



Firm Brochure

(Part 2A of Form ADV)

COVER PAGE

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This brochure provides information about the qualifications and business practices of Northbay Advisors. If you have any questions about the contents of this brochure, please contact us at: (707) 585-8004, or by email at: dan@northbayadvisors.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.

(If your firm refers to itself as a “registered investment adviser,” it must also include a disclaimer that registration does not imply a certain level of skill or training)

Additional information about Northbay Advisors is available on the SEC’s website at www.adviserinfo.sec.gov

August 31, 2019

i

Northbay Advisors

Material Changes (Item 2)

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Material changes to the policies of NORTHBAY ADVISORS are as follows:

There were no material changes to the policies of Northbay Advisors since we issued our previous ADV Part II Brochure.

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (707) 585-8004 or by email at: info@northbayadvisors.com .

Table of Contents (Item 3)

Material Changes (Item 2)	ii
Annual Update	ii
Material Changes since the Last Update	ii
Advisory Business (Item 4)	4
Firm Description.....	4
Principal Owners.....	5
Types of Advisory Services.....	5
Types of Agreements.....	6
Financial Planning Agreement	6
Investment Portfolio Management Agreements	7
Hourly Planning Engagements	9
Tax Preparation Agreement.....	9
Termination of Agreement	9
Fees and Compensation (Item 5)	10
Description.....	10
Fee Billing	10
Other Fees.....	10
Expense Ratios.....	11
Past Due Accounts and Termination of Agreement	11
Performance-Based Fees (Item 6)	11
Sharing of Capital Gains	11
Types of Clients (Item 7)	11
Description.....	11
Account Minimums.....	12
Methods of Analysis, Investment Strategies and Risk of Loss (Item 8)	12
Methods of Analysis.....	12
Investment Strategies	12
Risk of Loss	14
Disciplinary Information (Item 9)	15
Legal and Disciplinary.....	15

Other Financial Industry Activities and Affiliations (Item 10)	15
Financial Industry Activities.....	15
Affiliations	15
Recommendations or Selections of Other Investment Advisors and Conflicts of Interest.....	15
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Item 11)	16
Code of Ethics.....	16
Participation or Interest in Client Transactions.....	16
Personal Trading.....	16
Brokerage Practices (Item 12)	16
Selecting Brokerage Firms.....	16
Research and Soft Dollar Benefits	17
Brokerage for Client Referrals.....	17
Directed Brokerage	17
Best Execution	18
Order Aggregation	18
Review of Accounts (Item 13)	18
Periodic Reviews	18
Review Triggers	18
Regular Reports.....	18
Client Referrals and Other Compensation (Item 14)	19
Incoming Referrals.....	19
Referrals Out	19
Other Compensation.....	19
Custody (Item 15)	19
Custody.....	19
Account Statements.....	19
Performance Reports.....	19
Net Worth Statements.....	19
Investment Discretion (Item 16)	20
Discretionary Authority for Trading.....	20
Limited Power of Attorney.....	20

Voting Client Securities (Item 17)	20
Proxy Votes	20
Financial Information (Item 18)	20
Financial Condition	20
Requirements for State Registered Advisors (Item 19)	21
General	21
Brochure Supplement (Part 2B of Form ADV)	22
Education and Business Standards	22
Professional Certifications	23
Daniel A. Peterson, CERTIFICATIONS	24

Advisory Business (Item 4)

Firm Description

Northbay Advisors, (“NORTHBAY ADVISORS”) is a trade name (or DBA) of Northbay Financial Group, Inc. Northbay Financial Group, Inc. was founded in 2001. Northbay Advisors became a California state Registered Investment Advisor in March of 2004. Northbay Financial Group, Inc. also does business as “Express Income Tax Service”, through which it provides income tax preparation services.

NORTHBAY ADVISORS provides personalized confidential financial planning and investment management to individuals, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

NORTHBAY ADVISORS is strictly a fee-only financial planning and investment management firm. The firm does not receive commissions for selling annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. No commissions in any form are accepted by NORTHBAY ADVISORS. No finder’s fees are accepted.

NORTHBAY ADVISORS does not directly or indirectly compensate for client referrals, however Express Income Tax Services does from time to time, provide a “Refer-A-Friend” program through which it provides a refer a friend bonus check, usually in the amount of ten dollars.

Financial Planning advice is offered whereby a written evaluation of the client’s initial situation is provided to the client, often in the form of a net worth statement. In addition, NORTHBAY ADVISORS advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning. Investment advice is an integral part of financial planning.

Investment advice is provided, with the client making the final decision on either the specific investment selection, or to allow the advisor to execute trades on the client’s behalf. NORTHBAY ADVISORS does not act as a custodian of client assets. The client always maintains asset control. NORTHBAY ADVISORS places trades for clients under a limited power of attorney.

Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

Principal Owners

Daniel A. Peterson is a 100% stockholder.

Types of Advisory Services

NORTHBAY ADVISORS provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations. NORTHBAY ADVISORS typically does not, but may issue special reports about securities; and may issue, charts, graphs, formulas, or other devices which clients may use to evaluate securities.

On more than an occasional basis, NORTHBAY ADVISORS furnishes advice to clients on matters not involving securities, such as financial planning matters, income tax preparation and taxation issues, and trust services that may often include estate planning concepts.

NORTHBAY ADVISORS does not provide a timing service, or issue periodicals about securities by subscription.

As of August 31, 2019, NORTHBAY ADVISORS had Approximately \$2,271,000 in assets under management and twelve (12) investment advisory clients.

SOLICITOR ARRANGEMENTS

Advisor does not presently solicit the services of unaffiliated Third Party Money Managers to manage client accounts.

SEMINARS AND WORKSHOPS

Advisor hasn't held educational seminars and workshops in the recent past, and at the present time, does not have any immediate plans to do so in the near future. Advisor may in the future however, decide to provide certain educational seminars and workshops. The Advisor anticipates these seminars would be educational in nature and no specific investment or tax advice would be given. Advisor does not expect to charge a fee for attendance at these seminars.

Tailored Relationships

We work with each client to determine the appropriate level of financial services they desire, and which may be required to meet their needs. These services could be as simple as an occasional investment strategy session billed on an hourly basis, preparing a financial planning document, or separate investment advisory services. We're happy to work with clients who wish to impose restrictions on investing in certain securities or types of securities.

Investment Advisory and/or Financial Planning Agreements may not be assigned without client consent.

Types of Agreements

The following agreements define the typical client relationships.

Financial Planning Agreement

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

NORTHBAY ADVISORS offers financial plans, often times, in a modular format that may address specific aspects of the management of the Client's financial resources. The client may select one or more topics to be included in their financial plan depending on their individual goals and objectives. Such topics may include, but are not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. Typically the fees can range from \$295 per module, or for a limited scope review to \$2,500 or more depending on the complexity of the client's financial situation, and services requested. Our fees are negotiable. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

NORTHBAY ADVISORS requires financial planning fees to be paid 50% in advance and the remaining balance is due upon plan delivery. After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work is billed separately at the rate of \$165 per hour. Under no circumstances will NORTHBAY ADVISORS require prepayment of a fee more than six months in advance.

Either party may terminate the financial planning agreement within five (5) business days of the date of execution of the agreement without penalty to the client, and any funds paid by the client for the planning services will be refunded. After the five day period, either party may terminate the agreement by providing written notice to the other party. In the event there are any prepaid or unearned fees that remain at the time of the termination, NORTHBAY ADVISORS will promptly refund the pro-rata share of any unearned fees to the client.

Investment Portfolio Management Agreements

Many clients have asked that Advisor assist them in helping them with their investments and have chosen to have NORTHBAY ADVISORS manage their assets.

The scope of work and fee for an Investment Portfolio Management Agreement is provided to the client in writing prior to the start of the relationship. An Investment Portfolio Management Agreement typically includes:

- A.) An Investment Policy Worksheet, detailing Portfolio Objectives, Risk Tolerances, Time Horizon(s), Tax Sensitivity and other issues,
- B.) Implementation of the investment portfolio recommendations, and
- C.) Monitoring and Reporting of portfolio results (usually quarterly). As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

NORTHBAY ADVISORS currently provides these Investment Portfolio Management services on either a Non-Discretionary basis, meaning all trades must be approved in advance by the client, or a Discretionary Basis, meaning the client delegates investment decisions to the advisor. In the Discretionary advisory account the advisor will not seek approval from the client regarding investment decisions, but will rely on guidance in the Investment Policy Worksheet.

Assets are typically invested in no-load or low-load mutual funds, and exchange-traded funds(ETF's), usually through their custodian, discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds and ETF's may be purchased or sold through a brokerage account with the advisor's custodian. The brokerage firm charges a fee for stock and bond trades. NORTHBAY ADVISORS does not receive any compensation, in any form, from fund companies or from any Broker Dealers.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through NORTHBAY ADVISORS.

NORTHBAY ADVISORS reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. NORTHBAY ADVISORS may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship.

The annual Investment Portfolio Management Agreement fee is based on a percentage of the assets managed by Northbay Advisors according to the following schedules:

Schedule A - Combined Household Accounts Under \$50,000

1.50% on the first \$ 50,000

Schedule B - Combined Household Accounts Over \$50,000 but less than \$100,000

1.25% any amounts under \$ 100,000

Schedule C - Combined Household Accounts Over \$100,000

1.00% on the first \$ 500,000

.80% on the next \$ 500,000

.70% on the next \$ 2,000,000

.65% for amounts over \$ 3,000,000

The minimum annual fee is \$500 and is negotiable. The annual fee for portfolio management services is billed quarterly in advance based on the asset value on the last day of the preceding quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter.

At its discretion, Northbay Advisors may allow accounts of members of the same household to be aggregated for purposes of determining the advisory fee. The Firm may allow such aggregation, for example, where the Firm services accounts on behalf of minor children of current clients, individual and joint accounts for a spouse, and other types of related accounts. This consolidation practice is designed to allow clients the benefit of an increased asset total, which could potentially cause the accounts to be assessed a

reduced advisory fee based on the breakpoints available in Northbay Advisors' fee schedule as stated above.

Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Investment Portfolio Management Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Tax preparation work is performed separately from and is not included as part of the Advisory Service Agreement.

Hourly Planning Engagements

NORTHBAY ADVISORS provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$165.

Tax Preparation Agreement

Tax preparation work is NOT included in the Financial Planning Agreement, Investment Advisory Service Agreement or Hourly Planning Engagements.

Tax preparation work is performed separately from these services and are billed based on the forms and complexity of the client's individual tax situation. Fees typically start around \$150 and are rarely more than \$1,000. There is No Minimum fee for tax preparation services. Eligible federal and applicable state returns are filed electronically without an additional fee.

Termination of Agreement

Either party may terminate the Financial Planning Agreement or the Investment Advisory Service Agreement within five (5) business days of the date of acceptance without penalty to the client.

After five (5) business days either party may terminate any of the aforementioned agreements at any time by notifying the other party in writing. In the event there are any prepaid or unearned fees at the time of termination, NORTHBAY ADVISORS will promptly refund a pro-rata share of those fees to the client.

Fees and Compensation (Item 5)

Description

NORTHBAY ADVISORS bases its fees on a percentage of assets under management, hourly charges, and fixed fees.

Some agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fee Billing

Investment management fees are billed quarterly, in *ADVANCE*, meaning that we typically invoice you as the three-month billing period has begun.

Northbay Advisors will either invoice the Client directly for the management fee, or payment of fees will be made by the custodian holding the Clients' funds and securities provided that the following requirements are met:

- The Client provides written authorization permitting the fees to be paid directly from the Client's account held by the custodian. The Firm does not have access to Client funds for payment of fees without Client consent in writing.
- The Firm sends the Client and the custodian an invoice showing the amount of the fee, the value of the Client's assets on which the fee is based, and the specific manner in which the fee was calculated.
- The custodian agrees to send the Client a statement, at least quarterly, indicating all amounts dispersed from the account including the amount of the advisory fee paid directly to the Firm.

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

NORTHBAY ADVISORS, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

SOLICITOR FEES

NORTHBAY ADVISORS does not presently have any Solicitor Agreements with unaffiliated third party investment advisors. Solicitor Agreements may be entered into by Advisor in the future.

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 (50 “basis points”) means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to NORTHBAY ADVISORS.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Past Due Accounts and Termination of Agreement

NORTHBAY ADVISORS reserves the right to stop work on any account that is more than 30 days overdue. In addition, NORTHBAY ADVISORS reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in NORTHBAY ADVISORS’s judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 15 business days.

Performance-Based Fees (Item 6)

Sharing of Capital Gains

NORTHBAY ADVISORS Fees are NOT based on a share of the capital gains or capital appreciation of managed securities.

NORTHBAY ADVISORS 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 (Item 7)

Description

NORTHBAY ADVISORS generally provides investment advice to individuals, and may include high net worth individuals, trusts, estates, charitable organizations, and/or business entities including corporations. Client relationships vary in scope and in length of service.

Account Minimums

NORTHBAY ADVISORS does not impose a minimum account size, however for clients receiving ongoing investment portfolio/asset management services, NORTHBAY ADVISORS does impose a minimum annual fee of \$500. Clients with assets below a certain account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

Depending upon circumstances, NORTHBAY ADVISORS may offer to provide services under an *Hourly Agreement* with the client if assets have diminished significantly, or the Minimum Annual Fee of \$500 seems unfair or inappropriate. In addition, NORTHBAY ADVISORS reserves the discretion to waive the minimum annual fee.

Client Courtesy and/or Family Accounts may be established when the client and the advisor agree. These Courtesy and Family Accounts are NON-MANAGED Accounts and NO Investment Portfolio Management Services are offered or provided under these accounts. NORTHBAY ADVISORS may offer to provide these accounts at their sole discretion. Typically these are De minimis accounts, and are considered exceptions. These accounts may be offered to existing clients, employees of NORTHBAY ADVISORS and their relatives, or relatives of to be provided to clients and family with no fees.

Methods of Analysis, Investment Strategies and Risk of Loss (Item 8)

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that NORTHBAY ADVISORS may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, information from Standard & Poor's, Moody's and the World Wide Web.

Investment Strategies

NORTHBAY ADVISORS does not espouse a specific investment strategy for our clients, preferring to use investment strategies with our clients that make sense given the current economic environment at the time. Some of the strategies we may employ include, dividend yield strategies, asset allocation utilizing a core and satellite approach. We prefer to use passively-managed

index and exchange-traded funds as the core investments, and then add actively-managed funds, or individual securities when we believe there are greater opportunities to impact a portfolio's performance. Portfolios may be diversified globally to control the risk associated with traditional domestic investment markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Clients who work with NORTHBAY ADVISORS under an Investment Portfolio Management Agreement are provided an Investment Policy Worksheet that documents their objectives and outlines a desired investment strategy.

Other strategies may include long-term buy and hold purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

NORTHBAY ADVISORS reserves the right to advise Clients on any other type of investment that it deems appropriate based on the Client's stated goals and objectives. Northbay Advisors may also provide advice on any type of investment held in a Client's portfolio at the inception of the advisory relationship.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information (Item 9)

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations (Item 10)

Financial Industry Activities

NORTHBAY ADVISORS, (“NORTHBAY ADVISORS”) is a trade name (or DBA) of Northbay Financial Group, Inc. Northbay Financial Group, Inc. was founded in 2001. NORTHBAY ADVISORS became a California state Registered Investment Advisor in March of 2004. Northbay Financial Group, Inc. also does business as “Express Income Tax Service”, through which it provides income tax preparation services.

NORTHBAY ADVISORS is NOT registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

Affiliations

NORTHBAY ADVISORS has custodial arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, namely, Shareholder Services Group, Inc.

Recommendations or Selections of Other Investment Advisors and Conflicts of Interest

NORTHBAY ADVISORS does not presently solicit the services of unaffiliated Third Party Money Managers (“TPM”) to manage client accounts. In such circumstances, NORTHBAY ADVISORS would receive solicitor fees from the TPM.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Item 11)

Code of Ethics

The employees of NORTHBAY ADVISORS have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

NORTHBAY ADVISORS and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades

Personal Trading

The Chief Compliance Officer of NORTHBAY ADVISORS is Daniel Peterson. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Brokerage Practices (Item 12)

Selecting Brokerage Firms

NORTHBAY ADVISORS will recommend that Clients utilize Shareholder Services Group, Inc. for custodial services and brokerage transactions. The Firm participates in the Shareholder Services Group, Inc. Institutional program. Shareholder Services Group, Inc. is a FINRA/SIPC member. Shareholder Services Group, Inc. is an independent and unaffiliated SEC-registered broker-dealer. Shareholder Services Group, Inc. offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. NORTHBAY ADVISORS receives some benefits from Shareholder Services Group, Inc. through its participation in various programs offered by Shareholder Services Group, Inc. including access to software and other programs. (Please see the disclosure under "Soft Dollars" below.)

Northbay Advisors considers a number of factors in selecting and/or recommending brokers and custodians for its Clients' accounts, including, but not limited to, the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer,

and the quality of service rendered by the broker or dealer in other transactions.

Research and Soft Dollar Benefits

NORTHBAY ADVISORS participates in Shareholder Services Group, Inc. customer program and the NORTHBAY ADVISORS may recommend Shareholder Services Group, Inc. to Clients for custody and brokerage services. There is no direct link between the NORTHBAY ADVISORS's participation in the program and the investment advice it gives to its Clients, although the Firm receives economic benefits through its participation in the program.

These benefits include: receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. The benefits received by the NORTHBAY ADVISORS do not depend on the amount of brokerage transactions directed to Shareholder Services Group, Inc.

As part of its fiduciary duties to Clients, NORTHBAY ADVISORS endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by NORTHBAY ADVISORS in and of itself creates a potential conflict of interest. These benefits may indirectly influence the Firm's choice of Shareholder Services Group, Inc. as the broker-dealer. NORTHBAY ADVISORS participation in the program does not diminish its duty to seek best execution of trades for Client accounts.

Brokerage for Client Referrals

NORTHBAY ADVISORS does not receive client referrals from any Broker-Dealer, and has no incentive to select or recommend any Broker-Dealer other than to provide secure custodial services for our clients and insure our Clients to receive the most favorable execution and service for their accounts.

Directed Brokerage

Some Clients may instruct NORTHBAY ADVISORS to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct NORTHBAY ADVISORS to use a particular broker-dealer should understand that their direction may prevent NORTHBAY ADVISORS from

effectively negotiating brokerage compensation on their behalf or from obtaining the most favorable net price and execution. Thus, in directing brokerage business, those Clients should consider whether the commission expenses, execution, clearance, and settlement capabilities, they will obtain through their directions are adequately favorable in comparison to those that Northbay Advisors would otherwise obtain for its Clients to justify their direction of brokerage business.

Best Execution

NORTHBAY ADVISORS reviews the execution and trading fees charged by the custodians at least annually. NORTHBAY ADVISORS does not receive any portion of the trading fees.

Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Review of Accounts (Item 13)

Periodic Reviews

Account reviews are typically performed at least quarterly by Daniel Peterson, President . Account reviews may be performed more frequently when market conditions dictate.

Review Triggers

Conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's personal situation.

Regular Reports

Clients receive periodic communications on at least an annual basis. *Investment Portfolio Management Service Agreement* clients may receive written quarterly updates. The written updates typically include a statement of portfolio holdings, and a statement of quarterly performance. Other information may be included with these statements at the discretion of the advisor.

Client Referrals and Other Compensation (Item 14)

Incoming Referrals

NORTHBAY ADVISORS has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

NORTHBAY ADVISORS does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

NORTHBAY ADVISORS does not receive any other compensation besides that which has been previously disclosed and discussed previously.

Custody (Item 15)

Custody

NORTHBAY ADVISORS requires that all client assets are held at qualified custodians, therefore NORTHBAY ADVISORS will not have custody of client assets or their accounts.

Account Statements

Since all assets are held at qualified custodians, the custodians provide client account statements directly to clients either by mail to their address of record, (usually monthly, but at least quarterly) or they are provided electronically. Clients may also have electronic access to their accounts and account statements, and are notified by the custodian via e-mail when statements are available usually monthly, but at least quarterly.

Performance Reports

NORTHBAY ADVISORS may provide internally generated performance reports for their Investment Portfolio Management clients (usually quarterly). These clients are urged to compare these reports to the account statements received directly from their custodians.

Net Worth Statements

From time to time, clients may be provided with net worth statements and net worth graphs generated from our internal systems. These net worth statements contain approximations of bank account balances provided by the

client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

Investment Discretion (Item 16)

Discretionary Authority for Trading

NORTHBAY ADVISORS presently provides non-discretionary and discretionary management of securities accounts on behalf of clients. For clients who have non-discretionary accounts, NORTHBAY ADVISORS will consult with the client and obtain authorization from the client prior to the execution of each trade.

For clients who have discretionary accounts, NORTHBAYADVISORS has received authority from their clients to use their discretion to make investment decisions on behalf of the client and will rely on the Investment Policy Worksheet as guidance in their investment decision making process.

The client approves the custodian to be used and the commission rates paid to the custodian. NORTHBAY ADVISORS does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

Voting Client Securities (Item17)

Proxy Votes

NORTHBAY ADVISORS does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, NORTHBAY ADVISORS will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

Financial Information (Item 18)

Financial Condition

NORTHBAY ADVISORS does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because NORTHBAY ADVISORS does not serve as a custodian, or have custody of, client funds or securities, and does not require prepayment of fees of more than \$500 per client, and six months or more in advance.

Requirements for State Registered Advisors (Item 19)

General

Pursuant to California Code of Regulations, 10 CCR Section 260.235.2, Northbay Advisors hereby makes the following statement: a conflict exists between the interest of Northbay Advisors and the interests of the Client. Further, the Client is under no obligation to act upon Northbay Advisors' recommendations, and if the Client elects to act on any of the recommendations, the Client is under no obligation to effect the transactions through Northbay Advisors.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

There are two classes of employees who will be authorized to provide financial planning services or investment advice to the Firm's Clients. They are identified by their job titles of *Senior Financial Advisor* and *Financial Advisory Associate*.

NORTHBAY ADVISORS requires that **Senior Financial Advisors** in its employ have the following qualifications:

- Bachelor's Degree (Four Years of College)
- CFP or Similarly recognized professional designation (ChFC, PFS, etc...)
- Minimum of four years experience in the financial services industry
- Successful completion of the NASD Series 65 examination
-

Financial Advisory Associates are required to have the following qualifications:

- Associates Degree (Two Years of College)
- Current enrollment in CFP coursework or that of a similar designation*
- Minimum of two years experience in a financial services related field
- Successful completion of the NASD Series 65 examination

*(Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA)

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board (www.cfp.net).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Enrolled Agent (EA): Enrolled Agents are enrolled by the Internal Revenue Service and authorized to use the EA designation. EA enrollment requirements:

- Successful completion of the three-part IRS Special Enrollment Examination (SEE), or completion of five years of employment by the IRS in a position which regularly interpreted and applied the tax code and its regulations.
- Successfully pass the background check conducted by the IRS.

Daniel A. Peterson, CERTIFICATIONS

Educational Background:

- Date of birth: 1958
- University of Redlands, B.S., Business Administration, 1993.
- College of Financial Planning, Certificate Financial Planning, 1987.
- CFP Board of Standards, CFP Designation, 1987.
- CTEC Registered Tax Preparer, Since 1997.

Business Experience (Last five years):

- Northbay Financial Group, Inc., President, 09/2001 – Present.
- Express Income Tax Service, Tax Preparer 01/2003 – Present

Disciplinary Information: NONE (if applicable)

Other Business Activities: Express Income Tax Service, Tax Preparer

Additional Compensation: None

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

Supervision:

As sole stockholder and President of NORTHBAY ADVISORS, Daniel A Peterson presides over the supervision of the firm on behalf of the firm's clients.

SUPERVISOR'S contact information:

(707) 585-8004

dan@northbayadvisors.com