

**Monaco Capital Management, LLC**  
**Form ADV Part 2A**  
**Investment Adviser Brochure**

March 2012

This brochure provides information about the qualifications and business practices of Monaco Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 757-333-7676 and/or [invest@monacocapital.com](mailto:invest@monacocapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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## **Item 2: Summary of Material Changes**

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### **Annual Update**

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

### **Material Changes since the Last Update**

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

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 757-333-7676 or by email at: [invest@monacocapital.com](mailto:invest@monacocapital.com).

Additional information about Monaco Capital Management 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 Monaco Capital Management who are registered, or are required to be registered, as investment adviser representatives of Monaco Capital Management.

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## **Item 4: Advisory Business**

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### **Firm Description**

Monaco Capital Management is an Investment Advisor providing advice to individuals, pension and profit sharing plans, trusts, estates and charitable organizations, corporations or other business entities. Monaco Capital Management was founded in 2003.

Monaco Capital Management, an independent Registered Investment Advisor, simultaneously operates as a branch office of Raymond James Financial Services, Inc., and securities are offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. All client assets are either held directly through Raymond James Financial Services or with a mutual fund or insurance company.

Monaco Capital Management is owned by one individual who is the President of the Firm. Monaco Capital Management's owner is Joseph A. Monaco, Ph.D.

Monaco Capital Management provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations.

On more than an occasional basis, Monaco Capital Management furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

### **Types of Advisory Services**

Monaco Capital Management provides continuous advice to clients regarding 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, Monaco Capital Management develops a client's personal investment policy and creates and manages a portfolio based on that policy. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, growth and income, etc.).

Monaco Capital Management will create a portfolio consisting of one or all of the following: individual equities, bonds, other investment products, and no-load or load-waived mutual funds. Monaco Capital Management will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities.

## Financial Planning

Monaco Capital Management also provides financial planning services.

Financial planning may address any or all of the following areas of concern:

- Personal: Family records, budgeting, personal liability, estate information and financial goals.
- Education: Education IRAs, financial aid, state savings plans, grants and general assistance in preparing to meet dependents continuing educational needs through development of an education plan.
- Tax Cash Flow: Income tax and spending analysis and planning for past, current and future years. Monaco Capital Management will illustrate the impact of various investments on a client's current income tax and future tax liability.
- Death and Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- Retirement: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- Investments: Analysis of investment alternatives and their effect on a client's portfolio.
- Estate: Living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.
- Insurance: Review of existing policies to ensure proper coverage for life, health, disability, long term care, liability, home and automobile.

Financial planning clients may receive a written report, providing a detailed financial plan designed to achieve their stated financial goals and objectives.

Monaco Capital Management gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents include a questionnaire completed by the client. The questionnaire and information supplied by the client are carefully reviewed, and a written report is then prepared. If a client chooses to implement the recommendations contained in the plan, Monaco Capital Management suggests the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Financial planning recommendations are not limited to any specific product or service.

## Consulting

Monaco Capital Management also offers investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. Additionally, Monaco Capital Management may provide advice on non-securities

matters; generally, in connection with the rendering of estate planning, insurance, and/or annuity advice.

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

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

### **Tailored Relationships**

Monaco Capital Management tailors advisory services to the individual needs of the client. Monaco Capital Management clients are allowed to impose restrictions on the investments in their account. Monaco Capital Management may accept any reasonable limitation or restriction to discretionary authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to Monaco Capital Management in writing.

### **Wrap Fee Programs**

Monaco Capital Management does not participate in a Wrap Fee Program.

### **Assets Under Management**

Monaco Capital Management manages client accounts, and as of December 31, 2011 these assets totaled \$66,534,872 and contained a mix of both discretionary and non-discretionary accounts. Of that amount, \$37,097,419 was managed on a discretionary basis.



## Item 5: Fees and Compensation

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### Compensation

Monaco Capital Management bases its fees on a percentage of assets under management, hourly charges, fixed fees (not including subscription fees), or commissions.

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

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

### Compensation – PASSPORT Accounts

When hiring Monaco Capital Management for Advisory Services which include management of assets in a Raymond James account, specifically the Raymond James PASSPORT platform, fees are calculated as follows:

The PASSPORT Account ("PASSPORT") is an investment advisory account, administered by RJA, which offers Clients, on a non-discretionary basis (or discretionary, provided certain qualifications are met), the ability to pay an advisory fee on the assets in their account and a nominal transaction charge in lieu of a commission for each transaction.

Generally, the Client's IAR with Monaco Capital Management provides investment advice on a discretionary basis. The minimum Monaco Capital Management will manage in a PASSPORT account is \$100,000, although smaller accounts may be accepted based upon the specific circumstances of an account. The advisory fees for PASSPORT Accounts are as follows:

#### BLENDED RATE FEE SCHEDULE

##### PASSPORT Fee Investments:

Account Value	Total Fee
First \$200,000	1.75%
Next \$300,000	1.50%
Next \$500,000	1.00%
Over \$1,000,000	1.00%
Over \$5,000,000	Negotiable

The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day. Client authorizes and directs RJA as Custodian to deduct asset-based fees from the Client's account; Client further authorizes and directs the Custodian to send a quarterly statement to the Client which shows all amounts disbursed from Client's account, including fees paid to RJFSA. Client understands that the brokerage statement will show the amount of the asset-based fee.

Additionally, there is a nominal Processing Fee for the execution of each trade, as follows:

<b><u>SECURITY TYPE</u></b>	<b><u>PROCESSING FEE</u></b>
Exchange Traded Equities: Listed and OTC	\$30
Closed End Mutual Funds	\$30
Exchange Traded Funds	\$30
Certain Mutual Funds (certain others have no processing fee, see below)	\$30
Real Estate Investment Trusts/Unit Investment Trusts	\$30
Preferred Stocks	\$30
Options Contracts	\$50

Select fund companies have agreed to pay administrative fees to RJA in consideration for RJA's waiver of the \$30 Processing Fee assessed on certain Passport Account mutual fund purchases ("Participating Funds"). Raymond James financial advisors do not receive any part of these payments. For a list of fund companies that have agreed to pay Raymond James servicing fees for eligible purchases of Participating Funds, please contact Monaco Capital Management.

In addition to the foregoing transaction charge, the Client will incur a nominal charge per transaction for handling and postage charges. The Client may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The Client Agreement may be terminated by the Client or RJFSA at any time upon providing notice pursuant to the provisions of Client Agreement. In the event of termination of this Agreement, Registrant will refund to the Client the prorated portion of the fee for the quarter of termination.

## **Compensation – Financial Planning and Consulting**

Financial Planning and Consulting fees will be charged in one of two ways:

- As a fixed fee, typically ranging from \$1,000 to \$5,000, depending on the nature and complexity of each client's circumstances, or
- On an hourly basis of \$250 per hour.

All financial planning and consulting fees are typically invoiced and due in arrears (unless advance agreement is made with the client), upon presentation of the financial plan or completion of the consulting engagement for the client. Services rendered and the fees charged are disclosed in each Investment Advisory Consulting Agreement.

Tax preparation work performed separately from an Advisory Service Agreement is billed at a rate of \$ 250 per hour. Minimum fee for tax preparation is \$ 250. Monaco Capital Management reserves the right to discount the fee for tax preparation services.

### **Other Fees**

Monaco Capital Management's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Monaco Capital Management's fee, and Monaco Capital Management shall not receive any portion of these commissions, fees, and costs.

### **Past Due Accounts and Termination of Agreement**

Either Monaco Capital Management or a client may terminate any agreement at any time by notifying Monaco Capital Management in writing and paying the rate for the time spent on the engagement prior to notification of termination. If the client made an advance payment, Monaco Capital Management will refund any unearned portion of the advance payment.

Monaco Capital Management may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, Monaco Capital Management will refund any unearned portion of the advance payment.

Monaco Capital Management reserves the right to stop work on any account that is more than 15 days overdue. In addition, Monaco Capital Management reserves the right to terminate any financial planning engagement where a client has willfully concealed or

has refused to provide pertinent information about financial situations when necessary and appropriate, in Monaco Capital Management's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 90 days.

### **Other Fees – Commissions**

Monaco Capital Management can accept commission compensation for the purchase or sale of securities in non-RIA accounts. All such commission compensation will be cleared through Raymond James Financial Services, Inc. Clients who hire Monaco Capital Management in an Advisory capacity will not pay commissions. If clients have hired Monaco Capital Management to act in an Advisory capacity, clients have the option of purchasing investment products the firm recommends through other brokers or agents not affiliated with the firm.

Monaco Capital Management does not charge commissions or markups in addition to advisory fees.

### **General Information on Compensation**

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation. In addition to Monaco Capital Management's investment advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

All fees paid to Monaco Capital Management for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and variable annuity sub-accounts to their shareholders. These fees and expenses are described in each fund's or sub account's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

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

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Neither Monaco Capital Management nor any of its Supervised Persons (employees) accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Monaco Capital Management does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Item 7: Types of Clients

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### **Types of Clients**

Monaco Capital Management provides investment advice to the types of clients described in Item 4, Advisory Business.

### **Account Minimums**

Monaco Capital Management requires a minimum account of \$100,000 for Investment Management clients, although this may be negotiable under certain circumstances. Monaco Capital Management may group certain related client accounts for the purposes of achieving the minimum account size.

Monaco Capital Management has the discretion to waive the account minimum. Accounts of less than \$100,000 may be set up when the client and Monaco Capital Management anticipate the client will add additional funds to the accounts bringing the total to \$100,000 within a reasonable time. Other exceptions will apply to employees of Monaco Capital Management and their relatives, or relatives and/or friends of existing clients. Other exceptions may apply at the discretion of Monaco Capital Management.

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

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### **Methods of Analysis**

Monaco Capital Management is a top-down portfolio manager. Monaco Capital Management may employ the following security analysis methods: charting; fundamental analysis; technical analysis; and cyclical analysis.

Monaco Capital Management may use any of the following investment strategies to implement investment advice: Long-term purchases (securities held at least a year); Short-term purchases (securities sold within a year); trading (securities sold within 30 days); short sales; margin transactions; option writing, including covered options, or spreading strategies.

Monaco Capital Management uses the following main sources of information including financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission (SEC), and company press releases.

Other sources of information that Monaco Capital Management may use include information from investment managers, financial service companies, data base companies, financial journals, and government sources, Morningstar Principia mutual fund information, Morningstar Principia stock information, Raymond James & Associates Research Department, and the Internet.

### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Questionnaire that seeks to obtain their risk tolerance, desired income and possible need for liquidity.

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we use asset allocation funds as the core investments, and then add actively-managed funds and individual stocks and or bonds where there are greater opportunities where the account manager deems appropriate. Portfolios are globally diversified to control the risk associated with traditional markets.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

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

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

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

### **Initial Public Offerings**

Monaco Capital Management typically does not participate on behalf of its clients in initial public offerings.



## Item 9: Disciplinary Information

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### Legal and Disciplinary

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Monaco Capital Management or the integrity of Monaco Capital Management's management. Monaco Capital Management has no information to disclose applicable to this Item.

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

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### **Financial Industry Activities – Broker-Dealer**

Monaco Capital Management is not registered as a broker-dealer. As described below, several of its management persons are registered representatives of a broker-dealer, Raymond James Financial Services, Inc (RJFS).

### **Financial Industry Activities – Commodities and Futures**

Neither Monaco Capital Management nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

Joseph A. Monaco is a registered futures broker with the National Futures Association. However, futures contracts/trading is not a regular practice of Monaco Capital Management.

### **Financial Industry Activities – Registered Representatives**

As described above, Monaco Capital Management's Investment Adviser Representatives (IARs) may be registered representative(s) of RJFS, member FINRA/SIPC. RJFS clears its securities transactions on a fully disclosed basis through Raymond James & Associates, (member NYSE). This relationship could create a material conflict of interest with clients. As previously disclosed, clients can hire Monaco Capital Management to act in an advisory capacity or strictly as a registered representative of Raymond James Financial Services, Inc. If a brokerage account (non-PASSPORT Raymond James account) is established whereby employees of Monaco Capital Management are acting as registered representatives, commissions may be received on those accounts.

Notwithstanding the fact that principals and associates of Monaco Capital Management may be registered representatives of RJFS, Monaco Capital Management is solely responsible for investment advice rendered. Advisory services are provided separately and independently of the broker/dealer. IARs spend less than 10% of their time on registered representative activities.

### **Financial Industry Activities – Other**

Neither Monaco Capital Management nor any of its management persons have a material relationship or arrangement with any related person or financial industry entities, including:

1. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
2. other investment adviser or financial planner
3. futures commission merchant, commodity pool operator, or commodity trading advisor

4. banking or thrift institution
5. accountant or accounting firm
6. lawyer or law firm
7. pension consultant
8. real estate broker or dealer
9. sponsor or syndicator of limited partnerships.

### **Insurance Company or Agency**

IARs of Monaco Capital Management may be appointed with several insurance companies and may be able to receive separate compensation for transactions implemented through various insurance companies. Clients are not obligated to use any company for insurance product purchases, and may work with any insurance agent they choose. Insurance compensation will be separate and distinct from financial planning fees charged by Monaco Capital Management. IARs spend less than 10% of their time on insurance sales.

Monaco Capital Management does not recommend or select other investment advisors for its clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

Monaco Capital Management employees must comply with a Code of Ethics and Statement for Insider Trading. The Code describes the Firms' high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Joseph A. Monaco, President and Chief Compliance Officer, reviews all employee trades each quarter. His trades are reviewed by Andrea L. McMurrin, Director of Operations of the Firm. These reviews ensure that personal trading does not affect the markets, and that clients of Monaco Capital Management receive preferential treatment.

All employees of Monaco Capital Management must acknowledge the terms of the Code of Ethics at least annually.

Clients and prospective clients can obtain a copy of Monaco Capital Management's Code of Ethics by calling us at 757-333-7676.

### **Participation or Interest in Client Transactions – Personal Securities Transactions**

Monaco Capital Management and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. If these trades occur ahead of clients, they must execute at a less advantageous price than the client's price. The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities and interests of the employees of Monaco Capital Management 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Monaco Capital Management's clients. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Monaco Capital Management and its clients.

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

Neither Monaco Capital Management nor its employees recommend to clients or buy or sell for client accounts, securities in which they have a material financial interest.

### **Participation or Interest in Client Transactions – Aggregation**

Monaco Capital Management's policy is that any same day transactions will always result in employees of Monaco Capital Management either buying at the same or less advantageous price.

Monaco Capital Management and its employees may trade in the same securities with client accounts on an aggregated basis when consistent with Monaco Capital Management's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Monaco Capital Management will retain records of the trade order (via Raymond James computer systems, specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

## **Item 12: Brokerage Practices**

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### **Research and Other Soft Dollar Benefits**

Monaco Capital Management does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in “Directed Brokerage – Other Economic Benefits”.

### **Brokerage for Client Referrals**

Monaco Capital Management may occasionally receive client referrals from Raymond James Financial Services, Inc.

### **Directed Brokerage**

Monaco Capital Management generally has limited power of attorney to act on a discretionary basis on behalf of clients. When such limited powers exist between the client and Monaco Capital Management, Monaco Capital Management may choose both the amount and type of publicly traded securities to be bought to satisfy account objectives. This is the case with most of Monaco Capital Management's clients. Additionally, Monaco Capital Management accepts any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on account must be presented to Monaco Capital Management in writing.

Registered Representatives of RJFS are subject to FINRA Conduct Rule 3040 that restricts them from conducting securities transactions away from RJFS. Therefore, clients are advised that such IARs are limited to conducting securities transactions through RJFS. RJFS may charge a higher or lower fee than another broker charges for a particular type of service, such as transaction fees. Clients may utilize the broker dealer of their choice and have no obligation to purchase or sell securities through RJFS. However, if the client does not use RJFS, the IAR cannot accept the account. As a registered FINRA broker dealer, RJFS routes order flow through its affiliated broker dealer, RJ. RJ is obligated to seek best execution pursuant to FINRA Rule 2320 for all trades executed, however better executions may be available via another broker dealer based on a number of factors including volume, order flow and market making activity.

While it is possible that clients may pay higher commission or transaction fees through RJFS, Monaco Capital Management has determined that RJFS currently offers the best overall value to Monaco Capital Management and its clients for the customer service, brokerage, research services and technology it provides. Monaco Capital Management believes these qualities make RJFS superior to most non-service oriented, deep-discount and internet/web based brokers that may otherwise be available to the public.

### **Directed Brokerage – Other Economic Benefits**

Raymond James Financial Services, a subsidiary of Raymond James Financial, Inc. (Raymond James) may also provide general access to research and perhaps discounts

on research products. Any research received is used for the benefit of all clients. Monaco Capital Management has no written or verbal arrangements whereby it receives soft dollars. From time to time, Raymond James may offer Monaco Capital Management employees the ability to attend industry-related conferences or other benefits; however, Monaco Capital Management does not believe that such incentives impair Monaco Capital Management's independence.

Monaco Capital Management may have the opportunity to receive traditional "non-cash benefits" from Raymond James, such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk servicing Raymond James advisors exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional investors; reporting features; receipt of industry communications; and perhaps discounts on business-related products.

RJFS may also provide general access to research and perhaps discounts on research products. Any research received is used for the benefit of all clients. While Monaco Capital Management endeavors at all times to put the interest of the clients first as part of its fiduciary duty, clients should be aware that the receipt of any additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

### **Trade Aggregation**

Monaco Capital Management typically aggregates trades for multiple accounts. Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. If the order is filled at different prices during the day, the prices are averaged for the day so that all participating accounts receive the same price. If an order has not been filled completely so that there are not enough shares to allocate among all the clients equally, shares will be allocated in good faith, based on the following considerations: amount of cash in the account, existing asset allocation and industry exposure, risk profile, and type of security. All clients participating in each aggregated order shall receive the average price and subject to minimum ticket charges, pay a pro-rata portion of commissions.

Monaco Capital Management's allocation procedure seeks to be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

Accounts for Monaco Capital Management or its employees may be included in a block trade with client accounts.

## **Item 13: Review of Accounts**

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### **Reviews**

Monaco Capital Management's Investment Policy Committee is comprised of Joseph A. Monaco, President and Chief Compliance Officer. He is also the client account manager.

Mr. Monaco has the responsibility for communicating with the client, updating changes to the client's situation and regularly reviewing the client's portfolio including the asset allocation and the specific assets included in the account. The client review includes comparing the portfolio and current security positions with the goals and objectives as outlined by the client, reviewing changes to the client's investment circumstances, evaluating the specific holdings, re-balancing the portfolio and communicating the current status of the portfolio and any recommended actions to the client.

Monaco Capital Management clients are individually invited four times per year to a formal portfolio review. Set attendance is at the discretion of the client. Mr. Monaco reviews each client's account at least monthly.

### **Review Triggers**

Other conditions that may trigger a review are changes in market, political or economic conditions, tax laws, new investment information, and changes in a client's own situation.

### **Reporting**

Each quarter (and sometimes each month, depending on the account activity), the custodian (RJFS and/or mutual fund or insurance/annuity company) provides clients with an account statement for each client account, which may include individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance. In addition, the custodian provides clients with trade confirmations for each position bought and sold.

### **Financial Planning – Reviews and Reporting**

The initial financial plan is included as a component of the financial planning service. Clients may receive updated financial plans for a separate fee.



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

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### **Other Compensation**

Monaco Capital Management does not receive any economic benefits (other than normal compensation) from any firm or individual for providing investment advice.

### **Compensation – Brokerage**

Monaco Capital Management may require that clients establish brokerage accounts with RJFS, a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Monaco Capital Management may require that clients establish accounts at RJFS, it is the client's decision to custody assets with RJFS. Monaco Capital Management is independently owned and operated.

### **Compensation – Client Referrals**

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

## Item 15: Custody

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### **Custody – Fee Debiting**

Monaco Capital Management has one form of custody. Clients may authorize Monaco Capital Management (in the client agreement) to debit fees directly from the client's account at the broker dealer, bank or other qualified custodian (custodian). Client investment assets will be held with a custodian agreed upon by the client and Monaco Capital Management. The custodian is advised in writing of the limitation of Monaco Capital Management's access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to Monaco Capital Management.

While Monaco Capital Management will assist clients in establishing and maintaining accounts at the custodian, Monaco Capital Management shall have no responsibility or liability with respect to custodial arrangements or the acts, omissions or other conduct of the custodian.

### **Custody – Account Statements**

As described above and in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that Monaco Capital Management may provide. Monaco Capital Management statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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### **Discretionary Authority for Trading and Limited Power of Attorney**

Through the investment management agreement (Raymond James Discretionary PASSPORT Agreement), Monaco Capital Management may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows Monaco Capital Management to execute trades on behalf of clients.

When such limited powers exist between Monaco Capital Management and the client, Monaco Capital Management has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, Monaco Capital Management may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to Monaco Capital Management in writing.

However, Monaco Capital Management consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

## Item 17: Voting Client Securities

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### **Proxy Voting – Firm does not vote**

Monaco Capital Management does not have any authority to and does not vote proxies on behalf of clients. Monaco Capital Management also does not render advice to or take any actions on behalf of clients with respect to any legal proceedings, including bankruptcies and shareholder litigation. Clients retain the responsibility for receiving and voting proxies and any legal proceedings for securities maintained in their portfolios; clients receive these corporate actions directly from either custodians or transfer agents.

If requested, Monaco Capital Management may provide advice to clients regarding proxy votes and legal proceedings. If any conflict of interest exists, it will be disclosed to the client.

## Item 18: Financial Information

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### Financial Condition

Monaco Capital Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Monaco Capital Management is not required to provide a balance sheet; While Raymond James Financial Services does require prepayment of quarterly fees in the Raymond James PASSPORT account, Monaco Capital Management does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Other Information

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### **Privacy**

Monaco Capital Management is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter those records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver our Privacy Notice to you annually, in writing.

### **Business Continuity Plan**

Monaco Capital Management has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. The Business Continuity Plan covers natural and man-made disasters. Electronic files are backed up daily and archived offsite.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. Monaco Capital Management's intention is to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## **Item 19: Requirements for State Registered Advisors**

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### **Management Background**

See response to Form ADV Part 2B - Investment Adviser Brochure Supplement.

### **Other Business**

See response to Item 10 – Other Financial Industry Activities and Affiliations. In addition, see response to Form ADV Part 2B – Investment Adviser Brochure Supplement.

### **Performance-Based Fees**

Neither Monaco Capital Management nor any supervised persons are compensated by performance-based fees.

### **Disciplinary Disclosures**

Neither Monaco Capital Management nor any management persons have been involved in any activities resulting in a disciplinary disclosure.

### **Issuer of Securities**

Neither Monaco Capital Management nor any management persons have any relationships or arrangements with any issuer of securities.

**Monaco Capital Management, LLC**  
**Form ADV Part 2B**  
**Investment Adviser Brochure Supplement**

**Supervisor: Joseph A. Monaco, Ph.D.**  
President & Chief Compliance Officer

**Supervisor of:**  
Andrea L. McMurran

**March 2012**

This brochure supplement provides information about the Firm's Supervised Persons that supplements Monaco Capital Management's brochure. You should have received a copy of that brochure. Please contact Andrea McMurran/Director of Operations if you did not receive Monaco Capital Management's brochure or if you have any questions about the contents of this supplement.

Additional information about the Firm's Supervised Persons is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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



## Educational Background and Business Experience

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Monaco Capital Management requires that advisers in its employ have a bachelor's degree or comparable industry experience and/or other coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisers must demonstrate an aptitude for financial planning and investment management.

### Supervised Persons

**Joseph A. Monaco, Ph.D.** (born 1956)

#### Business Background:

11/2003 – Present    Branch Office Manager & Registered Principal – Raymond James Financial Services, Inc.

President – Monaco Capital Management, LLC

Chief Compliance Officer – Monaco Capital Management, LLC

9/1991 – 11/2003    Branch Office Manager and First V.P. of Investments – UBS Financial Services, Inc.

11/1983 – 9/1991    Branch Office Manager and V.P. of Investments – Prudential-Bache Securities, Inc.

6/1981 – 11/1983    Account Executive – E.F. Hutton & Co.

#### Formal Education after High School:

BA in Management – St. Leo University

MBA in Finance – Golden Gate University

Ph.D. in Economics – La Salle University

**Andrea L. McMurrin, CFP®** (born 1979)

#### Business Background:

11/2003 – Present    Registered Representative – Raymond James Financial Services, Inc.

Director of Operations – Monaco Capital Management, LLC

6/1996 – 11/2003 Investment Associate – UBS Financial Services, Inc.

Formal Education after High School:

BS in Psychology, Minor in Business Administration – Old Dominion University

Professional Financial Planner Certification – Old Dominion University

Professional Designations:

CFP® - Certified Financial Planner practitioner

### **Professional Certifications**

Monaco Capital Management's supervised persons may maintain professional designations, which required the following minimum requirements:

#### **CFP - Certified Financial Planner**

**Issued by:** Certified Financial Planner Board of Standards, Inc.

**Prerequisites/Experience Required:** Candidate must meet the following requirements:

- A bachelor's degree (or higher) from an accredited college or university, and
- 3 years of full-time personal financial planning experience

**Educational Requirements:** Candidate must complete a CFP-board registered program, or hold one of the following:

- CPA
- ChFC
- Chartered Life Underwriter (CLU)
- CFA
- Ph.D. in business or economics
- Doctor of Business Administration
- Attorney's License

**Examination Type:** CFP Certification Examination

**Continuing Education/Experience Requirements:** 30 hours every 2-years

## Disciplinary Information

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Neither Monaco Capital Management nor any Supervised Persons have been involved in any activities resulting in a disciplinary disclosure.

## Other Business Activities

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Disclosure on Outside Business Activities is provided in Form ADV Part 2A Item 10 – Other Financial Industry Activities and Affiliations above.

Joseph A. Monaco, Ph.D. receives commissions based on the sale of securities or other investment products when a brokerage account (“non-PASSPORT account”) is held with Raymond James Financial Services. This practice causes the conflict of interest of the supervised person being incented to recommend investment products based on the compensation received in addition to the client’s needs. However, when acting in an advisory capacity on a Raymond James PASSPORT account, no commissions are received. Those accounts are charged fees only and are disclosed in the Raymond James PASSPORT Agreement.

Joseph A. Monaco spends extensive time volunteering for various community, educational and religious organizations.

## **Additional Compensation**

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No Supervised Person receives any significant economic benefit outside of regular salaries or bonuses related to amount of sales, client referrals or new accounts.

## Supervision

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### Supervision

Joseph A. Monaco supervises all persons named in this Form ADV Part 2 Investment Adviser Brochure Supplement. Joseph A. Monaco may be reached at 757-333-7676.

Joseph A. Monaco makes it a regular practice to speak to all clients of supervised persons on a regular basis to ensure they're pleased with service. At a minimum, Joseph Monaco reviews quarterly both the financial plans and the personal and financial status of the clients of Monaco Capital Management. He also regularly reviews emails (daily) and personal trading (quarterly).

All supervised persons are in the same location. Regular staff meetings are conducted on a weekly basis.

Joseph A. Monaco is supervised by the Compliance and Sales Management departments of Raymond James Financial Services.

## Requirements for State Registered Advisers

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Neither Monaco Capital Management nor any management persons have been involved in any activities resulting in a disciplinary disclosure.

No Supervised Person has been the subject of a bankruptcy petition.