

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page



David E. Kaplan, CPA, CFA
President

December 31, 2017

This brochure provides information about the qualifications and business practices of Cottonwood Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at (801) 520-1353 and/or davidkaplan@cottonwoodasset.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 Cottonwood Asset Management is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 Material Changes

None

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Cottonwood Asset Management is a Registered Investment Advisory firm. The firm provides the following services, which is followed by the amount of our time spent in each service: 1) provides investment supervisory services and sub-advisory services (50%), 2) manages accounts not involving investment supervisory services (10%), 3) furnishes investment and financial advice through consultations (30%). In addition, as noted in item 14, (10%) of our time is spent in other activities.

Our services described in greater detail below consist of the following: 1) Management of - customized equity and fixed income portfolios on a discretionary basis and Subadvisory Services 2) Financial planning and consultation services on an hourly basis 3) Supervision of a client's existing portfolio on a non-discretionary basis and 4) Other activities

Customized Equity Portfolios (discretionary basis)

Description: Our primary customized equity strategy is a Balanced Strategy, named "Cottonwood Balanced Strategy". Portfolios utilizing this strategy will own approximately 30 large cap, mid cap (market capitalizations of more than \$5 billion) and a few small cap companies with individual fixed income securities, preferred stocks or fixed income Exchange Traded Funds (ETF's). The strategy has a strong value bias and invests in market leaders as we define it: well managed companies with a strong competitive position in its core business and those companies that meet our valuation criteria. Portfolios will be diversified primarily across all economic sectors of the S&P 500 but the strategy does have the flexibility to overweight and underweight sectors based on our valuation criteria.

Key information about Cottonwood Balanced Strategy

- Account Minimum: \$50,000
- Clients may impose a few restrictions on investing in certain types of securities
- Asset allocation is primarily 70% equity/30% fixed income and cash
- Cottonwood Asset Management does not participate in wrap fee programs

-Discretionary Assets under management as of 12/30/2017: \$6 Million in 24 separate accounts

Subadvisory Services (discretionary basis)

None

Customized Fixed Income Portfolios (discretionary basis)

Description: We also manage fixed income portfolios using ETF's, mutual funds, preferred stocks and individual corporate, government or municipal bonds.

-Assets under management as of 12/31/15: \$0 million in 0 separate account

Financial Planning and Consultation Services

Cottonwood offers financial planning and consultation services billed at an hourly rate.

Portfolio Supervision

Cottonwood also supervises clients' portfolios on a non-discretionary basis. Cottonwood will meet with a client whose portfolio we are supervising, at least once a year.

-Assets under supervision as of December 31, 2017: \$1.2 million in 2 separate accounts

Other Services

Cottonwood Asset Management also serves small business owners in tax and accounting services which include tax and business consulting, unaudited financial statement preparation and bookkeeping. David Kaplan, 100% owner of Cottonwood Asset Management, also owns one Mathnasium franchise, under the company name, Add It Up LLC. Mathnasium is an after-school Math Learning Center franchise. It is estimated other services and activities take 10% of David Kaplan's time.

Biography on key Principal

David Kaplan, CPA, CFA (DOB 1970) is the President, Chief Investment Officer and 100% owner of Cottonwood Asset Management LLC. He received his BS (Bachelor of Science) from the University of Utah in 1992 and his MBA (Masters of Business Administration) from the University of Washington in 1996. Mr. Kaplan is a CFA charter holder. Mr. Kaplan started his career with Fidelity Investments in Salt Lake City in 1992. He moved to Seattle to attend the University of Washington in 1994. After graduate school, he worked for Summit Capital Management in Seattle as a trader from 1996-1998. In December 1998, Mr. Kaplan moved to Cedar Rapids, Iowa to work for VMF Capital as an equity analyst. He was promoted to VMF Capital's Small Cap Portfolio Manager in 2000. VMF Capital was subsequently acquired by West Bancorporation, a bank based in West Des Moines, Iowa. West Bancorporation subsequently renamed VMF Capital to WB Capital. As part of the acquisition, Mr. Kaplan was promoted to Senior Vice President of WB Capital and continued in his role as Portfolio Manager for WB Capital's Small Cap Core Strategy. Mr. Kaplan left WB Capital in December 2008. Mr. Kaplan worked for Bard Access as a Financial Analyst in 2010. Mr. Kaplan also started Cottonwood Asset Management in 2010. Mr. Kaplan joined Ricks and Company, CPAs as a Staff Accountant in 2011 on a part time basis on February 15, 2011. Kaplan left Ricks and Company in November 2013 to start his own accounting firm, Cottonwood Advisory LLC. In 2015, Kaplan merged Cottonwood Advisory into his existing firm, Cottonwood Asset Management for simplification purposes only.

Item 5 Fees and Compensation

Attached are the following fee schedules for our services.

Equity portfolio management (discretionary)

<u>Account Size</u>	<u>Fee Schedule (annualized % of assets under mgt)</u>
up to \$250,000	.90%
up to \$500,000	.85%
up to \$1 million	.80%
\$1 million +	negotiable based on assets

Subadvisory Services (discretionary)

<u>Account Size</u>	<u>Fee Schedule (annualized % of assets under mgt)</u>
up to \$250,000	.70%
up to \$500,000	.65%
up to \$1 million	.60%
\$1 million +	negotiable based on assets

Fixed Income Management (discretionary)

<u>Account size</u>	<u>Fee Schedule (annualized % of assets under mgt)</u>
up to \$250,000	.40%
up to \$500,000	.38%
up to \$1 million	.35%
\$1 million +	negotiable based on assets

Financial Planning (hourly)

\$100 per hour

Supervision of a client's portfolio (non-discretionary)

<u>Account size</u>	<u>Fee Schedule (annualized % of assets under mgt)</u>
up to \$250,000	.50%
up to \$500,000	.45%
up to \$1 million	.40%
\$1 million +	negotiable based on assets

Fee disclosures:

Cottonwood Asset Management deducts our advisory fees from our client's accounts with our relationship with Strategic Wealth which is discussed in Item 2. Strategic Wealth is handling the billing of our clients on a quarterly basis based on the ending portfolio value at the end of the quarter. Clients do not pay Cottonwood Asset Management in advance. Upon termination of our services, a client will be billed based on the ending portfolio value on the date of termination and will be pro-rated based on the time our services were used in the quarter. To avoid all conflicts of interest, Cottonwood does not accept compensation for the sale of securities, investment products or mutual funds nor do we charge mark-ups on securities purchased.

All other custodial fees, mutual fund fees and trading costs are borne by our clients. Typical trading costs are \$5-9 per trade at the custodians we use: Fidelity Investments and Charles Schwab. We do not use soft dollars to keep our costs to our clients as low as possible. This is further discussed in *Item 12-Brokerage Practices*.

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

We do not offer performance based fees and side by side management and have no intention of doing so.

Clients

Cottonwood Asset Management primarily works with high net worth individuals and small business owners. While we don't work currently with pension plans, corporations or trusts, this could be an area that will be targeted for future growth.

Types of Investments

Cottonwood on behalf of its clients invests primarily in the following: exchange listed securities, securities traded over the counter, foreign issuers (ADR's), CD's, Corporate Debt, fixed income mutual funds and U.S. Government securities. However, this list could include other securities such as warrants, options (covered calls and protective puts only) only if the client could benefit from these types of securities but this will not be central to our core business activities.

Cottonwood Asset Management uses many different forms of security analysis when working with clients. The primary forms include: fundamental analysis, technical analysis, charting and cyclical considerations in developing a top down assessment of the economy. The majority of the information used in our analysis comes from: the internet, financial magazines and newspapers, review of corporate documents, ratings services, annual reports and company press releases. Cottonwoods investment strategies and investment philosophy is long term in nature with or intention to achieve long term capital gains but there are certain times where holding a stock or mutual fund for longer than one year is impossible given a change in market conditions or company fundamentals. Investing in securities involves a risk of loss should our analysis not be correct. Cottonwood through any of its investment strategies, does not guarantee against risk of loss. Cottonwood does not use margin or do short selling on behalf of its clients.

Item 9 Disciplinary Information

There have been no disciplinary actions taken against Cottonwood Asset Management. There are no pending or past criminal or civil actions in any domestic, foreign or military court. As detailed in our Policies and Procedures Manual, Cottonwood Asset Management will maintain a file for all past criminal or civil actions which will be available upon review..

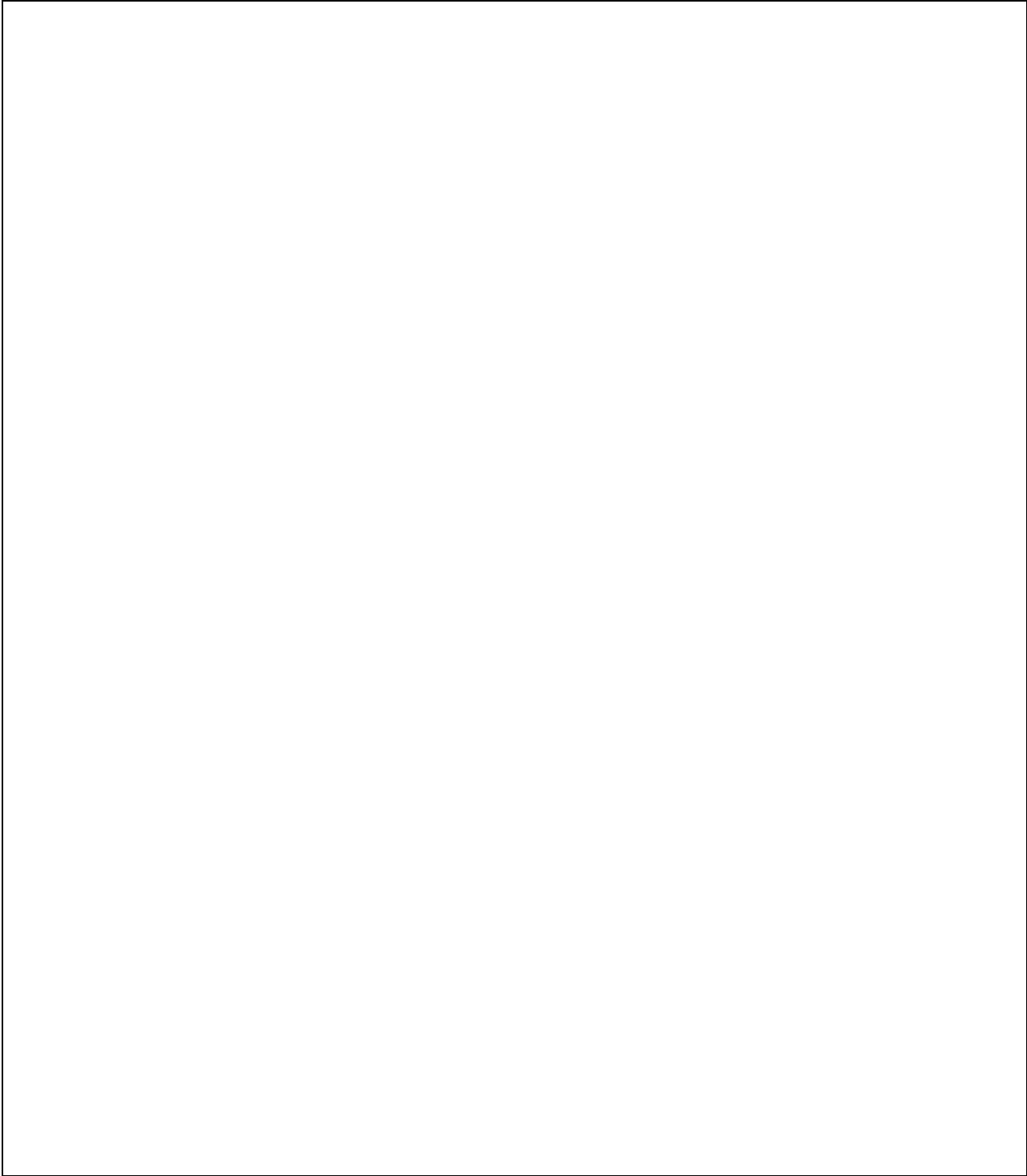
Item 10 Other Financial Industry Activities and Affiliations

David Kaplan, president of Cottonwood Asset Management merged his 100% owned company, Cottonwood Advisory LLC, a Utah based Accounting and Tax preparation firm into Cottonwood Asset Management. Kaplan will continue to work with small business owners in tax and accounting services which include tax and business consulting, unaudited financial statement preparation and bookkeeping.

David Kaplan has a life insurance license with the state of Utah and occasionally recommends term life insurance for clients through a few independent life insurance agents locally. While Kaplan receives a 40% split of these commissions, this information is disclosed to the client. Life insurance is not central to Cottonwood Asset Management's core services.

David Kaplan, also owns one Mathnasium franchise, under the company name, Add It Up LLC. Mathnasium is an after-school Math Learning Center. It is estimated these other activities will take 10% of Mr. Kaplan's time.

Cottonwood Asset Management will not be engaged in any other business activity except those activities discussed in *item 10: Other Financial Industry Activities and Affiliations*. Cottonwood does not have any interest or participation in any client transaction. David Kaplan has a life insurance license which would allow the firm to sell certain types of life insurance.



Ethics

Cottonwood Asset Management's Code of Ethics is available upon request. Cottonwood Asset Management's Code of Ethics consists of 3 principles:

- 1) Cottonwood Asset Management will manage its clients' assets with utmost care and concern
- 2) Through the use of our investment questionnaire, Cottonwood Asset Management will strive to know its clients in substantial detail to make a proper investment strategy that is consistent and suitable with a client's risk tolerance, time horizon and sophistication level. Cottonwood Asset Management will review annually with client to ensure that there have been no material changes requiring a change in the investment strategy.
- 3) Cottonwood Asset Management will comply with all securities laws.

Cottonwood may buy or sell the same equity or fixed income securities recommended to clients. Such transactions could constitute a conflict of interest; Cottonwood is not allowed to trade ahead or "front run" client's orders. Cottonwood will comply with all securities laws and maintain strict record keeping.

Upon receiving the proper discretionary authority, Cottonwood will have the authority to determine, without obtaining specific client consent the securities to be bought or sold and the amount of securities to be bought or sold. Cottonwood will not use soft dollars and as such, all trades will be done where the account is custodied. The commission rate will not be determined by us, instead it will be subject to the terms of the custodian that the clients is using. We make suggestions on brokers for clients to use and it is based on depth of services which will benefit the client, commission rates and other factors. We are not paid nor receive any benefit on directing our clients to a particular brokerage firm.

Billing Information: Cottonwood's fees are billed quarterly in arrears. Fees begin the day Cottonwood assumes management of a client's portfolio. Cottonwood will withdraw management fees directly from clients' accounts if allowed by the custodian, or send a separate invoice. As withdrawing management fees directly from a client's account is deemed to be a custodial relationship, Cottonwood will adhere to the following conditions:

- 1) The client provides written authorization permitting Cottonwood's fees to be paid directly from the client's account held by the independent custodian
- 2) The independent custodian agrees to send to the client, at least quarterly, a statement indicating all amounts disbursed from the account
- 3) Cottonwood sends a statement to the client showing the amount of the fee, the value of the client's assets upon which the fee was based, and the specific manner in which the fee was calculated
- 4) Cottonwood discloses to clients that it is the client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated; and
- 5) Cottonwood will send a receipt to the client indicating the amount of the fee to be paid to Cottonwood if requested

Client can cancel our services at any time by phone, email or by fax. Since we calculate fees in arrears, a client will be responsible for any fees due up to the date of termination of our services.

Item 13 Review of Accounts

All managed accounts (discretionary and non-discretionary) will be reviewed by Kaplan monthly. Every year, Kaplan will meet with clients by phone or in person. At these client meetings, Kaplan will review the client's questionnaire to see if there have been any material changes that would require a change in investment strategy, discuss portfolio performance and suggest changes if appropriate. Clients will get a monthly statement from their brokerage firm. Cottonwood Asset Management will likely provide its own client reporting in the future. Cottonwood Asset Management will write a quarterly newsletter reviewing the markets and our outlook. Cottonwood Asset Management will also maintain a web site for clients or prospective clients to access.

Item 14 *Client Referrals and Other Compensation*

There are no other relationships currently where Cottonwood Asset Management pays a referral fee.

Item 15 *Custody*

Clients may custody their assets with the financial services company of their choice. Cottonwood Asset Management will not act as a custodian of client assets and as such, will not file a Schedule G balance sheet. Cottonwood Asset Management will have discretionary authority for clients who have a customized equity or fixed income portfolio. As such, Cottonwood will maintain a Corporate Indemnity Bond of Investment Advisor in the amount of \$10,000 with CNA Surety.

Cottonwood Asset Management provides three services: 1) Management of customized equity and fixed income portfolios on a discretionary basis and Subadvisory Services 2) Financial planning and consultation services 3) Management of a client's existing portfolio on a non-discretionary basis. To provide Cottonwood Asset Management discretionary authority, a client must complete the proper forms for their custodian. Cottonwood Asset Management will only have limited trading authorization, which consists of only the ability to buy and or sell a security within a portfolio; Discretionary authority granted by a client can be cancelled at any time in writing, phone, email or fax.

Item 17 Voting *Client* Securities

Cottonwood Asset Management will vote client securities for all portfolios that we have discretion. We will also advise clients should they have questions about proxy and voting materials.

Item 18 Financial Information

Cottonwood does not maintain custody of client funds or securities and does not require prepayment of client fees of more than \$500 and 6 or more months in advance. As such, Cottonwood has not provided a Schedule G balance sheet.

Item 19 Requirements for State-Registered Advisers

By submitting the ADV II update by March 31st and by paying our renewal fee, Cottonwood Asset Management is in compliance with the requirements for state-registered advisers.

David Kaplan and Cottonwood Asset Management have not had any disciplinary issues with local or federal regulators.

