

# CLAY • NORTHAM

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## WEALTH MANAGEMENT

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## Form ADV, Part 2A Brochure

October 5, 2023

This brochure provides information about the qualifications and business practices of Clay Northam Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at (310) 662-4700 or [bclay@claynortham.com](mailto:bclay@claynortham.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. Any reference to or use of the terms “registered investment adviser” or “registered” does not imply that Clay Northam Wealth Management, LLC, or any person associated with Clay Northam Wealth Management, LLC has achieved a certain level of skill or training. Additional information about Clay Northam Wealth Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes to our brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Clay Northam Wealth Management, LLC (“CNWM”) reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes made to our brochure with the annual update, dated February 16, 2023:

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

- CNWM engaged the services of a third-party provider to assist with class action monitoring and processing on behalf of our clients.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Clay Northam Wealth Management, LLC (“CNWM,” “we,” “our,” or “us”) is a privately owned limited liability company registered as an investment adviser with the U.S. Securities and Exchange Commission. Brian Clay CFP, Inc. and Darren Northam CFP, Inc. are the Managing Partners of CNWM.

#### Fiduciary Duty

Registered investment advisers are considered fiduciaries under federal law. Our fiduciary duty carries with it an obligation to act in the best interest of our clients pursuant to a relationship of trust and confidence. It encompasses a *duty of care* and a *duty of loyalty*.

#### *Duty of Care*

The duty of care includes, among other things,

1. the duty to provide advice that is in the best interest of the client;
2. the duty to seek best execution of a client’s transactions where the adviser has the responsibility to select broker-dealers to execute client trades; and
3. the duty to provide advice and monitoring over the course of the relationship.

The duty to provide advice suitable to each client based on a reasonable understanding of the client’s objectives is a critical component of the duty of care. Providing suitable advice includes making a reasonable inquiry into the client’s financial situation, investment experience, and financial goals and then updating this information as necessary throughout the course of the relationship to reflect the client’s changing objectives over time and adjusting the advice we provide to reflect any changed circumstances.

When CNWM has the responsibility to select broker-dealers to execute client trades in discretionary accounts, we seek to trade such that the client’s total cost or proceeds in each transaction are the most favorable under the circumstances. In doing so, we consider the full range and quality of a broker’s services and so the determinative factor is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution. Moreover, we periodically and systematically evaluate the execution we receive on behalf of our clients.

Our duty of care includes an obligation to provide advice and monitoring at a frequency that is in the best interest of the client, taking into account the scope of the agreed relationship. This scope is indicated by the duration and nature of the services as outlined in each client’s advisory arrangement and extends to all personalized advice provided to clients.

#### *Duty of Loyalty*

CNWM adheres to a duty of loyalty where we seek to serve the best interests of our clients and never subordinate the interests of our clients to our own. Simply put, CNWM cannot place its own interests ahead of the interests of our clients. In observance of this duty, we must make full and fair disclosure to clients of all material facts relating to the advisory relationship. Further, we also seek to eliminate or at least expose through full and fair disclosure all conflicts of interest which might incline CNWM, consciously or unconsciously, to render advice that is not disinterested. We believe that in order for disclosure to be full and fair, it should be sufficiently specific so that each client is able to understand the

material fact or conflict of interest and make an informed decision whether to provide consent. Consequently, we provide this ADV 2A brochure to all prospective clients at or before entering into a contract so that they can use the information within to decide whether or not to enter into an advisory relationship.

## **Advisory Services Offered**

CNWM offers the following services to advisory clients:

### *Investment Management Services*

CNWM offers investment management services through which Brian Clay and Darren Northam direct and manage client assets. These services include the design, implementation, and monitoring of client accounts on a discretionary basis. We primarily utilize mutual funds, exchange traded funds (“ETFs”), and individual equity and fixed income securities when making investment selections in client accounts. We also occasionally transact in non-traded real estate investment trusts (REITs). CNWM also offers advice regarding additional types of investments if we believe they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. We may offer investment advice on any investment held by the client at the start of the advisory relationship.

CNWM obtains financial data from the client and tailors the investment strategy to each client’s specific needs. Each portfolio will be initially designed in an effort to meet a particular investment goal, which our Founding Principals believe to be suitable for the client’s circumstances. Once the portfolio is designed, a Founding Principal will review the portfolio at least quarterly and rebalance, as he deems necessary, based on the client’s individual needs, stated goals, and objectives.

Clients have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio, such as when a client needs to keep a minimum level of cash in the account or does not want us to buy or sell certain specific securities or security types in the account. We reserve the right to not accept and/or terminate management of a client’s account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client’s investment strategy.

### *Financial Planning Services*

CNWM provides complimentary financial planning services as part of our overall investment management services at a client’s request or for a separate fee to non-investment management clients, as described below. Plan results are delivered verbally or in writing at the discretion of CNWM’s principals. In general, we seek to address all or part of the following areas in the financial plan:

- Goals and objectives
- Net worth
- Cash flow planning
- Tax planning review
- College funding
- Risk management and insurance planning
- Retirement planning
- Investment planning
- Estate planning

CNWM gathers information for our financial planning services through personal interviews and document requests. Information gathered generally includes a client's current financial status, future life goals, and attitudes towards risk. Related documents supplied by the client are carefully reviewed by CNWM, and a plan is prepared. Should a client choose to implement the recommendations contained in the plan, CNWM suggests the client work closely with his/her attorney, accountant, insurance agent, mortgage broker, and/or investment adviser. Implementation of financial plan recommendations is entirely at the client's discretion. Clients may choose but are not required to have CNWM assist with financial plan implementation, including investment management services. Clients that choose to utilize CNWM for financial plan implementation should keep us informed of any changes to their financial situation so that we can determine if corresponding adjustments to the financial plan are necessary.

### *Sub-Advisory Services*

Clients can also access the investment management services of unaffiliated third party money managers through a sub-advisory program offered through Schwab's Managed Accounts Select/Access Platform. These services are offered as separately managed accounts in CNWM's investment strategies.

### *Limitations on Investments*

In some circumstances, CNWM's advice may be limited to certain types of securities.

#### *Limitation by Plan Sponsor/Employer*

In the event CNWM is managing assets within a retirement plan such as 401(k), 403(b), QRP or other employer plan, CNWM is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, CNWM can only select investments to the client from among the available options and will not invest the client's account in other securities, even if there may be more suitable options elsewhere.

#### *Mutual Fund Limitations*

Generally, CNWM limits mutual fund selections to no load funds or load-waived equivalents.

#### *Limitation by Client*

CNWM may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

### *Non-Managed Assets*

At its discretion, CNWM may offer securities trading activities for cash and securities in a client's non-managed account, acting as an intermediary between the client and the custodian of the non-managed account. We do not generally provide investment advice regarding a client's non-managed assets or provide opinions as to the merits of any securities in non-managed accounts. We also do not make any judgments as to the appropriateness of assumed risk or suitability of any non-managed investment given the client's situation. At our discretion, CNWM may offer this service in consideration of the client's other accounts that we manage.



## Tailored Services and Client Imposed Restrictions

CNWM makes individual investment decisions for clients based on a financial review and plan to help clients formulate realistic investment objectives. It is the client's responsibility to keep us informed of any changes to his/her investment objectives. In limited circumstances, clients may request restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want CNWM to buy or sell specific securities or security types in the account. CNWM reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining our overall investment strategy for the client.

## Wrap Fee Programs

CNWM previously provide asset management services to clients under the Clay Northam Wealth Management, LLC Wrap Fee Program. We no longer provide services to this or any other wrap fee program.

## Assets Under Management

CNWM manages client assets in discretionary accounts on a continuous and regular basis. As of December 31, 2022, CNWM had \$197,909,650 in assets under our management.

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

#### Investment Management Services

CNWM charges advisory fees for investment management services at an annual rate not to exceed 1.25% of the client's total assets under management. Our standard fee rate may be negotiable based on a number of factors, which include but are not limited to "grandfathered" accounts, related accounts, and other structures that we may consider in special situations. Some accounts are billed under different fee schedules honoring prior agreements. We also manage accounts for some family members and friends without charge.

#### Financial Planning Services

CNWM provides financial planning services without additional charge to clients that engage us for investment management services.

### Billing Method

#### Investment Management Services

CNWM's advisory fees are payable quarterly in advance based on the account market value on the last business day of the calendar quarter. The first payment is due after the first quarter under management. The formula used for the calculation is as follows:  $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Quarter-End) / 4$ . For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays. Additions and withdrawals from the account made

during a quarter will be prorated to the date funds were received or withdrawn. For new accounts, the number of days remaining in the quarter is the number of calendar days following the date a new account is funded.

Fees billed on assets held in client accounts that receive valuations less than quarterly will be calculated using the most recent pricing data available through the investment sponsor and/or the client's custodian.

Clients generally authorize our advisory fees to be withdrawn directly from their custodian account. The custodian will withdraw CNWM's advisory fee upon receipt of our instructions, typically the first month after the quarter in which advisory services were rendered. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

### *Sub-Advisory Fees*

Fees for sub-advisory services under Schwab's Managed Accounts Select/Access Platform vary based upon the schedules and requirements of the various managers participating in sub-advisory Managed Account Access offered through Schwab sub-advisory programs. The fees that CNWM receives for providing investment management services are separate from the fees charged to clients by third party advisers. Fees under these programs may be billed in arrears or advance, depending on each outside manager's billing methodology.

CNWM does not receive a portion of the fees paid to third-party advisers that we recommend. Clients should consider the additional cost of paying sub-advisory fees since we do not discount or offset our standard management fee for clients that choose to participate in sub-advisory programs.

## **Other Fees and Expenses**

CNWM's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account. These charges are in addition to the fees client pays to CNWM. See ***Item 12 - Brokerage Practices*** below for more information. In addition, any mutual fund shares held in a client's account are subject to any 12b-1 fees, early redemption fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to CNWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares.

## **Termination**

Either party may terminate the advisory agreement at any time with written notice to the other party. Upon termination of the agreement, any unearned advisory fees will be refunded on a pro-rata basis.

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

CNWM does not charge performance-based fees or other fees based on a share of capital gains or capital appreciation of the assets of a client.

## ITEM 7 - TYPES OF CLIENTS

CNWM generally provides discretionary investment advisory services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to charitable organizations, corporations, and pension/profit sharing plans.

### Account Requirements

Generally, CNWM requires clients to maintain a minimum account size of \$500,000. Withdrawal of significant funds may result in a request for additional fund deposits to continue with management of accounts. At our discretion, we may combine family accounts to meet the account size minimum or reduce or waive the account minimum requirements.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis and Investment Strategies

CNWM manages all client accounts using a value-oriented discipline. CNWM generally uses diversification in an effort to optimize the risk and potential return of client accounts. More specifically, we utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. However, client accounts may be concentrated at times and the portfolio composition will vary according to the current views and market outlook determinations of our Principals.

#### Methods of Analysis for Selecting Securities

CNWM uses fundamental analysis in the selection of individual equity and fixed income securities. Fundamental analysis typically involves analysis of corporate financial statements, management presentations, specialized research publications, and general news sources. Additionally, we may at times utilize the following methods of analysis at our discretion:

- Charting – involves searching for patterns to evaluate securities
- Technical – involves evaluating securities based on statistics such as past prices and volume
- Cyclical – involves analyzing the cycles of the market

#### Specific Investment Strategies for Managing Portfolios

CNWM may use tactical asset allocation, cash as a strategic asset, long-term holding, defensive, inverse/enhanced market, absolute return, and/or concentrated portfolio strategies, in the construction and management of client portfolios.

#### *Tactical Asset Allocation*

CNWM may use tactical asset allocation strategies in the management of client accounts. Tactical asset allocation is an active management portfolio strategy that re-balances the percentage of assets held in

various asset categories in an effort to take advantage of market pricing anomalies or strong market sectors. This strategy provides an opportunity for CNWM to create extra value by taking advantage of certain situations in the marketplace. CNWM considers this a moderately active strategy since we return the portfolio to its original strategic asset mix if we achieve desired short-term profits or the perceived opportunity ends. There is no guarantee that this strategy will be successful, and we make no promises or warranties as to the accuracy of our market analysis.

### *Cash as a Strategic Asset*

CNWM allocates cash in accordance with the views of Brian Clay and/or Darren Northam regarding the relative desirability of being more or less fully invested in other asset classes from time to time.

### *Long-term Holding*

CNWM generally purchases securities for clients with the intent to hold them for at least one year. We also occasionally effect shorter term purchases, which are sold within one year or less frequently, within 30 days.

### *Defensive Strategies*

CNWM may invest in any mutual fund, ETF, stock, bond, or cash security in the exercise of our discretion. CNWM has full discretion in how we allocate client accounts among security types. Actual allocation will vary over time in accounts. At any time, client accounts may hold significant levels of cash and/or cash equivalents. Account allocations are likely to vary significantly compared to the overall equity markets as well as compared to any particular benchmark.

### *Inverse/Enhanced Market*

CNWM may also use leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an:

1. Inverse relationship to certain market indices (at a rate of one or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; or
2. Enhanced relationship to certain market indices (at a rate of one or more times the actual result of the corresponding index) as an investment strategy and/or in an effort to increase gains in an advancing market.

### *Concentrated Portfolios*

CNWM's investment management style may result in client accounts being invested in a limited number of securities.

There can be no assurance that any of the above strategies will prove profitable or successful.

## **General Risk of Loss Statement**

Prior to entering into an agreement with CNWM, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;

3. That over time the client's assets will fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets to CNWM that they feel are available for investment on a long-term basis.

### General Risks of Owning Securities

The prices of securities held in client accounts and the income generated from those securities may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### **Specific Security Risks**

Additionally, the specific investments we generally utilize carry risk:

#### Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase.

The benefits of investing through mutual funds include:

#### *Professionally Managed*

Mutual funds are professionally managed by investment advisers who research, select, and monitor the performance of the securities the fund purchases.

#### *Diversification*

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

#### *Affordability*

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

### *Liquidity*

Generally, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption. Less frequently, some mutual funds have the option to redeem shares using the underlying stocks in the fund's portfolio or may delay redemption for a defined period.

Mutual funds also have features that some investors might view as disadvantages:

### *Costs Despite Potential for Negative Returns*

Investors must pay annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

### *Lack of Control*

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

### *Price Uncertainty*

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### *Different Types of Funds*

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. and foreign corporations, state and local governments, and bank issued certificates of deposit. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict

bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

### *Stock Funds*

A stock fund's value can rise and fall quickly (and dramatically) over the short term but may demonstrate more stability over the long-term. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same.

### *Exchange-Traded Funds (ETFs)*

An ETF is a type of security (usually, an open-end fund or unit investment trust) containing a basket of stocks, fixed income instruments, and/or commodities. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like mutual funds, the prices of the underlying securities and the overall market generally affect ETF prices. Similarly, factors affecting a particular industry segment also affect ETF prices that track that particular sector.

### *Inverse/Enhanced Market*

CNWM may also use leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an:

1. Inverse relationship to certain market indices (at a rate of one or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; or
2. Enhanced relationship to certain market indices (at a rate of one or more times the actual result of the corresponding index) as an investment strategy and/or in an effort to increase gains in an advancing market.

### *Equity Securities*

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks or mutual funds and ETF's investing in common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

### *Small Capitalization Equity Securities*

Investing in smaller companies may pose additional risks as it is often more difficult to dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### *American Depositary Receipts (ADRs)*

An ADR is a security that trades on United States exchanges but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Some banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings.

Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

### *Debt Securities (Bonds)*

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:

#### Reinvestment Risk

When interest rates are declining, reinvested interest income and any return of principal, whether scheduled or unscheduled, is at lower prevailing rates.

#### Inflation Risk

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

#### Interest Rate and Market Risk

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

#### Call Risk

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate



market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

#### Credit Risk

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

#### Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which may adversely affect the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

#### Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

#### Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

### Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

### Liquidity Risk

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

### Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies guarantee repayment in the event of default back many municipal bonds.

### Alternative Minimum Tax (AMT)

CNWM invests in a variety of fixed income securities for clients. It is possible that we will invest in municipal bonds subject to the AMT.

### General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds to be safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of the facility or service. Frequently the issuers of revenue bonds are either private sector corporations (e.g., hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g., power utilities or public transportation authorities). Consequently, the thought is that the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

### Municipal Bonds of a Particular State

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Securities issued by California municipalities are more susceptible to factors adversely affecting issuers of California securities. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.

### Cash and Cash Equivalents

Accounts generally hold a portion in cash or invest in cash equivalents. Cash equivalents include:

1. commercial paper (for example, short-term notes with maturities typically up to 12 months in length issued by corporations, governmental bodies or bank/corporation sponsored conduits [asset-backed commercial paper]);

2. short-term bank obligations (for example, certificates of deposit, bankers' acceptances [time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity]) or bank notes;
3. savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations);
4. securities of the U.S. government, its agencies or instrumentalities that mature, or may be redeemed, in one year or less;
5. corporate bonds and notes that mature, or that may be redeemed, in one year or less; and
6. money market mutual funds that may include any or all of the above cash and cash equivalents listed in 1 through 5.

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments, meaning there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

### *Investing Outside the U.S.*

Investing outside the United States involves additional risks of foreign investing. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

### *LIBOR discontinuation*

In March 2021, regulators announced the future cessation of various London Interbank Offered Rates (LIBOR) rates. Certain rates are set to cease publication in December 2021 and others in June 2023; however, U.S. banking regulators have stated that new financial contracts may not utilize LIBOR after Dec. 31, 2021. The private credit interval funds and business development companies CNWM holds and continues to invest in some clients' accounts are generally structured to utilize rates publicized by LIBOR. We do not see LIBOR's discontinuation as adding a significant amount of risk or material to clients holding private credit interval fund or business development company investments; however, CNWM will continue to monitor the LIBOR discontinuation, as necessary, and its potential impact going forward as alternative rates are substituted in the investments we hold and transact in on behalf of our clients.

### *Financial Planning Risk*

The financial planning tools CNWM uses to create financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. Return assumptions use asset class returns, not returns of actual investments, and do not generally include fees or expenses that clients would pay if they invested in specific products.

Financial planning software is only a tool used to help guide CNWM and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan.

Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes generally result in different outcomes for the client.

Clients should carefully consider the assumptions and limitations of the financial planning software and should discuss the results of the plan with us before making any changes to their investments or financial plan. If the financial plan includes recommendations for investing in securities, you should understand that investing in securities involves risk of loss, and you should be prepared to bear that risk.

## **Other Risks**

### *Cybersecurity*

Information and technology systems can be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltrations by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although we have implemented various measures to manage risks relating to these types of events, if these systems are compromised, or become inoperable for extended periods of time, or cease to function properly, we may have to make a significant investment to fix or replace them. The failure of these systems can cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to clients. Such a failure could potentially harm our reputation, subject us to legal claims, and otherwise have an adverse impact on our ability to perform advisory functions.

### *Pandemics and Other Public Health Crises*

Pandemics and other health crises, such as the outbreak of an infectious disease such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and COVID-19 or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the areas in which client investments may be located. Such disruption, or the fear of such disruption, could have a significant and adverse impact on the securities markets, lead to increased short-term market volatility or a significant market downturn, and can have adverse long-term effects on world economies and markets generally.

## **ITEM 9 - DISCIPLINARY INFORMATION**

CNWM and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. CNWM does not have any disciplinary information to disclose.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Other Affiliated Business**

Brian Clay and Darren Northam also serve as independent insurance agents in their individual capacities, offering insurance products to CNWM's clients and receive normal and customary commissions as a result of insurance transactions. A conflict of interest exists to the extent that Messrs. Clay and Northam recommend that clients utilize services where they will receive additional compensation. Still, when

recommending such services to advisory clients, we have a fiduciary duty to recommend services that are in the best interest of the client. Clients are under no obligation to act on any insurance recommendation made by Brian Clay or Darren Northam, or purchase insurance-related products through them if the client decides to follow their recommendations.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

CNWM's personnel have committed to a Code of Ethics. The purpose of our Code of Ethics is to set forth standards of conduct we expect and to address conflicts that may arise. The Code applies to and defines acceptable behavior for all Supervised Persons of CNWM. The Code reflects our combined responsibility to act in the best interest of our clients. CNWM's personnel are required to follow clear guidelines from the Code of Ethics in areas such as personal trading, gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable state and federal securities laws.

#### *Personal Trading Practices*

CNWM and our personnel also purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for a client's account. CNWM and our personnel regularly purchase or sell securities for themselves that we also utilize for clients. This presents a potential conflict of interest as it could create an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients. Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of CNWM and our personnel.
2. CNWM prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If we wish to purchase or sell the same security that we are considering or taking action to purchase or sell for a client, we will not do so until the broker-dealer fills client orders, or we have decided not to purchase or sell the security for clients (except when the transaction meets our *de minimis* personal trading policy). As a result of this policy, it is possible that clients will receive a better or worse price than our personnel for the same security on the same day as a client or one or more days before or after the client's transaction.
4. CNWM requires our personnel to report personal securities transactions on a quarterly basis.
5. Conflicts of interest can also arise when CNWM's personnel become aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. CNWM's personnel are required to obtain pre-approval before trading in these types of securities.

6. Under certain limited circumstances, we make exceptions to the policies stated above. CNWM will maintain records of these trades, including the reasons for any exceptions.

As with client portfolios, allocations in our personal accounts are also made according to the individual accountholder's risk tolerance, current portfolio allocation, and personal financial characteristics. This can result in better or worse performance in personal accounts depending on price movements in the positions we hold in common. Similarly, the level of participation by different clients in the same security sometimes varies depending on personal risk tolerance and other factors relating to the suitability of the security for the particular client.

We consider our fiduciary duty to be the core underlying principle of the Code. Upon affiliation and/or employment with CNWM and each time an amended version is adopted, all Supervised Persons are required to sign an acknowledgement that they have read, understand, and agree to comply with our Code.

CNWM will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

## ITEM 12 - BROKERAGE PRACTICES

### The Custodian and Brokers We Use

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We require that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. CNWM is independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to.

While we require that clients use Schwab as custodian/broker, the client must decide whether to do so and open accounts with Schwab by entering into account agreements directly with them. We do not open accounts for clients, although we generally assist them in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though clients maintain accounts at Schwab, we can still use other brokers to execute trades for client accounts (see ***Client Brokerage and Custody Costs***, below).

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

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to CNWM and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us from Schwab***)

### *Client Brokerage and Custody Costs*

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services. However, Schwab receives compensation by charging commissions or other fees on trades that it executes or that settle into clients' Schwab accounts.

In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client 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***).

### *Products and Services Available to Us from Schwab*

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide CNWM and our clients with access to their institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us.

Following is a more detailed description of Schwab's support services:

#### **Services That Benefit Our Clients**

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 our clients and their accounts.

#### **Services That May Not Directly Benefit Our Clients**

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and



administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may 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:

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

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

#### 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. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients. CNWM primarily supports our selection of Schwab by the scope, quality, and price of Schwab's services (see ***How We Select Brokers/Custodians***, above) and not Schwab's services that benefit only us.

### Directed Brokerage

CNWM does not allow clients to direct CNWM to use a specific broker-dealer to execute transactions. Clients must use the broker-dealers that CNWM requires to custody their account(s) to execute transactions. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use Schwab, CNWM believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

Since we require most of our clients to maintain their accounts with Schwab, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank, or other custodian prior to opening an account with us. Some of these differences



include, but are not limited to total account costs, trading freedom, transaction fees/commission rates, and security and technology services.

Clients with 401(k) accounts are not required to use Schwab and may appoint a custodian of their choosing.

## **Aggregation and Allocation of Transactions**

CNWM trades our managed accounts on an individual basis and does not generally aggregate trades. However, we may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. When an aggregated trade is placed, no advisory client will be favored over any other client, and each account that participates in an aggregated order will generally participate at the average share price (per custodian) for all transactions in that security on a given business day.

CNWM does not aggregate mutual fund orders. Mutual funds are priced once daily. As the daily price is the same for each investor, we have no opportunity to obtain better pricing through aggregating. Additionally, the broker-dealer/custodians charge each account an individual transaction fee regardless of whether we aggregate or not, so we are unable to lower trading costs through aggregation. Should this change in the future, CNWM will implement procedures and controls consistent with current regulation and our fiduciary duty to clients.

Transactions in accounts of CNWM and/or our Supervised Persons will not be aggregated with transactions in client accounts.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Account Reviews**

#### *Investment Management Services*

Account reviews are performed at least quarterly for clients receiving asset management services. All reviews are conducted by Brian Clay and Darren Northam, Founding Principals. The nature of the reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions and investment policies. Account reviews may be performed more frequently upon conditions that may include but are not limited to major changes in the market or economic conditions, changes in the tax laws, new investment information, and changes in a client's own situation.

#### *Financial Planning Services*

Financial Plans are not reviewed beyond the initial scope of the plan. However, clients are encouraged to reach out to CNWM at least annually and/or when they experience changes to their financial situation so that we can reevaluate the overall plan and determine whether changes are necessary.

### **Account Reporting**

### Investment Management Services

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. We generally provide a verbal report to asset management clients at least annually and will provide written performance reports upon a client's request.

### Financial Planning Clients

Financial planning clients do not receive reports in addition to the initial financial plan.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

### **Schwab Support Products and Services**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's products and services to us.

### **Outside Compensation**

CNWM may refer clients to unaffiliated professionals for specific needs, such as insurance, mortgage brokerage, real estate sales, and estate planning, legal, and/or tax/accounting services. In turn, these professionals may refer clients to CNWM for advisory services. We do not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. However, it could be concluded that CNWM is receiving an indirect economic benefit from the arrangement, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to CNWM.

CNWM only refers clients to professionals we believe are competent and qualified in their field, but it is ultimately the client's responsibility to evaluate the provider, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and CNWM has no control over the services provided by another firm. Clients who choose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by CNWM.

If the client desires, CNWM will work with these professionals or the client's other advisors (such as an accountant or attorney) to help ensure that the provider understands the client's financial plan/investments and to coordinate services for the client. CNWM does not share information with an unaffiliated professional unless first authorized by the client.

## **ITEM 15 - CUSTODY**

CNWM has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities.

Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee.

CNWM is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

Clients should carefully review the account statements they receive from the qualified custodian. When clients receive statements from CNWM as well as from the qualified custodian, they should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive a statement from their qualified custodian at least quarterly should also notify us.

## ITEM 16 - INVESTMENT DISCRETION

CNWM has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. CNWM will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority within their accounts when they sign the custodian paperwork.

Certain client-imposed conditions may limit our discretionary authority, such as where the client prohibits transactions in specific security types. See also ***Tailored Services and Client Imposed Restrictions*** under ***Item 4***, above.

## ITEM 17 - VOTING CLIENT SECURITIES

CNWM does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent. In the event proxies are sent to us, we will forward them to the client. Clients may contact us to discuss questions they may have on the particular proxy votes or other solicitations.

### ERISA

For accounts subject to ERISA, an authorized plan fiduciary other than CNWM will retain proxy voting authority. Our investment advisory agreement and/or the plan's written documents will evidence and outline this authority.

### Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

## Proxy Voting

### Class Actions

CNWM utilizes a third-party service provider to provide class action litigation monitoring and securities claim filing services. For a contingency fee, the provider secures class action claims, monitors each client's claim, collects the applicable trade history, interprets the terms of each settlement, files the appropriate claim form, interacts with the administrators, and distributes awards on the client's behalf. When applicable, clients that subsequently terminate management services must contact the third-party class action service provider directly to receive settlement payments for positions held while under our management.

## ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. A balance sheet is not required to be provided because CNWM does not serve as a custodian for client funds or securities, and we do not require prepayment of fees of more than \$1,200 per client and six months or more in advance. We have no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. Neither CNWM nor its management has had any bankruptcy petitions in the last ten years.

# FORM ADV, PART 2B BROCHURE SUPPLEMENT

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**October 5, 2023**

This brochure supplement provides information about Brian Clay and Darren Northam that supplements the Clay Northam Wealth Management, LLC brochure. You should have already received a copy of that brochure. Please contact (562) 431-9988 or [dnortham@claynortham.com](mailto:dnortham@claynortham.com) if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Brian Clay and Darren Northam is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Brian M. Clay**, Founding Principal, Chief Compliance Officer, b. 1978

*Education:*

- University of California, Los Angeles, BA in Economics, 2000

*Business Background:*

- Clay Northam Wealth Management, LLC; Founding Principal, 10/2011 to Present; Chief Compliance Officer, 01/2023 to Present
- Brian Clay CFP, Inc.; Owner, 12/2012 to Present
- Independent Insurance Agent, 10/2006 to Present
- Purshe Kaplan Sterling Investments, Inc., Registered Representative, 11/2011 to 12/2012
- Linsco/Private Ledger Corp.; Financial Planner, 10/2006 to 10/2011
- Pruco Securities Corporation; Financial Planner, 07/2001 to 10/2006

*Professional Designations*

Brian Clay holds the following professional designations:

***CERTIFIED FINANCIAL PLANNER™ professional***

I am certified for financial planning services in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board"). Therefore, I may refer to myself as a CERTIFIED FINANCIAL PLANNER™ professional or a CFP® professional, and I may use these and CFP Board's other certification marks (the "CFP Board Certification Marks"). The CFP® certification is voluntary. No federal or state law or regulation requires financial planners to hold the CFP® certification. You may find more information about the CFP® certification at [www.CFP.net](http://www.CFP.net).

CFP® professionals have met CFP Board's high standards for education, examination, experience, and ethics. To become a CFP® professional, an individual must fulfill the following requirements:

- Education – Earn a bachelor's degree or higher from an accredited college or university and complete CFP Board-approved coursework at a college or university through a CFP Board Registered Program. The coursework covers the financial planning subject areas CFP Board has determined are necessary for the competent and professional delivery of financial planning services, as well as a comprehensive financial plan development capstone course. A candidate may satisfy some of the coursework requirement through other qualifying credentials. CFP Board implemented the bachelor's degree or higher requirement in 2007 and the financial planning development capstone course requirement in March 2012. Therefore, a CFP® professional who first became certified before those dates may not have earned a bachelor's or higher degree or completed a financial planning development capstone course.
- Examination – Pass the comprehensive CFP® Certification Examination. The examination is designed to assess an individual's ability to integrate and apply a broad base of financial planning knowledge in the context of real-life financial planning situations.

- Experience – Complete 6,000 hours of professional experience related to the personal financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.
- Ethics – Satisfy the Fitness Standards for Candidates for CFP® Certification and Former CFP® Professionals Seeking Reinstatement and agree to be bound by CFP Board’s Code of Ethics and Standards of Conduct (“Code and Standards”), which sets forth the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements to remain certified and maintain the right to continue to use the CFP Board Certification Marks:

- Ethics – Commit to complying with CFP Board’s Code and Standards. This includes a commitment to CFP Board, as part of the certification, to act as a fiduciary, and therefore, act in the best interests of the client, at all times when providing financial advice and financial planning. CFP Board may sanction a CFP® professional who does not abide by this commitment, but CFP Board does not guarantee a CFP® professional's services. A client who seeks a similar commitment should obtain a written engagement that includes a fiduciary obligation to the client.
- Continuing Education – Complete 30 hours of continuing education every two years to maintain competence, demonstrate specified levels of knowledge, skills, and abilities, and keep up with developments in financial planning. Two of the hours must address the Code and Standards.

### ***Chartered Mutual Fund Counselor (“CMFC”)***

The CMFC designation is sponsored by College for Financial Planning. To earn a CMFC designation, candidates must complete a nine-module self-study course and pass a proctored online final examination. To maintain the designation, holders must complete 16 hours of continuing education every two years. More information regarding the CMFC is available at <http://www.cfpdesignations.com/Designation/CMFC>.

## **ITEM 3 - DISCIPLINARY INFORMATION**

Brian Clay has no disciplinary history to disclose.

## **ITEM 4 - OTHER BUSINESS ACTIVITIES**

In addition to his role with CNWM, Brian Clay is also a licensed insurance agent (CA license # 0D10660). Approximately 1% of his time is spent on these activities. Clients pay separate fees for advisory services and insurance products or services and Brian Clay receives commissions when clients purchase insurance products. This practice presents a conflict of interest as it gives him an incentive to recommend insurance products based on the compensation received, rather than on the client’s needs. Clients are not obligated to act on any insurance recommendations or place any transactions through Brian Clay if they decide to follow his recommendations.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Brian Clay’s primary compensation comes from his regular salary and ownership of CNWM.

The additional compensation that Brian Clay receives is outlined above in ***Item 4 – Other Business Activities***.

## **ITEM 6 - SUPERVISION**

As Principals and the only Supervised Persons of CNWM, Brian Clay and Darren Northam generally each supervise their own activities. Brian Clay can be reached by calling 310-662-4700, and Darren Northam at (562) 431-9988.



## Darren S. Northam

### ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Darren S. Northam**, Founding Principal, b. 1974

*Education:*

- University of California, Santa Barbara, BA in Economics, 1996

*Business Background:*

- Clay Northam Wealth Management, LLC; Founding Principal, 10/2011 to Present; Chief Compliance Officer, 04/2017 to 01/2023
- Darren Northam CFP, Inc.; Owner, 12/2012 to Present
- Independent Insurance Agent, 10/2006 to Present
- Purshe Kaplan Sterling Investments, Inc.; Registered Representative, 11/2011 to 10/2013
- Linsco/Private Ledger Corp.; Financial Planner, 10/2006 to 10/2011
- Pruco Securities Corporation; Financial Planner, 09/2001 to 10/2006

*Professional Designations*

Darren Northam holds the following professional designations:

***CERTIFIED FINANCIAL PLANNER™ professional***

I am certified for financial planning services in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board"). Therefore, I may refer to myself as a CERTIFIED FINANCIAL PLANNER™ professional or a CFP® professional, and I may use these and CFP Board's other certification marks (the "CFP Board Certification Marks"). The CFP® certification is voluntary. No federal or state law or regulation requires financial planners to hold the CFP® certification. You may find more information about the CFP® certification at [www.CFP.net](http://www.CFP.net).

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- Examination – Pass the comprehensive CFP® Certification Examination. The examination is designed to assess an individual's ability to integrate and apply a broad base of financial planning knowledge in the context of real-life financial planning situations.

- Experience – Complete 6,000 hours of professional experience related to the personal financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.
- Ethics – Satisfy the Fitness Standards for Candidates for CFP® Certification and Former CFP® Professionals Seeking Reinstatement and agree to be bound by CFP Board’s Code of Ethics and Standards of Conduct (“Code and Standards”), which sets forth the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements to remain certified and maintain the right to continue to use the CFP Board Certification Marks:

- Ethics – Commit to complying with CFP Board’s Code and Standards. This includes a commitment to CFP Board, as part of the certification, to act as a fiduciary, and therefore, act in the best interests of the client, at all times when providing financial advice and financial planning. CFP Board may sanction a CFP® professional who does not abide by this commitment, but CFP Board does not guarantee a CFP® professional's services. A client who seeks a similar commitment should obtain a written engagement that includes a fiduciary obligation to the client.
- Continuing Education – Complete 30 hours of continuing education every two years to maintain competence, demonstrate specified levels of knowledge, skills, and abilities, and keep up with developments in financial planning. Two of the hours must address the Code and Standards.

### ***Chartered Mutual Fund Counselor (“CMFC”)***

The CMFC designation is sponsored by College for Financial Planning. To earn a CMFC designation, candidates must complete a nine-module self-study course and pass a proctored online final examination. To maintain the designation, holders must complete 16 hours of continuing education every two years. More information regarding the CMFC is available at <http://www.cfpdesignations.com/Designation/CMFC>.

## **ITEM 3 - DISCIPLINARY INFORMATION**

Darren Northam has no disciplinary history to disclose.

## **ITEM 4 - OTHER BUSINESS ACTIVITIES**

In addition to his role with CNWM, Darren Northam is also a licensed insurance agent (CA license # 0B87286). Approximately 1% of his time is spent on these activities. Clients pay separate fees for advisory services and insurance products or services and Darren Northam receives commissions when clients purchase insurance products. This practice presents a conflict of interest as it gives him an incentive to recommend insurance products based on the compensation received, rather than on the client’s needs. Clients are not obligated to act on any insurance recommendations or place any transactions through Darren Northam if they decide to follow his recommendations.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Darren Northam’s primary compensation comes from his regular salary and ownership of CNWM.

The additional compensation that Darren Northam receives is outlined above in ***Item 4 – Other Business Activities***.

## **ITEM 6 - SUPERVISION**

As Principals and the only Supervised Persons of CNWM, Brian Clay and Darren Northam generally each supervise their own activities. Brian Clay can be reached by calling 310-662-4700, and Darren Northam at (562) 431-9988.

## FACTS

### WHAT DOES CLAY NORTHAM WEALTH MANAGEMENT, LLC DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Clay Northam Wealth Management, LLC chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Clay Northam Wealth Management, LLC share?	Can you limit this sharing?
<b>For our everyday business purposes -</b> as permitted by law	YES	NO
<b>For our marketing purposes -</b> to offer our products and services to you	NO	We Don't Share
<b>For joint marketing with other financial companies</b>	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your transactions and experiences	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your creditworthiness	NO	We Don't Share
<b>For nonaffiliates to market to you</b>	NO	We Don't Share
<b>Questions?</b>	Call (562) 431-9988 or go to <a href="http://www.claynortham.com">www.claynortham.com</a>	

## WHO WE ARE

Who is providing this notice?

**Clay Northam Wealth Management, LLC**

## WHAT WE DO

**How does Clay Northam Wealth Management, LLC protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

**How does Clay Northam Wealth Management, LLC collect my personal information?**

We collect your personal information, for example, when you

- seek advice about your investments
- enter into an investment advisory contract
- tell us about your investment or retirement portfolio
- tell us about your investment or retirement earnings
- give us your contact information

We also collect your personal information from other companies.

**Why can't I limit all sharing?**

Federal law gives you the right to limit only:

- sharing for affiliates' everyday business purposes - information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## DEFINITIONS

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Clay Northam Wealth Management, LLC has no affiliates*

**Nonaffiliates**

Companies not related by common ownership or control. They can be financial and non-financial companies.

- *Clay Northam Wealth Management, LLC does not share with nonaffiliates so they can market to you*

**Joint Marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Clay Northam Wealth Management, LLC does not jointly market*