastern Star Asset Management has a minimum annual fee of \$100 (deducted at \$25 quarterly). Northeastern Star Asset Management reserves the right to waive minimum fees at the Firm's discretion.

The annual fee is tiered, which means a client will be charged a different rate for the amount of assets in each tier. For example, if a client has \$1.5 million of assets under management, Northeastern Star Asset Management will charge 1.0% for the first \$1,000,000 and 0.75% for \$500,000.

In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Northeastern Star Asset Management does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Northeastern Star Asset Management in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Northeastern Star Asset Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

### **Financial Planning Services**

Fees charged for our financial planning services are negotiable based upon whether the plan is for an existing or new advisory client and the type of plan desired – full or modular. The following are the fee arrangements available for financial planning services offered by Northeastern Star Asset Management.

#### ***Fees for Financial Planning Services***

Northeastern Star Asset Management provides financial planning services under an hourly fee arrangement. An hourly fee of \$250 per hour is charged by Northeastern Star Asset Management for financial planning services under this arrangement. Before commencing financial planning services, Northeastern Star Asset Management provides an estimate of the approximate hours needed to complete the requested financial planning services. If Northeastern Star Asset Management anticipates exceeding the estimated amount of hours required, Northeastern Star Asset Management will contact you to receive authorization to provide additional services.

Any unpaid hourly fees are due immediately upon completion and delivery of the financial plan.

Northeastern Star Asset Management also provides financial planning services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for financial planning services under this arrangement. There is a range in the amount of the fixed fee charged by Northeastern Star Asset Management for financial planning services. The minimum fixed fee is generally \$250, and the maximum fixed fee is no more than \$2,500. The amount of the fixed fee for your engagement is specified in your financial planning agreement with Northeastern Star Asset Management.

You are required to pay in advance 50% of the fixed fee at the time you execute an agreement with Northeastern Star Asset Management; however, at no time will Northeastern Star Asset Management require payment of more than \$1,200 in fees more than six months in advance.

The fees for the financial planning services may be waived by Northeastern Star Asset Management at our sole discretion.

To the extent Northeastern Star Asset Management provides you with general investment recommendations as part of the financial planning services and you implement such investment recommendations through Northeastern Star Asset Management, we may offer in our agreement with you to waive or reduce the fees for financial planning services.

The financial planning services terminate upon delivery of the written financial plan or upon either party providing the other party with written notice of termination. If you terminate the financial planning services after entering into an agreement with us, you will be responsible for immediate payment of any financial planning services performed by Northeastern Star Asset Management prior to the receipt by Northeastern Star Asset Management of your notice of termination. For financial planning services performed by Northeastern Star Asset Management under an hourly arrangement, you will pay Northeastern Star Asset Management for any hourly fees incurred at the rates described above. For financial planning services performed by Northeastern Star Asset Management under a fixed fee arrangement, you will pay Northeastern Star Asset Management a pro-rated fixed fee equivalent to the percentage of work completed by Northeastern Star Asset Management as determined by Northeastern Star Asset Management.

#### ***Other Fee Terms for Financial Planning Services***

You may pay the investment advisory fees owed for the financial planning services by having the fee deducted from an existing investment account.

If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to Northeastern Star Asset Management and your custodian for such charge.

You should notify Northeastern Star Asset Management within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

All fees paid to Northeastern Star Asset Management for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to Northeastern Star

Asset Management and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

All fees paid to Northeastern Star Asset Management for financial planning services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations.

### **Retirement Plan Services**

For retirement plan sponsor clients, Northeastern Star Asset Management will charge an annual fee that is calculated as a percentage of the value of plan assets. This fee is negotiable based upon the total amount of assets under management for the client, the composition of the client's account, and the custodian of the plan.

Northeastern Star Asset Management charges an annual fee of 0.50% (1/2 of one percent) of the value of the Plan's assets. The fee may be paid by the plan or the participant depending upon the agreement entered. When Northeastern Star Asset Management helps / advises on the line-up for the plan as a whole, there will be no additional fee.

Fees are billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of the Plan's assets as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for an investment advisory relationship established at any time other than the beginning of the billing period.

The Plan can elect to have the fee deducted from their account or billed directly and due upon receipt of the billing notice. If a Plan elects to have the fee automatically deducted from an existing account, it is required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Northeastern Star Asset Management. We will provide the custodian with a fee notification statement.

Either party may terminate services by providing written notice of termination to the other party. If services are terminated within five business days of signing the client agreement, services are terminated without penalty, meaning the client will not be charged for the five days of services provided by Northeastern Star Asset Management. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

Northeastern Star Asset Management does not receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

### ***Other Fees and Expenses***

Our advisory fees are exclusive of custody charges, brokerage commissions, transaction fees, wire transfer fees, and other costs and expenses that may be charged by service providers unrelated to Northeastern Star Asset Management. Please see Item 12 of this disclosure document for more information on Northeastern Star Asset Management's brokerage practices. Clients are billed for services

from other service providers separately from Northeastern Star Asset Management and these amounts are reported separately from Northeastern Star Asset Management's fees.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

### **Item 7 – Types of Clients**

Northeastern Star Asset Management generally provides investment advice to the following types of clients:

- Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

You are required to execute a written agreement with Northeastern Star Asset Management specifying the particular advisory services in order to establish a client arrangement with Northeastern Star Asset Management.

#### **Minimum Investment Amounts Required**

There are no minimum investment amounts or conditions required for establishing an account managed by Northeastern Star Asset Management. However, all clients are required to execute an agreement for services in order to establish a client arrangement with Northeastern Star Asset Management. Although there is no minimum investment amount required to establish an account managed by Northeastern Star Asset Management, a minimum annual fee of \$100 may be imposed. Whether Northeastern Star Asset Management chooses to aggregate client accounts to meet minimum account requirements will be at the Firm's discretion.

The minimum fee generally charged for financial planning services provided on an hourly or fixed fee basis is \$250.

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

#### **Methods of Analysis**

Northeastern Star Asset Management generally uses fundamental analysis in formulating investment advice and may utilize technical analysis in determining the timing of buying/selling securities.

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including

macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that a client can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – Northeastern Asset Management may use technical analysis when deemed necessary. This is a method of evaluating securities by analyzing statistics generated by market activity, such as past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume.

Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

There are risks involved in using any analysis method.

To conduct analysis, Northeastern Star Asset Management gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, services, annual reports, prospectuses and filings with the SEC, and company press releases.

## **Investment Strategies**

Northeastern Star Asset Management uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

## **Primarily Recommend One Type of Security**

Although we primarily recommend mutual funds to clients, we do recommend any product that may be suitable for each client relative to that client's specific circumstances, needs, and overall financial circumstances.

## **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments due to price volatility due to various market conditions. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

- **ETF and Mutual Fund Risk** – An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders' fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **General Economic and Market Conditions**

The success of our investments can be adversely affected by general economic and market conditions such as employment rates, interest rates, inflation (or deflation), economic uncertainty as well as changes in global health conditions and geopolitical circumstances which would include pandemics or disease outbreaks, wars, and terrorist attacks. These factors will likely impact investment prices and liquidity of investments. Volatility or lack of liquidity in the investing markets may result in losses.

### **Cyber Security Risks and Disaster Recovery**

Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Northeastern Star Asset Management and its service providers' information and technology systems may be vulnerable to damage or interruption from computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information. Although Northeastern Star Asset Management has implemented, and service providers may implement or already have implemented, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become



inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately. The failure of these systems and/or of disaster recovery plans for any reason could cause interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data (including material non-public information in connection with investments) and, potentially including personal information relating to clients, if any.

### **Item 9 – Disciplinary Information**

Northeastern Star Asset Management is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable regulatory or disciplinary events to disclose.

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

Northeastern Star Asset Management's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Northeastern Star Asset Management is **not** and does **not** have a related person that is an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, a lawyer or law firm, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment registered adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

### **Insurance Agent**

You may work with your investment adviser representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent, may suggest that you implement recommendations of Northeastern Star Asset Management by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be

biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

### **Accredited Tax Preparer**

Although it does not require a material amount of our investment adviser representative Paul Dubendorf's time, Mr. Dubendorf does serve solely in his personal capacity as an Accredited Tax Preparer (ATP) in conjunction with B & D Tax Services, Inc., d/b/a Dube's Tax & Payroll Services. Clients needing assistance with tax preparation and/or account services may be referred to Mr. Dubendorf but are not obligated to use his services.

The ATP designation is issued by the Accreditation Council for Accountancy and Taxation (ACAT), a nonprofit testing, accrediting, and monitoring organization. Individuals seeking the ATP credential must pass an in-person exam covering around 1040 issues including supporting schedules, self-employed returns and ethics. To keep the credential current, ATP professionals must complete 24 hours a year of continuing education, or 72 hours continuing education in a three-year period in addition to paying an annual fee to ACAT.

### **KRF Consulting Services, LLC**

Ken Ferrone is the sole owner and employer of KRF Consulting Services, LLC (KRF). KRF is a company that offers assistance to businesses on how to establish an RIA and helps businesses, charities, or other organizations with the tracking of mortgage payments. KRF is entirely separate from the advisory business of Northeastern Star Asset Management. Mr. Ferrone receives compensation for these services separate from the compensation he receives from Northeastern Star Asset Management. Clients needing assistance with establishing an RIA or tracking mortgage payments may be referred to Mr. Ferrone but are not obligated to use his services.

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Northeastern Star Asset Management has established a Code of Ethics to comply with the requirements of applicable federal securities laws and those of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Northeastern Star Asset Management requires its supervised persons to consistently act in your best interest in all advisory activities. Northeastern Star Asset Management imposes certain requirements on its supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email to [kferrone@nestarassetman.com](mailto:kferrone@nestarassetman.com), or by calling us at (717)-732-2719.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Northeastern Star Asset Management or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Northeastern Star Asset Management that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. Northeastern Star Asset Management and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Chief Compliance Officer of Northeastern Star Asset Management.

Any associated person not observing our policies is subject to sanctions up to and including termination.

### **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of Northeastern Star Asset Management. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity

- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

### **Brokerage Recommendations**

Northeastern Star Asset Management may recommend/require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Northeastern Star Asset Management may recommend/require the clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Northeastern Star Asset Management is independently owned and operated and not affiliated with Schwab. Northeastern Star Asset Management may recommend additional unaffiliated broker-dealers to affect fixed income transactions.

Schwab provides Northeastern Star Asset Management with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained at Schwab Institutional. These services are not contingent upon Northeastern Star Asset Management committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require significantly higher minimum initial investment.

For Northeastern Star Asset Management's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Institutional also makes available to Northeastern Star Asset Management other products and services that benefit Northeastern Star Asset Management but may not directly benefit clients' accounts. Many of these products and services may be used to service all or some substantial number of Northeastern Star Asset Management' accounts, including accounts not maintained Schwab.

Schwab's products and services that assist Northeastern Star Asset Management in managing and administering clients' accounts include software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Northeastern Star Asset Management's fees from some of its accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help Northeastern Star Asset Management manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to Northeastern Star Asset

Management. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of Northeastern Star Asset Management personnel. While as a fiduciary, Northeastern Star Asset Management endeavors to act in its clients' best interests, Northeastern Star Asset Management's recommendation that clients maintain their assets in accounts at Schwab may take into account availability of some of the foregoing products and services and other arrangements not solely on the nature of cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Brokerage Recommendations**

If you elect to utilize our management services we may recommend that you establish a brokerage account at TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SPIC/NFA ("TD Ameritrade"). TD Ameritrade provides Northeastern Star Asset Management with access to their institutional trading and custody services, which are typically not available to retail investors. The services from TD Ameritrade include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

TD Ameritrade also makes available to Northeastern Star Asset Management other products and services that we benefit from but may not benefit your accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. TD Ameritrade also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing.

In addition, TD Ameritrade may make available, arrange and/or pay for these types of services rendered to Northeastern Star Asset Management by independent third-parties providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at TD Ameritrade may be based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by TD Ameritrade. This creates a potential conflict of interest.

You are under no obligation to act on our recommendations.

### **Directed Brokerage**

Clients are not allowed to select the broker-dealer that will be used for their accounts, other than Charles Schwab or TD Ameritrade Investments. Clients wishing to direct the use of a particular broker/dealer or other custodian must understand that we would not be able to ensure that we could obtain the best prices and execution for the transaction. Under a client-directed brokerage arrangement, clients might receive less favorable prices than would otherwise be the case if the client had not designated a particular broker/dealer or custodian. Directed brokerage account trades would generally be placed by Northeastern Star Asset Management after effecting trades for other clients of Northeastern Star Asset Management. Northeastern Star Asset Management would not be authorized to negotiate commissions and might be unable to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct Northeastern Star Asset Management to use a particular broker or dealer versus clients who do not direct the use of a particular broker or dealer. As such, it is our policy to not allow Directed Brokerage accounts.

529 plan management and / or Retirement Plan Services are typically held outside of Charles Schwab and TD Ameritrade. As Northeastern Star Asset Management is not looking for best execution services those outside custodians for 529 and Retirement Plan Services only are allowed.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

Northeastern Star Asset Management does not have a soft dollar agreement with a broker-dealer or a third-party.

### **Handling Trade Errors**

Northeastern Star Asset Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Northeastern Star Asset Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by Northeastern Star Asset Management or the designated custodian's error division within their trading platform, if the error is caused by Northeastern Star Asset Management. As a policy, Northeastern Star Asset Management works with the appropriate custodian to fix and document any trade errors. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. Northeastern Star Asset Management may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Northeastern Star Asset Management will never benefit or profit from trade errors.

### **Block Trading Policy**

Investment advisors may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. Northeastern Star Asset Management generally does not engage in block trading.

It should be noted that implementing trades on a block or aggregate basis may be less expensive for client accounts; however, it is our trading policy to implement all client orders on an individual basis. Therefore, we generally do not aggregate or “block” client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we generally trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy. If we do block trade, we will allocate shares prior to placing the order and any potential partial fills will be allocated on a pro-rata basis with a minimum of 5 bonds and or stocks.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in principal transactions and agency cross transactions.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed accounts are reviewed at least quarterly. The calendar or economic conditions are the main triggering factors; reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by the Chief Compliance Officer, Kenneth R. Ferrone, with reviews performed in accordance with your investment goals and objectives.

Our financial planning services do not include monitoring the investments of your account(s), and therefore, there is no ongoing review of your account(s) under such services.

### **Statements and Reports**

For our asset management services, you are provided with written transaction confirmation notices and regular monthly or quarterly account statements directly from the qualified custodian.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by Northeastern Star Asset Management.

Reports and statements provided by Northeastern Star Asset Management discuss portfolio positions, asset allocation, changes in portfolio value, and investment returns. We urge our clients to carefully review these reports and compare them to the statements received from the custodian. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or

valuation methodologies of certain securities. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

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

Northeastern Star Asset Management may enter into other agreements with promoters to refer clients to Northeastern Star Asset Management for compensation, which are generally cash payments. This presents a potential conflict of interest since a promoter has an incentive to recommend Northeastern Star Asset Management as a result of the compensation it receives. Northeastern Star Asset Management mitigates this risk by requiring each promoter to provide the prospective client with a disclosure statement that includes the following information:

- Whether the promoter is or is not a current client of Northeastern Star Asset Management;
- That cash or non-cash compensation was provided for the testimonial or endorsement of Northeastern Star Asset Management;
- A brief statement of any material conflicts of interest on the part of the promoter resulting from the promoter's relationship with Northeastern Star Asset Management;
- The material terms of the compensation arrangement, including a description of the compensation provided or to be provided, directly or indirectly, to the promoter;
- A final description of any additional material conflicts of interest on the part of the promoter resulting from the investment adviser's relationship with such person and/or the compensation arrangement; and
- The client must acknowledge this arrangement in writing.

If a referred client enters into an investment advisory agreement with Northeastern Star Asset Management, a cash referral fee is paid to the promoter, which is based upon a percentage of the client advisory fees that are generated. The referral agreements between any referring party or promoter and Northeastern Star Asset Management will not result in any charges to clients in addition to the normal level of advisory fees charged for the advisory services provided.

The referral agreements between Northeastern Star Asset Management and the promoters are in compliance with regulations as set out in 17 CFR §275.206(4)-1, the Marketing Rule under the Investment Adviser's Act of 1940, and the rules set forth by the respective state jurisdictions.

*Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.*

#### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Northeastern Star Asset Management is deemed to have custody of client funds and securities whenever Northeastern Star Asset Management is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Northeastern Star Asset Management will ever



maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

You will receive account statements from the independent, qualified custodian holding your funds and securities at least quarterly. The account statements from your custodian will indicate the amount of our advisory fees deducted from your account each billing period. You should carefully review account statements for accuracy. You should compare our reports with the statements from your account custodian to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at (717)-732-2719.

### **Item 16 – Investment Discretion**

When providing asset management services, Northeastern Star Asset Management maintains trading authorization over your Account and provides management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine for your portfolio without obtaining your consent for each transaction.

We will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. Depending on the account type, size of account, deposit or withdrawal amount, potential or actual costs associated with certain transactions, Northeastern Star Asset Management at the firm's discretion reserves the right to determine the volume, quantity or frequency of transactions that occur within a client's portfolio each quarter.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Northeastern Star Asset Management so long as the limitations are specifically set forth or included as an attachment to the client agreement. Clients may also direct on a self-directed basis, purchases or sales to your account. Those choosing to self-direct will be responsible for all purchase and sale decisions including price and timing restrictions of any purchase or sale.

For the 529 college savings plan account(s) managed by Northeastern Star Asset Management under our asset management services, Northeastern Star Asset Management will have discretionary authority (without first consulting with the client) to buy, sell or re-allocate among the asset classes and investment options available in the 529 college savings plan based upon a client's stated financial situation, goals and objectives. 529 college savings plans limit how often an account owner can reallocate existing assets within a 529 college savings plan account such as only twice per calendar year and consequently Northeastern Star Asset Management services are limited to such restrictions.

### **Item 17 – Voting Client Securities**

#### **Proxy Voting**

For clients of Northeastern Star Asset Management we do not vote proxies on their behalf or provide any information with respect to proxies. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

Northeastern Star Asset Management clients will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. Northeastern Star Asset Management does not have the authority to vote proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

### **Class Action Lawsuits**

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. Northeastern Star Asset Management does not initiate such a legal proceeding on behalf of clients and does not provide legal advice to clients regarding potential causes of action against such a security issuer and whether the client should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit.

### **Item 18 – Financial Information**

This *Item 18* is not applicable to this brochure. Northeastern Star Asset Management does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Northeastern Star Asset Management has not been the subject of a bankruptcy petition at any time.