

**Part 2A of Form ADV: *Firm Brochure***

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**This brochure provides information about the qualifications and business practices of Mountain Capital Management Inc (“MCM”). If you have any questions about the contents of this brochure, please contact us at (203) 622-6766 or ROBMT@OPTONLINE.NET. 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. Registration as an investment adviser does not imply a certain level of skill or training.**

**Additional information about MCM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 106166.**

## **Item 2.      Material Changes**

The SEC adopted new rules and rule amendments under the Investment Advisers Act of 1940 to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, Mountain Capital Management Inc. is no longer eligible for SEC registration. We are in the process of switching from federal to state oversight, and the transition must be complete by June 28, 2012. Once the transition is complete, Mountain Capital Management Inc.'s investment advisory business will be regulated by the Connecticut Department of Banking.

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#### **Item 4. Advisory Business**

MCM is a state-registered investment adviser with its principal place of business located in Greenwich, Connecticut. MCM began conducting business in 1994.

Robert P. Mountain, Jr., President, Director and Chief Compliance Officer of MCM, is the firm's sole shareholder.

#### **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities: stocks, bonds, exchange-traded funds ("ETFs"), and/or other investment products.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

#### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2011, we were actively managing \$51,732,773 of clients' assets on a discretionary basis.

## Item 5. Fees and Compensation

### INDIVIDUAL PORTFOLIO MANAGEMENT

The annual fee charged for portfolio management services is based on the amount of assets under management as follows:

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
0 to \$1,000,000	1.50%
\$1,000,001 to \$5,000,000	1.00%
\$5,000,001 to \$10,000,000	0.75%
Over \$10,000,000	0.50%

For example, if a client's account is valued at \$11,000,000, the annual fee would be calculated as follows:  $(\$1,000,000 \times 1.50\%) + (\$4,000,000 \times 1.00\%) + (\$5,000,000 \times 0.75\%) + (1,000,000 \times 0.50\%)$ .

Our fees are billed in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will typically be debited from the account in accordance with client authorization.

A minimum of \$750,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. MCM may also group certain related client accounts for the purposes of achieving the minimum account.

### GENERAL INFORMATION

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Negotiability of Fees:*** In certain circumstances, all fees may be negotiable. We may also group certain related client accounts for the purposes of determining the annualized fee. Further, discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm. No fee will be charged to certain relatives of MCM's President.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Fund Fees:*** All fees paid to MCM for investment advisory services are separate and distinct from the fees and expenses charged by ETFs and/or mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Please refer to the Brokerage Practices Section (Item 12) of this Form ADV for additional information.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

We do not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7. Types of Clients**

MCM provides its advisory services, where appropriate, to individuals, trusts, and estates.

Please see the disclosure in Item 5 for our minimum fee requirements.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis:*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis:*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Cyclical Analysis:*** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Cyclical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Mutual fund and/or ETF analysis:*** We look at the experience and track record of the manager of the ETF or mutual fund in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in an ETF or mutual fund in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the ETFs or mutual funds in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk in the analysis of an ETF and/or mutual fund, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an ETF or fund, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the ETF or fund, which could make the holding(s) less suitable for the client's portfolio.

***Risks for all forms of analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases:*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:



- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Option writing.*** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to “hedge” a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use “covered calls”, in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

***Risk of Loss:*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9. Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

## **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. MCM and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

MCM's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

MCM and individuals associated with our firm are prohibited from engaging in principal transactions.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [ROBMT@OPTONLINE.NET](mailto:ROBMT@OPTONLINE.NET), or by calling us at (203) 622-6766.

## **Item 12. Brokerage Practices**

MCM will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help MCM in providing investment management services to clients. MCM may, therefore recommend the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be

useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

MCM typically uses the brokerage services of National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity"), both FINRA-member broker dealers, for its advisory client accounts. Through this arrangement, Fidelity provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like MCM in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables MCM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies. MCM has no formal or informal arrangements with Fidelity to provide MCM with any specific research or brokerage services other than what is otherwise made available by Fidelity to the investment advisers that use its platform services.

As a result of receiving the platform services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of our clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

As a matter of policy and practice, MCM does not normally block client trades and, therefore, we typically implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

### **Item 13. Review of Accounts**

*Reviews:* While the underlying securities within Individual Portfolio Management services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Robert P. Mountain, Jr., President, Director and Chief Compliance Officer of MCM

*Reports:* In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

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

It is MCM's policy not to engage solicitors or to pay persons for referring potential clients to our firm.

It is MCM's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### **Item 15. Custody**

We previously disclosed in the Fees and Compensation section (Item 5) of this brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the

fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send reports directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these documents to ensure that all account transactions, holdings and values are correct and current.

## **Item 16. Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17. Voting Client Securities**

MCM does not vote client proxies. Although we may provide investment advisory services relative to client investment assets, our clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the client's

investment assets. Therefore, MCM and/or the client shall, as required in each case, instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

MCM also does not typically provide advice to clients regarding the clients' voting of proxies.

## **Item 18. Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a balance sheet for the firm in this Brochure.

MCM has never been the subject of a bankruptcy petition and has no financial circumstances to report.

## **Item 19 Requirements for State-Registered Advisers**

The following individuals are the principal executive officers and management persons of Mountain Capital Management Inc.:

- Robert P. Mountain, President/Director/Chief Compliance Officer

Information regarding the formal education and business background for Robert Mountain is provided in his respective Brochure Supplement.

Mountain Capital Management Inc. is not engaged in any business activity other than giving investment advice.

Neither Mountain Capital Management Inc. nor our supervised persons are compensated for advisory services with performance-based fees.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were

found liable or against whom an award was granted. Our firm and our management personnel have no reportable disciplinary events to disclose.

Neither Mountain Capital Management Inc. nor our management personnel have a relationship or arrangement with any issuer of securities.