



# **INVESTMENT ADVISER DISCLOSURE BROCHURE**

## **Form ADV Part 2A Brochure & Part 2B Supplement March 2020**

This brochure provides information about the qualification and business practices of Martin Nelson & Co., Inc., a Washington State and Oregon State registered investment adviser. This registration does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at [compliance@martinnelsonco.com](mailto:compliance@martinnelsonco.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Martin Nelson & Company, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our Firm SEC number is 8-831. You can also search this site by our unique identifying number, known as CRD number. Our CRD number is 2903.

## **MATERIAL CHANGES**

On July 28, 2010, the United States Securities and Exchange Commission ("SEC") published "Amendments to Form ADV" which amended the disclosure document provided to clients as required by SEC and state rules. This item discusses specific material changes that are made to the disclosure brochure and provide readers with a summary of such changes.

Pursuant to new rules, MARTIN NELSON & CO., INC. ("MNCO") will ensure that clients receive a summary of any material changes to this and subsequent disclosure brochures.

Clients and prospective clients can always receive the most current disclosure brochure for MNCO at any time by contacting their investment adviser representative.

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## ADVISORY BUSINESS

### MARTIN NELSON & CO., INC. HISTORY AND OWNERSHIP

MNCO was officially registered as a Corporation on April 4, 1954. We are a full-service broker/dealer offering stocks, bonds, mutual funds, and other commissioned products. We have been a registered investment adviser since 2013.

The principal owner is Martin O. Nelson, Jr.

### GENERAL DESCRIPTION OF ADVISORY SERVICES

We offer our investment Advisory services through MNCO for our client's accounts held at our third-party custodian, Hilltop Securities ("HT").

MNCO is registered as an investment adviser with the State of Washington and Oregon. Registration does not imply a certain level of skill or training.

We provide the following service for our clients:

**Portfolio Management Services:** Our firm offers discretionary and non-discretionary continuous portfolio management services where the investment advice provided is tailored to meet the needs and investment objectives of the client. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval. Discretionary authority is typically granted by the client agreement you sign with our firm.

### SERVICES TAILORED TO CLIENTS NEEDS

Our Adviser services are tailored to each individual client. Your Adviser will conduct a client profile to assess your current financial condition, evaluate your risk tolerance, establish suitable investment objectives, determine which classes of assets are most appropriate to achieve the objectives and allocate the funds into those assets. The client and Adviser will decide if the services to be provided will be discretionary or non-discretionary.

### CLIENT ASSETS UNDER MANAGEMENT

As of March 2020, MNCO Advisers manages 60 million dollars of assets.

## **FEES AND COMPENSATION**

### FEE SCHEDULE

MNCO bases its fees on a percentage of the assets under management. There is a fee schedule. The fees are negotiable and may change as the value of the portfolio changes. Some clients may pay higher or lower fees than other clients depending on the size of the account, the amount of time a client has had an account with us, the total amount of business the client conducts with us and other relevant considerations.

Account Asset Value	Maximum Annual Fee
\$50,000 - \$500,000	1.00%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$3,000,000	0.8%
\$3,000,001 - \$ 5,000,000	0.8%
\$5,000,001 and above	0.8%

The fee charged will be payable, in advance, on a calendar quarterly basis, and will be calculated based upon the market value of the account at the end of the previous quarter, as determined by MNCO. Each quarterly payment will be due and payable out of the clients account on the business day following the last day of the calendar quarter to which such valuation relates. The fee for the calendar quarter in which Client's Account is established will be prorated based on the number of days remaining in that calendar quarter after establishment of the account. In the event that Client's Account is terminated before the end of a calendar quarter for which fees have been prepaid, a prorated refund, based on the number of days remaining in the calendar quarter, will be credited to Client's Account.

The client will be send an invoice that contains the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee. This invoice will be send after the end of the billed quarter.

With your account at MNCO you will pay a transaction fee in addition to the quarterly fee. Your adviser does not receive any portion of the transaction fee.

### TERMINATION OF CONTRACT

Your contract may be terminated by either you or your Adviser with 30 days written notice from the terminating party to the other party. If the contract is terminated prior to the last day of the calendar quarter, then the quarterly fee will be adjusted to the actual days the account was serviced. In the event the account was prepaid, the fee will be reimbursed for the days the account was not under agreement. Upon termination, you are responsible for monitoring the securities in your account and MNCO will have no further obligation.

### MUTUAL FUNDS

We may recommend both load and no-load mutual funds. In the event these funds are recommended, we may receive sales compensation via their execution through MNCO. Receipt of these forms of

additional compensation may be a conflict of interest in that it could be an incentive for your portfolio manager to recommend products for your account based upon the amount of additional compensation they receive. We will supervise your account to assure that any recommendations made are in accordance with your investment objectives and goals. On occasion you may receive communications from us to confirm that the activity in your account is in accordance with your instructions and that you are aware of the additional compensation being paid.

#### INVESTOR OPTIONS

You are not obligated to purchase a recommended investment from us. You always have the option to purchase it from other brokers or agents.

In general, a more actively traded account may cost less under a fee agreement and an account which is traded infrequently may cost more under a fee agreement.

An investment adviser shall deliver the materials required by this section to an Advisory client or prospective Advisory client (i) not less than forty-eight hours prior to entering into any investment Advisory contract with such client or prospective client, or (ii) at the time of entering into any such contract, if the Advisory client has a right to terminate the contract without penalty within five business days after entering into the contract

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

MNCO does not charge performance based fees. Our fees are not based on a share of the capital gains or the capital appreciation of managed securities.

MNCO does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the Adviser to recommend an investment that may carry a higher degree of risk to the client.

### **TYPES OF CLIENTS**

MNCO provides investment advice to individuals, pension and profit sharing plans, retirement plans, trusts, estates, charitable organizations and businesses.

Client relationships vary in size and length of time with us.

MNCO does not impose a minimum account size. Each account is evaluated individually.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### METHODS OF ANALYSIS

Once the client profile, financial condition, investment objectives and risk tolerance have been determined, MNCO will utilize various methods of analysis including charting, fundamental analysis, technical analysis and cyclical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, filings with the Securities and Exchange Commission, press releases, Morningstar, Value Line, SchwabLink and the internet.

### *CHARTING*

Charting is a technical analysis that charts the patterns of stocks, bonds and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time and whether it is trading near its high, near its low or in between. Chartists believe that recurring patterns of trading commonly referred to as indicators, can help them forecast future price movements.

### *FUNDAMENTAL ANALYSIS*

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

### *TECHNICAL ANALYSIS*

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

### *CYCLICAL ANALYSIS*

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. There are a variety of cycles that can be examined and some are more commonly known than others, such as a four-year presidential cycle or annual/quarterly fiscal reporting cycles. Identifying cycles can help to anticipate tops and bottoms and also to determine trends. But sometimes cycles don't repeat themselves, sometimes they overlap and sometimes they offset each other. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (e.g., housing, automobiles, telecommunications, paper, etc.). Non-cyclical industries (e.g., food, insurance, drugs, healthcare, etc.) are not as directly impacted by economic changes.

## INVESTMENT STRATEGIES

All investments carry a certain degree of risk. This risk may be mitigated by a diversified asset allocation.

When implementing investment advice to clients, our representatives employ the following investment strategies:

- Long term purchases - securities held at least one year.
- Short term purchases - securities sold within one year.
- Trading - securities sold within 30 days.
- Margin transactions - investor pays for part of the purchase and borrows the rest from a brokerage firm; for example, investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock.
- Option writing - includes covered options, uncovered options or spreading strategies. Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

## RISK OF LOSS

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. You should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved.

Investing in securities involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk:

- Interest rate risk - fluctuations in interest rates can influence investment prices. For example, if interest rates rise the yields on existing bonds can become unattractive and cause their market value to decline
- Market risk - the value of a security can be influenced by political, economic and social conditions independent of the security's underlying circumstances. This is often referred to as systemic risk.
- Inflation risk - the uncertainty over the future real value (after inflation) of your investment, and the possible erosion of purchasing power.
- Currency risk or exchange rate risk - this arises from the potential change in the exchange rate of one currency in relation to another.
- Liquidity risk -liquidity is the ability to readily convert your investment into cash.

## **DISCIPLINARY INFORMATION**

In connection with the SEC's Municipal Continuing Disclosure Cooperative Initiative (MCDC), MNCO's affiliated broker-dealer voluntarily self-reported certain matters related to its underwritings of certain Municipal Securities Offerings. The firm participated in the SEC's industry-wide MCDC initiative pertaining to compliance with SEC rule 15C2-12. The firm agreed to cease and desist from committing or causing any violations and any future violations of Section (17)A(2) of the Securities Act, paid a civil money penalty of \$100,000 and will comply with the undertakings enumerated in the Offer of settlement.



## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

MARTIN NELSON & CO., INC. is both a registered broker-dealer with the Securities and Exchange Commission a state-registered broker-dealer and a member of the Financial Industry Regulatory Authority as well as a Registered Investment Adviser with the State of Washington and Oregon.

Registered Representatives are separately licensed in their capacity as brokers. These individuals, in their capacity as brokers, can effect securities transactions for which they will receive separate, yet customary compensation.

Clients should be aware that the receipt of additional compensation in our capacity as brokers creates a conflict of interest that may impair the objectivity of our firm and these individuals when making Advisory recommendations. Martin Nelson & Company, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty. We take the following steps to address this conflict:

- We generally prohibit the receipt of both commissions and fees for managed accounts;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's representatives and supervisors conduct regular reviews of client accounts and all transactions to verify that recommendations made to a client are suitable for the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

According to the Investment Advisers Act of 1940, an investment Adviser is considered a fiduciary. As a fiduciary, it is an investment Adviser's responsibility to provide fair and full disclosure of all material facts known to the Adviser. In addition an investment Adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. MNCO has adopted a Code of Ethics and a standard of Business Conduct. This Code of Ethics sets out ideals for ethical conduct premised on fundamental principles of openness, integrity, honesty and trust. It conveys to employees the value that MNCO places on ethical conduct and challenges employees to live up, not only to the letter of the law, but also to the ideals of the organization.

MNCO and its employees may buy or sell securities or have an interest or position in a security for their personal account, which they also recommend to clients. MNCO is and shall continue to be in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. As these situations may represent a potential conflict of interest, it is a policy of MNCO that no representative shall prefer his/her own account to that of the Advisory client. MNCO and its employees may buy or sell securities that are also held by our clients. Advisers should not trade their own securities ahead of a client.

## **BROKERAGE PRACTICES**

MNCO renders investment advice to its clients on a nondiscretionary and discretionary basis, pursuant to client's Advisory agreement. In MNCO's Advisory programs you will generally appoint MNCO as sole and exclusive broker for execution transactions, this relationship is referred to as directed brokerage.

MNCO will also be a clearing firm with HT acting as custodian of your account. Through directed brokerage, MNCO may have benefits where it requires a client to utilize the services of an affiliated broker/custodian.

Not all investment advisers who are dually registered as broker dealers or who have affiliated broker-dealers require their clients to use the adviser's broker dealer to execute transactions. By using MNCO as the broker dealer (directed brokerage), we may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money.

## **REVIEW OF ACCOUNTS**

Each Adviser monitors the asset allocation reports and performance of their own client accounts at least quarterly to determine when changes are needed. The Chief Compliance Officer performs periodic reviews of client accounts. Conditions may trigger a more frequent review if there are changes in a client's situation or new financial information is received.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

MNCO has been fortunate to receive many client referrals over the years from current clients, attorneys, accountants, employees, personal friends and others. We do not compensate referring parties for their referrals.

We do not receive any other compensation.

## **CUSTODY**

Custody has been defined as having access or control over client funds and/or securities but does not include the ability to execute transactions in client accounts. All assets are held at qualified custodians.

Martin Nelson & Co., Inc. uses Hilltop Securities as their custodian for all clients. Although we do not have custody, we have established procedures to ensure all client funds and securities are held at HT in a separate account for each client under that client's name. You will receive, at a minimum, from HT, a quarterly statement containing information regarding your account and the value of the assets under management. You should carefully review those statements. If you have any questions about your account statements, you should contact us or your own adviser.

## **INVESTMENT DISCRETION**

MNCO provides each client with a Client Account Agreement with the terms and conditions of the agreement in writing. MNCO has both a Discretionary Client Account Agreement and a Non-Discretionary Account Agreement. You and your Adviser will decide if the services to be provided will be discretionary or non-discretionary.

The Discretionary Client Account Agreement gives the adviser the discretionary power and authority to buy, sell or otherwise effect transactions in stocks, bonds, mutual funds and other securities on margin, or otherwise, for your account and in your name without consulting with you prior. You must provide us with written authorization to exercise this discretionary authority. If asset management services are provided on a non-discretionary basis, we will always contact you before executing any transactions in an account.

## **VOTING CLIENT SECURITIES**

MNCO does not perform proxy voting services on your behalf. You are instructed to read through the information provided with the proxy voting documents and to make a determination based on the information provided. However, your Adviser may provide recommendations to you if assistance is requested. If a conflict of interest exists, this will be disclosed.

## **FINANCIAL INFORMATION**

MNCO is financially capable of meeting all contractual commitments to clients. A balance sheet is not required because we do not serve as a custodian for client funds or securities and we do not require pre-payment of fees of more than \$500 per client, six months or more in advance.

## **REQUIREMENS FOR STATE-REGISTERED ADVISERS Brochure Supplement Form ADV Part 2B**

Company: Martin Nelson & Company., Inc.  
1500 Westlake Ave North # 200  
Seattle, WA 98109-3130  
206-682-6261

Investment Adviser Representatives: Martin Oliver Nelson, Jr.  
1500 Westlake Ave North # 200  
Seattle, WA 98109-3130  
206-682-6261

This part of the Brochure provides information about the Principal Officers of Martin Nelson & Co, Inc., and the Investment Adviser Representatives. Additional information about our Investment Adviser Representatives is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Martin O. Nelson, Jr. - CRD Number 346215  
Frederic L. Roebke - CRD 3257470  
Sabine Koenig - CRD Number 3257471

### **Educational Background and Business Experience:**

#### **Martin O. Nelson, Jr. – President & Investment Adviser Representative**

Year of birth: 1946

#### **Education:**

Graduate of the University of Washington, School of Business Administration with a concentration in Finance 1972

#### **Business background:**

Martin Nelson & Co., Inc. (CRD #2903):  
Elected to Board of Directors 1970 to present  
Securities Representative 1972 to present  
Head Position Trader 1978 to present  
Vice President 1974 to 1983  
President 1983 – present

#### **Professional examinations held:**

General Securities Representative (Series 7)  
Limited Representative-Equity Trader Examination (Series 55)

Financial and Operations Principal (Series 27)  
General Securities Principal Sales Supervisor Module (Series 24)  
Registered Options Principal (Series 4)  
Municipal Securities Representative (Series 52)  
Municipal Securities Principal (Series 53)  
Operations Professional (Series 99)  
Uniform Securities Agent State Law Exam (Series 63)  
Uniform Investment Adviser Law Exam (Series 65)

Disciplinary Information:

Martin Nelson & Co., Inc. is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a client's evaluation of Martin O. Nelson, Jr. No events have occurred that are applicable to this item.

Other Business Activities:

Martin Nelson & Co., Inc. is required to disclose any outside business activities or occupation for compensation that could potentially create a conflict of interest with clients. Martin O. Nelson, Jr. is also a registered representative of Martin Nelson & Co., Inc. In his separate capacity as a registered representative, Mr. Nelson will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by Mr. Nelson. Neither the Adviser nor Mr. Nelson will earn investment Advisory fees in connection with any services implemented in Mr. Nelson's separate capacity as a registered representative where commissions are earned.

Additional Compensation:

Martin O. Nelson, Jr. is also a registered representative of Martin Nelson & Co., Inc. member FINRA, SIPC. In his separate capacity as a registered representative, Mr. Nelson will typically receive commissions for the implementation of recommendations for commissionable transactions.

Supervision:

Martin O. Nelson, Jr. is responsible for the supervision of all firm members (including him). He is also under heightened supervision by Sabine Koenig in accordance with FINRA Rule 3012 and subject to Martin Nelson & Co., Inc.'s Code of Ethics and other compliance policies and procedures.

**Frederic L. Roebke – Jr. Vice President**

Year of birth: 1972

Education:

Graduate of the Shoreline Community College 1995

Business background:

Martin Nelson & Co., Inc. (CRD #2903):  
Securities Representative 1999 to present  
Jr. Vice President 2003 - present

Professional examinations held:

General Securities Representative (Series 7)  
General Securities Principal Sales Supervisor Module (Series 24)  
Uniform Securities Agent State Law Exam (Series 63)

**Sabine Koenig – Secretary/Treasurer**

Year of birth: 1972

Education:

Graduate of the Berufsbildende Schule Goslar with a concentration in Business and Economics 1995

Business background:

Hornblower Fischer AG, Frankfurt, Germany  
Operations Manager 2000 – 2002  
Compliance representative 2000 - 2002

Martin Nelson & Co., Inc. (CRD #2903):  
Operations Manager 2002 – present  
Compliance Officer 2002 - present  
Secretary/Treasurer 2004 – present

Professional examinations held:

General Securities Representative (Series 7)  
Financial and Operations Principal (Series 27)  
General Securities Principal Sales Supervisor Module (Series 24)  
Municipal Securities Principal (Series 53)  
Operations Professional (Series 99)  
Uniform Securities Agent State Law Exam (Series 63)