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This brochure dated *March 28, 2012* provides information about the qualifications and business practices of Falcon Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 203-834-1404 or at [rcdalldorf@falconcap.com](mailto:rcdalldorf@falconcap.com)

In compliance with Dodd-Frank legislation, we are in the process of migrating our Investment Advisor Registration from the SEC to respective states.

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 Falcon Capital Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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#### Item 4            Advisory Business

Section A            Falcon Capital Management, Inc. (hereinafter referred to as the “Advisor”) was formed under the corporate name of Asset Quant, Inc. in July of 1988 for the purpose of financial planning. The firm name was subsequently changed to its present name in and around 1994 and the focal point of the business was amended to portfolio management within the guidelines of financial objectives.

The principal owner of the firm is Robert C. Dalldorf (100% of stock) and he is President and Chief Compliance Officer.

Section B            The Advisor provides investment advisory services to clients that consist of individuals, families, trusts, companies and retirement plans on fee basis. The Advisor effectively communicates with clients about their financial goals, time frame and money to be managed, structures an internal investment policy which consists of a macro asset allocation across asset classes which may or may not fully consist of U.S. Equity, International Equity, Low Correlation, Taxable Fixed Income and Tax Exempt Fixed Income. The allocation is the recommendation of the Advisor and is discussed openly with the client. The allocation may change with market conditions, be limited to a range or be adjusted by the Advisor at any given time. The goal of the investment program structured by the Advisor may be achieved on a short term basis (1 to 3 years) or a long term basis (3 to 5 years) or longer. For the most part, the Advisor accepts clients with the intent of maintaining the relationship for a long term basis. The Advisor seeks clients who can delegate the responsibility to the Advisor and who seek to build and maintain a long term relationship with an Advisor.

The Advisor coordinates setting up an account or accounts at recommended broker/dealers who have a vendor relationship to the Advisor. The client is not obligated to use these brokers but it is suggested. In setting up this account, the client is signing a limited power of attorney which enables the Advisor to receive data from the broker/custodian, execute trades on behalf of the client, debit the Advisor’s fee from the account and process distributions to the client as long as the account source and destination have the same registration.

The Advisor has in most cases discretion to trade the account without conferring in any way with the client. The Advisor will build an investment strategy based on the allocation across asset classes discussed above. The Advisor accomplishes this by

selecting securities to purchase in the client account that include but are not limited to: stocks, bonds, exchange traded funds, open end mutual funds, closed end funds, options (covered calls on a limited basis), warrants, Treasury bills and notes, and structured products. The Advisor seeks to build portfolios with securities that have a high level of liquidity and trade in active markets. The Advisor implements the strategy in the client account/s and monitors the strategy periodically making changes.

Changes to the strategy include:

- Rebalancing in which the Advisor sells one or more securities and redistributes the proceeds amongst other securities, and
- Purchase and sale of securities based upon research performed by The Advisor.

Changes to the strategy may be implemented based upon:

- Material changes to the client financial objectives or time frame,
- Research initiated by the Advisor
- Tactical changes initiated by the Advisor triggered by other research or events, and
- Trading opportunities spotted by the Advisor

**Section C** The Advisor recognizes that each client has his/her/their own financial goals and time horizons and therefore adapts the investment policy and asset allocation strategy to the individual needs of each client which are determined during the initial stage of the client relationship monitored during the course of the relationship. As an example, one client may be a 60% equity allocation while another is a 40% equity allocation. The Advisor has a corporate policy whereby the asset class portion of a client portfolio is well matched (with the exception of scale and percentage allocation) to that of other clients of the Advisor. There are minor exceptions to this policy namely:

- Fixed income asset class bonds are not often available to be allocated across all accounts,
- Falcon Capital's US Core sector has been designed to be scalable based upon portfolio size, as such and at the Advisor's discretion:
  - Some portfolios may contain securities that individually have a high correlation to an equity benchmark,
  - Other portfolios may contain a basket of securities with a high correlation to the same equity benchmark.

The Advisor for the most part does not allow clients to impose restrictions on investing or accept client suggestions on investments. There are however exceptions such as:

- Clients who come to Falcon Capital with accounts containing extremely low cost basis stock/s,
- Clients who come to Falcon Capital with bond positions in sufficiently small quantities that may not receive attractive prices upon sale,
- Clients who come to Falcon Capital with an emotional attachment to a particular large holding that upon agreement may be coded as “non-performance” and/or “non-fee”, and
- While we discourage client suggestions, we are certainly open to a discussion.

Section D The Advisor does not participate in wrap fee programs.

Section E The Advisor as of December 31, 2011 managed and billed on \$80,225,000 of which \$73,282,000 was discretionary and \$6,943,000 was non-discretionary. The Advisor discourages non-discretionary accounts and for the most part has not accepted any since 1996.

#### Section F MISCELLANEOUS

- Non-Investment Consulting/Implementation Services. Although Advisor does not hold itself out as providing financial planning or related consulting services, to the extent specifically requested by a client, Advisor *may* provide limited consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Advisor, nor any of its representatives, serves as an attorney, accountant, or insurance agent, and no portion of Advisor’s services should be construed as same. To the extent requested by a client, Advisor may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Advisor. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client’s responsibility to promptly notify Advisor if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Advisor’s previous recommendations and/or services.

- **Client Obligations.** In performing its services, Advisor shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Advisor if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Advisor's previous recommendations and/or services.
- **Non-Discretionary Service Limitations.** Clients that determine to engage Advisor on a non-discretionary investment advisory basis must be willing to accept that Advisor cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Advisor will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.
- **Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Advisor) will be profitable or equal any specific performance level(s).

## Item 5 Fees and Compensation

**Section A** The Advisor. is compensated on a fee based upon a percentage of the assets managed. Our fee is billed quarterly in advance based upon the following schedule:

Assets Supervised	Quarterly Fee as a % of Assets
First \$500,000	.30%
Next \$500,000 to \$2 million	.25%
Next \$2 million to \$5 million	.20%
Above \$ 5 million	.15%

Clients are requested to sign a contract that remains in effect through the life of the relationship.

Clients are charged a fee on only those accounts managed by the Advisor and agreed upon by the Client and the Advisor. Clients are not charged fees on assets such as bank accounts, real estate and private equity not managed by the Advisor. At its sole discretion, the Advisor may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc)

**Section B**                      The Advisor encourages Clients to have the fee deducted from the account. However, Clients may choose to pay by check upon receipt of an invoice. As noted above, fees are computed and charged quarterly.

**Section C**                      The Advisor may bill clients an hourly fee for miscellaneous services such as financial planning or cash flow modeling, maintenance fees on monitored but not managed accounts and special projects. These are on a negotiated basis.

Clients may and will incur fees for securities trading, margin expense (should they elect to use margin to withdraw funds without selling securities) and management fees on mutual funds, exchange traded funds and structured products. The Advisor does not participate in trading commissions or mutual fund 12b-1 fees.

In a study performed recently, The Advisor determined that a \$1 million account based upon a 65% equity and 35% fixed income allocation has total costs excluding trading expenses of approximately 1.45%. While this may vary it is a reasonable analysis of total fees.

**Section D**                      As noted above, fees are charged quarterly in advance. Should a client wish to terminate the contract prior to the end of the quarter, the Advisor will refund any unused portion of the fee within 120 days of receiving written termination of the contract. This is computed by taking the ratio of days remaining in the billing period by the total days in the billing period and applying it to the fee paid in advance.

## Item 6 Performance-Based Fees and Side-by-Side Management

The Advisor does not accept performance based fees. Any other type of fees which the Advisor may charge are outlined in Item 5 Section C.

## Item 7 Types of Clients

The Advisor has a minimum account size of \$100,000.00 and works with individual clients whose accounts may be individual, joint tenant, IRA, Roth IRA, or other IRA. The Advisor also works with retirement plans such as Profit Sharing, Keogh and company sponsored 401K accounts (both pooled and segregated funds). The Advisor works with estates, and a variety of trusts. The Advisor has the capacity to work with endowments, Taft Hartley funds and other investment pools. The Advisor works with corporate clients as well. Advisor, in its sole discretion, may waive its account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

**Section A** The Advisor uses a variety of research and analysis to determine what securities it buys on behalf of clients. These include but are not limited to company research by vendors and sell side brokers, an analysis of data obtained by public sources as well as paid vendors, information garnered from conference calls sponsored by mutual fund managers, company managers and research vendors and broker/custodian vendors.

The Advisor's strategy is based upon diversifying assets within an asset class amongst sectors (defined by the Advisor) and where applicable industry groups. The Advisor believes that a top down approach is more relevant in achieving returns in excess of some standard benchmarks. For example, the US Equity asset class is benchmarked against the Russell 3000 index of stocks. It is the Advisor's goal to achieve better returns with that portion of client funds allocated to the appropriate benchmark by diversifying across sectors which the Advisor believes will enhance returns. For example, a sector may be a group of low priced (value) stocks.

Investing involves risk and the Advisor believes that by accepting risk better returns (than the safe T-Bill rate) can be achieved over time. The key risk in the strategy as opined by the Advisor is not having enough time to allow the strategy to work. Risk can be defined by the equation  $R=R1 + R2$  where R1 represents inherent risk such as bankruptcy or default risk and R2 represents market risk. It is the Advisor's objective to reduce R1 risk through diversification and accept market risk. In any given period of time markets may decline in more excess than typical averages and individual securities or collections of



securities may decline even further. The Advisor's premise during crisis is to evaluate positions and either sell, hold or buy. The Advisor attempts to diversify portfolios so that clients can accept risk through cycles. However, there may be times when portfolios return far less than benchmarks and may in fact lose money.

**Section B** Clearly the Advisor's equity strategies (US and International) involve more risk. Risk may be measured by the standard deviation around the mean return. However, in the real world, clients perceive risk as losing money. It is the goal of the Advisor to educate clients that investing in equity strategies has risk and that at any given point in time, a portfolio may or may not be more or less than it was at a prior point in time. The Advisor believes that it is prudent about risk management and that through diversification, risk can be managed.

The Advisor's fixed income strategy, while designed to have less risk than the equity strategies, also has risk. The strategy consists of owning bonds, bond funds and other yield driven securities whose market values may change with market conditions and the financial condition of the underlying issuer. It is the goal of the Advisor to mitigate risk through diversification but market conditions may become extreme and fixed income portfolios may lose value.

#### Item 9 Disciplinary Information

The Advisor has never been subject to or involved in any civil, criminal or administrative legal or disciplinary events or proceedings.

#### Item 10 Other Financial Activities and Affiliations

The Advisor is not and does not intend to register as a broker-dealer, futures commission merchant nor commodity pool operator. The Advisor does not have a related-person relationship which would present a conflict of interest.

#### Item 11 Code of Ethics

**Section A** The Advisor and all supervisory personnel/employees are mandated to conduct business with the highest level of ethical standards and fiduciary responsibilities to its clients. The Advisor's Code of Ethics Policy is reviewed annually with each supervised person. A written acknowledgement is signed by each supervised person attesting to abide by the Code of Ethics set forth by the Advisor. A copy of the Advisor's Code of Ethics Policy will be provided to client/prospective client upon request.

**Section B** The Advisor does not engage in transactions that would result in conflicts of interest; the Advisor does not act as principal, nor general partner in any of its transactions.

Section C                      Often, the Advisor buys for its own account or principals of the firm accounts securities purchased for client accounts. The Advisor believes that this does not pose a conflict of interest with clients. Clients often ask if an advisor buys the same securities and feel comfortable that the Advisor does so.

Section D                      The Advisor places trades for its own account in inter day traded securities such as stocks or ETF's after trades are placed in client accounts to avoid any front running conflicts of interest. For end of day traded securities such as mutual funds, this is not applicable.

## Item 12 Brokerage Practices

Section A                      In order to effectively run its business, the Advisor must use broker/custodians to house client accounts. The broker/custodian must have data interfaces with The Advisor's portfolio reporting system, offer competitive trading commissions for clients, offer good execution of trades, allow the Advisor to service accounts without undue issue, and provide client friendly statements, confirms and website access.

The Advisor does not have any soft dollar relationships whereby it receives monetary compensations for client accounts and trading. The Advisor does receive benefits from broker/custodians in the form of research, discounts from vendors who are wholly owned subsidiaries of the broker/custodian, educational seminars, and conferences that the Advisor may attend at the expense of the Advisor. There may be an incentive to use several broker/custodians because of the extensive research that they may provide but the Advisor believes that competitors of the broker/custodians all provide about the same services so in effect, this is not a key decision point. A key decision point is the ability of the Advisor to service client account needs through the broker/custodian.

Advisor's Chief Compliance Officer, Robert C. Dalldorf, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any perceived conflict of interest such arrangement may create.

The Advisor periodically places trades with brokers who are not broker/custodians. These are referred to as "prime brokers". This is done primarily because a prime broker may have bonds in inventory that the broker/custodian does not own or have access to, or that the prime broker may provide a better price on bonds either as buys or sells. In doing so, the client generally pays a clearing fee to the broker/custodian. Infrequently the Advisor may place equity trades with a prime broker for several accounts generally to compensate the prime broker for an idea which the Advisor believes has merit and is

substantiated by the prime broker's research analyst. Prior to placing trades with prime brokers, the Advisor must obtain client acknowledgement. The Advisor does not ordinarily receive referrals from broker/custodians or prime brokers and if the Advisor were to receive referrals from these sources, The Advisor would not compensate the source.

The Advisor does not receive prospective client referrals from any of its broker-dealer relationships.

### Item 13 Review of Accounts

**Section A** The Advisor periodically reviews client accounts. Accounts are slated for review on a quarterly basis and this consists of reviewing performance against certain benchmarks, reviewing current allocation against target allocations and reviewing target allocations against any recent information provided by clients which may impact allocation decisions.

**Section B** The Advisor may from time to time run a macro report on all clients and their allocations and decide whether to trigger a client review based on this data. Market action may impact a client's current allocation compared to a target allocation and this may trigger a review and consequential asset rebalancing. The Advisor periodically reviews the performance and appropriateness of securities and may from time to time use this information to make changes to client accounts.

**Section C** The Advisor sends clients a quarterly report package within the first few weeks of each calendar quarter (January, April, July and October). The package consists of a cover letter, a statement of the account, a performance review and the Advisor's invoice. Clients may elect to receive hard copy of this package mailed to their address or electronic delivery uploaded to a secure Client portal on The Advisor's website. The Advisor also sends Clients or their accountants (if requested by the Client) tax related reports such as gains and losses and copies of 1099 forms as provided by the broker custodians. The Advisor from time to time may meet with a Client and provide them with interim reports based upon recent data on the account. These reports may consist of a statement of the account, performance reports or asset allocations reports. If a client were to request reports, The Advisor would provide such and in some cases, the Advisor provides monthly reports to Clients.

### Item 14 Client Referrals and Other Compensation

The Advisor does not receive any economic benefit from providing its clients with advice other than compensation in the form of fees to the Advisor from any non related party, broker/custodian or vendor.

The Advisor does not have at the present any relationship with anyone who provides referrals to The Advisor and to whom The Advisor compensates for such.

#### Item 15 Custody

The Advisor does not have custody under the SEC definition.

#### Item 16 Investment Discretion

The Advisor does have investment discretion to make trades on behalf of the Client in the Clients account. In order to do so, Clients sign a limited power of attorney with the broker/custodian that enables the Advisor to place trades on a discretionary basis. Any limitations to investment discretion are listed in Section 4 Item C

#### Item 17 Voting Client Securities

The Advisor in its efforts to provide the Client with a complete advisory experience votes securities on behalf of the Client. Absent mitigating circumstances, it is the Advisor's policy to vote with the recommendation of the Board of Directors. A copy of the Advisor's Proxy Voting Policy and information regarding any proxy the Advisor has voted upon are available upon request.

#### Item 18 Financial Information

Not applicable -The Advisor does not solicit prepayment of more than \$1200 in fees per client six months or more in advance

#### Item 19 Requirements for State Registered Advisors

Section A THE ADVISOR has one principal office located at 530 Danbury Road, Wilton, CT 06897. The sole management person is Robert C. Dalldorf who is President.

Section B, C, D, E Not Applicable

Advisor's Chief Compliance Officer, Robert C. Dalldorf, remains available to address any questions that a client or a prospective client may have regarding the above disclosures and arrangements.

