

**Item 1 – Cover Page**

Alessandra Capital Management, LLC

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310-377-9220

[www.alessandracapital.com](http://www.alessandracapital.com)

April 21, 2011

This Brochure provides information about the qualifications and business practices of Alessandra Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (310) 377-9220 or by email at [greg@alessandracapital.com](mailto:greg@alessandracapital.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.

ALESSANDRA CAPITAL MANAGEMENT, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about ALESSANDRA CAPITAL MANAGEMENT, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Greg Alessandra, Managing Member at (310) 377-9220 or [greg@alessandracapital.com](mailto:greg@alessandracapital.com). Our Brochure is also available on our web site [www.alessandracapital.com](http://www.alessandracapital.com), also free of charge.

Additional information about ALESSANDRA CAPITAL MANAGEMENT, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with ALESSANDRA CAPITAL MANAGEMENT, LLC who are registered, or are required to be registered, as investment adviser representatives of ALESSANDRA CAPITAL MANAGEMENT, LLC.

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## **Item 4 – Advisory Business**

### **A. ADVISORY FIRM**

Alessandra Capital Management, LLC (“ACM” or “Adviser”) is a limited liability company formed under the laws of the State of California and domiciled in the State of California. ACM offers investment advisory services to individuals and high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and other business organizations. ACM’s services and fee arrangements are described in the following pages.

Additional information about ACM is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by firm name or by using a unique identifying number, known as a CRD number. The CRD number for ACM is 123305.

ACM has been in business since February, 1999. The principal owner is Gregory P. Alessandra.

ACM registered as an investment adviser with the State of California on July 29<sup>th</sup> 1999 and transitioned to SEC registration on November 20<sup>th</sup>, 2006.

### **B. ADVISORY SERVICES OFFERED**

#### **General**

ACM provides discretionary investment advice and management to individually managed accounts. ACM holds a limited power of attorney that allows the Adviser to execute trades on behalf of clients, select the custodian to be used and the commission rates to be paid; however, ACM does not maintain possession or custody of the funds or securities of any client. The client funds are typically deposited in either a brokerage firm or bank custodian account. More details are provided below.

#### **1. Portfolio Management**

ACM’s portfolio management service is designed to assist clients in meeting their financial goals through the use of financial investments. For each portfolio management client, ACM will conduct one or more meetings (in person if possible, otherwise via telephone conference) with the client and ask clients to complete information gathering documents in order to understand the client’s current financial situation, existing resources, financial goals, and tolerance for risk. Based on the foregoing, ACM will propose an investment approach to the client. ACM may propose an investment portfolio, consisting of individual stocks, bonds, exchange traded funds, mutual funds, or other securities. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities.

Portfolio Management clients pay an asset-based management fee to ACM and, separately, transaction charges for each trade to the brokerage firm as described in Item 5 below.

**2. Wrap Fee Portfolio Management Services**

**“Alessandra Capital Management Wrap Fee Program “**

ACM may also manage client portfolios as part of a wrap fee program. as further described in Part 2A, Appendix 1 (the “Wrap Fee Program Brochure”). Similar to non-wrap accounts, ACM manages client portfolios on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc. Wrap fee program clients pay an asset-based management fee that covers both the investment advisory services of ACM and the transaction costs for buying and selling securities.

**3. Financial Consulting Services**

ACM will occasionally provide financial planning and consulting services, pursuant to a written Agreement, to individuals, trusts, foundations and charities regarding the management of their financial resources based upon an analysis of client’s current situation, goals, and objectives. Generally, such financial planning or consulting services will involve preparing a financial plan or rendering a financial consultation for clients based on the client’s financial goals and objectives.

The financial plan or financial consultation will usually include general recommendations that clients follow a course of activity or take specific actions. For example, ACM may recommend that the clients begin or revise investment programs, obtain or revise insurance coverage, begin or change retirement savings, establish educational or charitable programs, among other recommendations. ACM may also refer clients to an attorney or other specialist. ACM will provide a written plan to financial planning clients, but may not provide a written summary for consulting engagements. Consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

**C. TAILORING OF ADVISORY SERVICES TO THE INDIVIDUAL NEEDS OF CLIENTS**

As described in each section in Item 4B above, ACM tailors its advisory services by conducting one or more meetings (in person if possible, otherwise via telephone conference) with the client in order to understand the client’s current financial situation, existing resources, financial goals, and tolerance for risk. Based on the foregoing, ACM will offer individualized investment advice to clients.\*\*

ACM may develop one or more model portfolios which serve as hypothetical portfolios against which actual individual portfolios may be compared. These model portfolios are used as tools to assist ACM in constructing and rebalancing portfolios for individual clients. The use of model

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portfolios may result in (1) various client portfolios holding many of the same securities in roughly the same percentages and/or (2) clients with similar goals and risk tolerances may have portfolios that are different in terms of the actual securities, the number of securities, the type of securities, and the concentration of the securities.

\*\* ACM does not verify any information received from the client or from the client's other professionals and is expressly authorized to rely on information the client provides. Clients must promptly notify ACM if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon ACM's investment management services.

### **D. WRAP FEE PROGRAMS**

Wrap Fee Program accounts are managed in a fashion similar to Portfolio Management accounts. The primary difference between the two types of accounts is that clients who have Wrap Fee Program accounts do not pay transaction fees to the brokerage firm when ACM purchases or sells securities in the client's account. ACM normally must pay some of the fees it earns to the brokerage firm that is handling the wrap fee account in order to compensate the brokerage firm for executing and clearing the transactions. ACM receives a portion of the annual management fee as consideration for its portfolio management services. The management fee on Wrap Fee program accounts is generally higher than for similar Portfolio Management accounts.

### **E. ASSETS UNDER MANAGEMENT**

As of April 21, 2010, ACM had approximately \$53,895,697 under management on a discretionary basis. As of April 21, 2010, ACM did not have any money under management on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **A. Portfolio Management – Fee Schedule**

The annual asset-based fee charged for portfolio management services ranges from 0.25% to 2.95% (one-quarter percent to two point nine five percent) of assets under management. ACM quotes an exact percentage to each client based on both the nature and total dollar value of that account prior to entering into an advisory agreement.

ACM's portfolio management fee is negotiable. No increase in the fee schedule shall be effective without prior written notification to the client.

**B. Portfolio Management Plus Commission Based Fees**

Upon agreement with its clients, ACM may be compensated in part through annual asset-based fees as described above and in part through commissions earned by executing recommended securities transactions through First Allied Securities, Inc. ("First Allied") a registered broker-dealer and J.P. Morgan Clearing Corp. ("JPMCC"), an unaffiliated SEC-registered broker-dealer and FINRA member.

**C. Wrap Fee Portfolio Management – Fee Schedule**

The annual asset-based fee charged for wrap fee portfolio management services range from 0.25% to 2.95% (one-quarter percent to two point nine five percent) of assets under management. ACM quotes an exact percentage to each client based on both the nature and total dollar value of that account prior to entering into an advisory agreement. Wrap fee clients will not pay brokerage and custodial charges if their accounts are held at the custodian(s) selected by ACM. However, wrap fee clients may pay charges imposed directly by a mutual fund, index fund, and/or exchange traded fund which are disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

ACM's wrap fee portfolio management fee is negotiable. No increase in the fee schedule shall be effective without prior written notification to the client.

**D. Fee Schedule: Financial Consulting Services**

ACM offers financial consulting services on an hourly basis for \$300 per hour, which may be negotiable depending on the nature and complexity of each client's circumstances. ACM will provide the client with an estimate the total hours needed to complete the consulting service at the start of the advisory relationship.

For financial planning engagements, ACM may also charge a negotiable flat fee generally within the range of \$2,500 - \$5,000, the exact amount of which is dependent upon the level and scope of services. One half of the total estimated fixed fees (or a specified amount agreed to by both ACM and the client) are due and payable at the time the client's agreement is executed, and the remainder of the fees are due upon presentation of a written plan or the rendering of consulting services.

ACM's financial planning fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client upon implementation of the plan. ACM may recommend the services of Greg Alessandra and/or other professionals to implement its recommendations. Clients should be aware that a conflict of interest exists if ACM recommends Mr. Alessandra's services. The Adviser or its representatives may receive compensation for financial planning, providing investment management services,

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and/or the sale of insurance and other products and services. ACM does not make any representation that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, clients are under no obligation to act upon any of the recommendations made by ACM under a financial planning or consulting engagement and/or engage the services of Mr. Alessandra or any other recommended professional.

### **E. Billing Methods**

**Portfolio Management and Wrap Fee Clients:** Fees are specifically agreed to in a separate written agreement between the client and ACM. Fees are based on an annual rate, and are calculated and payable quarterly in advance using account asset values on the last business day of the previous quarter. The values used are the market price or fair market value in the absence of market value, plus any credit balance or minus any debit balance), at the close of the market on the last business day of March, June, September and December. Prices are provided by the custodian or outside pricing services.

Clients grant ACM limited authority to receive fee payments directly from the client's account by signing the investment advisory agreement.\*\* This authorizes the custodian holding client funds and securities to deduct ACM fees directly from the client's account based upon invoices prepared and submitted by ACM. The custodian will send a statement directly to the client describing all the amounts disbursed from the account including the amount of advisory fees paid to ACM.

For any partial quarter, ACM will prorate the fee based on the number of days ACM manages the account in that partial quarter. The fee for the partial quarter will be subject to all other terms and conditions as for a full quarter.

It is important to note that it is the client's responsibility to verify the accuracy of the fee calculation. The client's account custodian will not determine whether the fee is properly calculated.

\*\* In rare instances, ACM will agree to directly bill clients.

**Financial Planning or Consulting Clients:** 50% of the estimated fee is due upon signing the financial planning or consulting agreement, with the balance (based on actual hours or the agreed upon fixed fee) due upon presentation of the plan to the client. Typically, ACM will present the report or summary to the client within 180 days of entering into a financial planning or consulting agreement, provided that all information needed for the analysis and preparation of the report has been promptly provided by the client.

### **F. Refunds**

Either party may terminate an investment advisory, wrap fee program or financial planning/financial consulting agreement at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within five (5) business days of signing the agreement. After five (5) business days, the client will receive a pro-rata

refund, which takes into account work completed by ACM on behalf of the client. The client will incur charges for bona fide advisory services rendered to the point of termination, and such fees will be due and payable by the client.

In the event that ACM is compensated through a flat fee and the client terminates the financial planning agreement prior to completion of the work specified in the agreement, the client shall be billed for actual hours spent prior to termination times the hourly rate.

#### **G. Other Types of Client Fees and Expenses**

In addition to ACM's annual management fee, portfolio management clients may also have to pay other costs that third parties charge for their services. These costs include, but are not limited to: custodial fees; brokerage commissions; transaction fees; charges imposed directly by a mutual fund, index fund, or exchange traded fund ("ETF")\*\*; wire transfer fees; reorganization costs, expedited delivery of checks, IRA maintenance fees, and other fees and taxes on brokerage accounts and securities transactions. ACM does not share in any portion of the brokerage fees/transaction charges imposed by the third party.

Wrap fee program clients will not pay transaction charges imposed by third parties for the purchase or sale of securities. However, depending on the level of service described in the wrap fee agreement, a client may pay separately incurred expenses such as those identified in the above paragraph or these fees may be inclusive in the wrap fee.

Clients should review all fees charged by custodians, funds, ACM, and others to fully understand the total amount of fees that they must pay.

\*\* The fees and expenses charged by a mutual fund, index fund or ETF such as fund management fees and fund expenses are described in the fund's prospectus, summary prospectus and/or Product Description. ACM encourages investors to review these materials thoroughly, and to contact ACM if questions arise or if requesting additional information.

#### **H. Compensation for Sale of Securities or Other Products**

ACM is not registered as a broker-dealer, so the firm does not earn commissions, mutual fund 12b-1 fees or other types of compensation based on transactions. However, Greg Alessandra and George Johnson are also registered representatives with a broker-dealer (First Allied Securities) and may receive compensation based on transactions through First Allied Securities. The advisory associates are also independently insurance licensed and may receive commissions in their separate capacities as insurance agents. (Please refer to [Item 10: Other Financial Industry Activities and Affiliations](#).)

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

ACM does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) in securities accounts.

## **Item 7 – Types of Clients**

ACM offers investment advisory services to individuals and high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and other business organizations.

ACM, at its sole discretion, may accept clients with any size account(s).

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

### **A. General Investment Strategies**

ACM's general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. ACM generally uses diversification in an effort to optimize the risk and potential return of a portfolio. More specifically, ACM may utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification.

### **B. Methods of Analysis for Selecting Securities**

ACM may use fundamental, cyclical, and/or technical analysis in the selection of individual securities.

***Fundamental Analysis*** typically involves analyzing financial statements, the general financial health of companies, and /or the analysis of management or competitive advantages. Fundamental analysis is subject to interpretation and may result in conflicting conclusions about the merits or risks of investing in a security. There is no assurance that fundamental analysis will result in profits in a client's account.

***Cyclical Analysis*** involves analyzing business cycles to find favorable conditions for buying and/or selling a security. Business cycles may change abruptly and may be difficult to discern because of regional differences and opposing concurrent business trends of different time periods. There may be cycles, counter cycles, and cycles within cycles. For these reasons, cyclical analysis is subjective, and there is no assurance that it will result in profits in a client's account.

***Technical Analysis*** involves analyzing market activity, such as past prices and volume through the study of charts and data. Technical analysis does not attempt to measure a security's intrinsic value, but instead uses charts and other tools to identify past patterns that can suggest future activity. ACM uses this charting technique to search for patterns in an effort to predict favorable conditions for buying and/or selling a security.

The profitability of technical analysis depends upon the accurate forecasting of major price moves or trends in the securities traded by ACM. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernable trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them. Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends

sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may under perform other trading methods when fundamental factors dominate price moves within a given market. There is no assurance that technical analysis will result in profits in a client's account.

In analyzing mutual funds, ACM may use various sources of information including data provided by Morningstar, Bloomberg, the fund company's website, and other online resources as needed. ACM reviews key characteristics such as historical performance, consistency of returns, risk level, portfolio holdings and size of the fund. Mutual fund analysis relies to a great extent on analysis of the past performance of the fund and past performance does not guarantee future results. There can be no assurance that Mutual fund analysis will result in profits in a client's account.

### **C. Specific Investment Strategies for Managing Portfolios**

ACM may use tactical asset allocation, cash as a strategic asset, long-term holding, short-term trading, trend, defensive, leverage, and/or inverse/enhanced market strategies in the construction and management of client portfolios.

***Tactical Asset Allocation:*** ACM may use a tactical asset allocation strategy in the shorter term to deviate from a client's long-term strategic asset allocation target in an effort to take advantage of what we perceive as market pricing anomalies or strong market sectors or to avoid perceived weak sectors. Once ACM achieves the desired short-term opportunities or perceives that opportunities have passed, we generally return a client's portfolio to the original strategic asset mix.

***Cash as a Strategic Asset:*** ACM may use cash as a strategic asset and may at times move or keep client's assets in cash or cash equivalents. ACM makes no guarantees, promises, or warranties as to the accuracy of our market analysis.

***Long-term Holding/Short-term Trading:*** ACM does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase. However, price fluctuations and other factors may cause us to sell a security for a client when the client has held the position for less than 30 days.

***Trend Strategies:*** Under some market conditions ACM manages client assets in a manner that attempts to identify a trend and make one or more investments that would benefit from the continuation of the trend. Because trends can be difficult to identify and because they can end abruptly without warning, there can be no assurance that a trend strategy will result in profits in a client's account.

***Defensive Strategies:*** If ACM anticipates poor near-term prospects for equity markets, we may adopt a defensive strategy for clients' accounts by investing substantially in fixed income securities and/or money market instruments. ACM invests client accounts and determines allocations using our discretion. Actual allocation will vary over time in accounts. Account allocations are likely to vary significantly compared to the overall equity markets as well as compared to any particular benchmark. Because the timing of future market conditions cannot be predicted with accuracy, defensive strategies do not assure profits and nor do they assure the mitigation or elimination of losses.

***Leverage:*** Occasionally ACM may use leveraged Exchange Traded Products in an effort to increase portfolio returns in aggressive portfolios. We determine the amount of leverage to employ and the precise techniques to use based on each client's risk tolerance and overall financial situation, as well as current and anticipated future market conditions. While the use of leverage can increase returns, it can also magnify losses. There is no guarantee that the use of leveraged Exchange Traded Products will increase returns, result in profits, or mitigate losses.

***Inverse/Enhanced Market Strategies:*** ACM 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. There can be no assurance that any such strategy will be profitable or successful.

#### **D. General Risk of Loss Statement**

Prior to entering into an agreement with ACM, 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 may fluctuate and at anytime be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to ACM for investment on a long-term basis. This is typically a minimum of five to seven years.

#### **E. Investing Risks**

Investing involves risks that clients should understand and be prepared to accept. The risks can range from failing to keep pace with inflation to losing some or all of the money you invest. Common risks that investors face include:

- **Systematic or Market Risk:** Relates to factors that affect the overall economy or securities markets. Market risk affects all companies, regardless of the company's financial condition, management, or capital structure, and, depending on the investment, can involve international as well as domestic factors.
  - **Interest-rate Risk:** The risk that the value of a security will go down because of changes in interest rates. For instance, when interest rates rise, the yields on existing bonds decrease and become less attractive to potential investors, causing their market values to decline.
  - **Inflation Risk:** The risk that increases in the prices of goods and services, and therefore the cost of living, reduce your purchasing power.
  - **Currency Risk:** This risk occurs because many world currencies float against each other. If money needs to be converted to a different currency to make an investment, any change in the exchange rate between that currency and yours can increase or reduce your investment return.
  - **Liquidity Risk:** The risk of having difficulty in liquidating an investment position without taking a significant discount from current market value. Liquidity risk can be a significant problem with certain lightly traded securities such as unlisted options and municipal bonds that were part of small issues.
- **Non-systematic Risk:** The risk associated with investing in a particular product, company, or industry sector.
  - **Management Risk:** Refers to the impact that bad management decisions, other internal missteps, or even external situations can have on a company's performance and, as a consequence, on the value of investments in that company.
  - **Credit Risk:** The risk that an issuer of debt securities (e.g., bond) or a borrower default on its obligations and will be unable to make payment of interest or principal in a timely manner.
  - **Financial Risk:** The risk that a company will be unable to meet its financial obligations. This risk is primarily a function of the relative amount of debt that the company uses to finance its assets. A higher proportion of debt increases the likelihood that at some point the company will be unable to make the required interest and principal payments.

Risk plays a key role in the investment strategy that ACM advisory personnel develop for clients. ACM primarily uses the following tactics to manage investment risk:

- Thorough evaluation of a client's financial circumstances and risk tolerance
- Diversification – Investing in a wide variety of assets to reduce risk
- Ongoing monitoring processes and active management including transaction reviews, portfolio reviews, account rebalancing and regular client meetings as a means to control risk

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

ACM and its management personnel have not been subject to any legal or regulatory disciplinary events. .

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

Gregory Alessandra, and George Johnson are both separately registered as representatives of First Allied Securities, an SEC registered broker-dealer and investment adviser, and member of the Financial Industry Regulatory Authority (“FINRA”). First Allied Securities (BD) is a fully disclosed, full service broker-dealer that buys and sells a full range of securities including stocks and bonds. First Allied Securities (BD) has a clearing and custodial relationship with JP Morgan. In addition, Messrs. Alessandra and Johnson are licensed to sell commission-based insurance products through various insurance companies.

In their roles as registered representatives, Messrs. Alessandra and Johnson may provide brokerage services for ACM clients after obtaining (where required) the prospective approval of its clients. ACM directs the securities transactions for its advisory clients through First Allied unless otherwise instructed by a client. Messrs. Alessandra and Johnson personally receive reasonable but customary brokerage commissions and 12 b 1 fees for transactions directed to First Allied by ACM.

The broker-dealer and insurance affiliations gives the advisory associates multiple sources of potential compensation. This represents a conflict of interest because ACM associates have an incentive to recommend that ACM clients use the brokerage services provided by the advisory representatives in their capacity as registered representatives of First Allied Securities and insurance services in their capacity as independent agents. Clients are not obligated in any manner to implement the recommendations of ACM advisory associates in their separate capacities as registered representatives and insurance agents. More information about First Allied Securities may be found at [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

ACM and E-Futures, a division of Penson Futures, a futures commission merchant registered with the Commodity Futures Trading Commission (“FCG”), have entered into a Guaranteed Introducing Broker Agreement pursuant to which ACM solicits and accepts orders for the purchase and sale of commodity futures contracts and options from certain clients. Commodity clients open and hold their account with E-Futures/Penson Futures and ACM executes all of the futures/options orders it receives from its commodities clients through E-Futures/Penson Futures. ACM receives a portion of the gross commissions being charged by E-Futures/Penson Futures.

ACM is also engaged in discretionary trading of some of its clients’ managed futures accounts. ACM receives a combination of commissions, annual asset-based fees and/or an incentive fees based on new profits generated within an account for this service.

### **Item 11 – Code of Ethics**

ACM has adopted a Code of Ethics (“Code”) for the purpose of establishing and implementing ethical obligations and to provide rules for review of the personal securities transactions of its supervised persons. ACM owes a duty of loyalty, fairness and good faith towards its clients, and it is obligated to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other general ethical issues. Any associate of ACM that does not observe the provisions of the Code may be subject to discipline.

All supervised persons at ACM must acknowledge the terms of the Code of Ethics annually, or as amended.

ACM’s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Greg Alessandra. ACM will provide a copy of its Code of Ethics at no charge.

### **Participation or Other Interest in Client Transactions**

Associates of ACM may own interests in or buy or sell for their own accounts the same securities that are purchased or sold for the accounts of advisory clients. Client orders are given priority (orders entered first), and ACM seeks to ensure that its associates do not personally benefit from the short-term market effects of their recommendations to clients.

### **Personal Trading**

The personal investment accounts of ACM associates are subject to reviews designed to identify and address any conflicts of interest, and rule or policy violations. For instance, the personal investments are reviewed to monitor for instances in which an associate’s transactions are more favorably priced or timed than the same or similar trades for clients, and other such reviews. The quarterly reviews ensure that the personal trading of associates does not affect the markets, and that at all times, the interests of ACM’s clients come before the associate’s interest. Furthermore, FINRA rules require First Allied Securities to supervise the personal trading and outside activities of its registered representatives. As a result of this requirement, First Allied Securities places a number of restrictions on the personal trading of Messrs. Alessandra and Johnson, and broker-dealer compliance personnel monitor the trading activities in Messrs. Alessandra’s and Johnson’s personal investment accounts.

In addition to the personal investment account reviews discussed above, in order to mitigate conflicts of interest, ACM requires its advisory associates to adhere to the specific provisions described in the firm’s Code of Ethics. These provisions are designed to assure that the personal securities transactions, activities and interests of ACM associates will not interfere with making decisions in the best interest of advisory clients while at the same time allowing associates to invest for their own accounts.

## **Item 12 – Brokerage Practices**

Clients engaging ACM for portfolio management and wrap fee program services authorize the Adviser to determine the securities to be bought and sold (including the number of shares and/or dollar value), the broker-dealer to be used and the commissions to be paid.

Client assets must be held at a qualified custodian which is generally a broker dealer or bank. ACM client assets are held at JP Morgan (First Allied Securities is the introducing broker dealer). ACM considers several factors prior to recommending a custodian including financial strength, reputation, reporting, execution, pricing, and research.

Generally, client account custodians are compensated in the form of brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity/debt securities transactions). It is ACM's policy to fully disclose commissions and transaction fees. The Adviser believes First Allied/JP Morgan charges are competitive with the rates the client could have obtained if the transaction had been executed through another broker. However, the commissions and/or transaction fees charged by First Allied/JP Morgan may be higher or lower than those charged by other custodians.

### **Directed Brokerage**

ACM advisory associates are separately registered as representatives of First Allied Securities, a broker-dealer and FINRA member firm. FINRA requires First Allied to supervise the securities trading activities and outside business activities of its registered representatives. Clients may request that brokerage transactions be directed to a particular broker or dealer. However, if First Allied Securities believes that the use of that broker-dealer would impede First Allied Securities in meeting its supervisory obligations related to the independent advisory activities of a registered representative, ACM will not be able to accept the account.

Clients should also understand that if they direct the use of a particular broker or dealer, ACM may not:

- Have the authority to negotiate commissions or obtain volume discounts
- Best execution may not be achieved
- Commission charges may vary between clients depending on the custodian holding the client account

### **Soft Dollars**

The term 'soft dollar arrangement' describes a brokerage practice in which investment advisers use client brokerage commissions to pay for goods or services. This practice can create a conflict of interest when an incentive exists to select a broker-dealer based on an adviser's interest in receiving the research or product, rather than on best trade execution for the client. ACM does not have an agreement with any broker to participate in a soft-dollar arrangement. However, ACM does receive an economic benefit from the services that it obtains from First Allied Securities. Specifically, the firm receives access to Internet-based platforms to execute trades, electronic access to client account information, client reporting software, compliance and supervisory benefits, among other administrative services. These services may benefit accounts other than the one(s) for which trades are executed at any given time.

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First Allied may suggest a level of future business in order to continue this relationship. This relationship may create an incentive for ACM to cause its clients to effect more transactions through First Allied than it might otherwise do in order to meet suggested levels.

### **Referrals**

ACM does not receive client referrals from broker dealers or third parties as consideration for selecting or recommending brokers for client accounts.

### **Aggregation of Orders**

ACM may aggregate or block client transactions (purchase or sell the same security for several accounts) in an attempt to execute trades in a more timely, equitable, and efficient manner, and in an attempt to seek a better overall price execution for the client. All clients or accounts that participate in an aggregated order will receive an average share price (same price) with all other transaction costs shared on a pro-rata basis. Aggregated orders that are filled in their entirety will be allocated among clients or accounts according to an allocation statement created prior to the execution of the transaction(s). Partially filled orders will be allocated pro-rata based on the allocation statement. The CCO or another authorized principal must approve in writing any allocation that differs from the allocation statement. ACM will not favor a client or account over any other client or account as a result of the allocation.

### **Brokerage Partners and Best Execution**

In selecting brokers-dealers, and determining the reasonableness of commissions and mark-ups charged, ACM attempts to execute securities transactions for clients in such a manner that the clients receive the highest quality transaction execution, under the circumstances. This means that ACM will seek to achieve the “best execution” possible but this does not require it to solicit competitive bids and ACM does not have an obligation to seek the lowest available commission cost.

ACM may consider a number of factors in using brokers-dealers for client brokerage transactions including, but not limited to: Transaction net costs; clearance and settlement practices; ease of execution; general financial strength and stability; breadth of products and services; industry reputation; and available technology.

### **Item 13 – Review of Accounts**

ACM manages portfolios on a continuous basis. Gregory Alessandra, Managing Member, Portfolio Manager and Chief Compliance Officer, and/or George Johnson, Portfolio Manager, will generally review all accounts no less frequently than weekly or monthly. The frequency of reviews is determined by many factors including the client’s individual circumstances, economic conditions, general factors affecting the stock market, the nature of the portfolio, or other factors. Investment portfolios are reviewed for consistency with the investment strategy and performance. The reviews include at minimum an evaluation of the portfolio holdings relative to a client’s stated objectives, and an appraisal of the performance in the account relative to expectations based on market performance, economic conditions, allocation in the account and other factors. Based on these reviews, ACM will rebalance a portfolio as needed.

### **Managed Account Review Meetings**

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ACM offers account review meetings to clients on an annual basis. Clients may choose to receive reviews in person, by telephone, or in writing. Greg Alessandra and George Johnson conduct all managed account reviews. They conduct reviews individually or as a team based on each client's relationship with ACM. The factors that determine the frequency of client review meetings include but are not limited to stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, ACM may conduct a special review of an account based one or more of the following:

1. A change in the client's investment objectives, guidelines and/or financial situation;
2. Changes in diversification;
3. Tax considerations;
4. Material cash deposits or withdrawals; and
5. Purchase or sale of a security in the account.

Portfolio reviews and managed account meetings are considered an integral part of the management service, and do not trigger any additional fees to the client.

### **Account Reporting**

Portfolio management and wrap fee clients will receive written statements (monthly or quarterly depending on the level of activity in the account) and transaction confirmations directly from the account custodian (either in paper or electronic format as agreed upon by the client). ACM also provides clients with the following:

- Written quarterly report that summarizes the client's account(s) performance.
- Management fee bill that details how the quarterly fee was calculated
- Additional reporting as agreed upon by ACM and the client on a case-by-case basis.

ACM encourages clients to compare the custodial statements with the written reports ACM provides to reconcile and compare holdings, prices, transaction records, reconcile the account value to the fee invoice, and review other activity in the account.

Financial planning clients will receive an initial written financial plan within 180 days of the contract date, provided that all information needed for the analysis and preparation of the report has been promptly provided by the client. A client may engage ACM to review and update a previously delivered financial plan. This review and update may be provided verbally or in writing, at the discretion of the client. This report may or may not include investment advice, depending on the assets of the particular client and the investment needs of the client.

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

ACM does not engage solicitors or pay related or non-related persons for referring potential clients to ACM.

From time to time, ACM may refer clients to unaffiliated professionals for specific needs. ACM does not have any agreements with these professionals and it does not receive any compensation for these referrals.

ACM only refers clients to professionals it believes are competent and qualified in their field. However, it is ultimately the client's responsibility to review the provider. ACM will generally provide the client with the professional's contact information, 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 ACM does not have any control over the services they provide. Clients that 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 ACM. If the client desires, ACM will work with these professionals or the client's other advisers (such as an accountant or attorney) to help ensure that the provider understands the client's portfolio and to coordinate services for the client. ACM will never share information with an unaffiliated professional unless first authorized by the client.

#### **Item 15 – Custody**

ACM does not maintain physical possession of the funds or securities. This means that client assets will be held at a qualified custodian according to a separate written agreement between the client and the custodian. JP Morgan (First Allied Securities is the introducing firm), a registered broker dealer, serves as the qualified custodian for ACM client accounts. All portfolio management and wrap fee clients receive statements of account holdings from JP Morgan no less than quarterly, and in most cases, monthly. These statements show all account activity, including any management fee paid directly to ACM.

While ACM does not have physical custody of client funds or securities, ACM generally debits advisory fees directly from client accounts held at JP Morgan. A client must provide written authorization to allow ACM to withdraw management fees directly from a custodial account. ACM will send the client and JP Morgan a statement that shows the amount of the fee, the value of the assets and the way in which the fee was calculated.

ACM urges clients to carefully review and compare custodial statements to the written reports or statements that ACM provides. ACM statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

ACM also encourages clients to contact us with any questions or concerns about your statements or fee calculations. Clients may also contact First Allied Securities directly using the phone number or address found on the custodial statement.

### Item 16 – Investment Discretion

ACM performs all investment-related services on a discretionary basis. This means that ACM and its advisory associates have the authority to determine the specific securities bought or sold, the amount of securities to be bought or sold, the broker or dealer to be used, and the commission rates to be paid by the client without obtaining the client's prior consent.

The client grants this limited authority by means of signing the written Discretionary Investment Advisory Agreement. This agreement does not grant ACM the authority to take custody or possession of any client assets; rather, the client gives ACM a limited power over the client's account at the account custodian. Other than the management fees, ACM is not authorized to withdraw or transfer funds from the client's account.

Clients may place any reasonable limitation or restriction to such authority on the account. For example, a client may (1) prohibit or restrict transactions in securities of a specific industry and/or (2) instruct ACM to effect transactions through specific brokers and dealers. Clients must provide all account limitations and restrictions to ACM in writing.

### Item 17 – Voting Client Securities

**Proxy Voting:** ACM does not accept or have the authority to vote client securities. ACM will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients may contact ACM with questions or for additional information upon receipt of such solicitations or notifications.

**ERISA:** For accounts subject to ERISA, an authorized plan fiduciary other than ACM 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.

**Class Actions:** ACM does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

### 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. ACM does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.