

# Valpey Financial Services, LLC

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## Form ADV Part 2A, Appendix 1

### Longview Investing Wrap Fee Program Brochure

April 12, 2012

#### Item 1 – Cover Page

*This wrap fee program brochure provides information about the qualifications and business practices of Valpey Financial Services, LLC (hereinafter Valpey Financial) that should be considered before becoming a client of the wrap fee program. If you have any questions about the content of this brochure, please contact us at the above. 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 Valpey Financial is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

*Valpey Financial is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.*

## Item 2 – Material Changes

This Brochure dated April 12, 2012 is prepared according to the SEC's new requirements and rules. As such, this Document is materially different in structure and contains certain new information that our previous brochure dated 07/01/2010 did not.

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

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

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Victoria Webber at 603-856-7945 or [vicky@valpeyfinancialservices.com](mailto:vicky@valpeyfinancialservices.com).

### Item 3 – Table of Contents

Item 1 - Cover Page.....	i
Item 2 - Material Changes.....	ii
Item 3 - Table of Contents.....	iii
Item 4 - Services, Fees and Compensation.....	1
Services.....	1
Fees and Compensation.....	2
Item 5 - Account Requirements and Types of <i>Clients</i> .....	3
Item 6 - Portfolio Manager Selection and Evaluation.....	4
Portfolio Manager.....	4
Advisory Business Information.....	4
Performance-Based Fees and Side-By-Side Management.....	5
Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Voting Client Securities.....	6
Item 7 - Client Information Provided to Portfolio Managers.....	6
Item 8 - Client Contact with Portfolio Managers.....	6
Item 9 - Additional Information.....	6
Disciplinary Information.....	6
Other Financial Industry Activities and Affiliations.....	6
Code of Ethics, Participation or Interest in client Transactions and Personal....	6
Item 10 - Trading.....	8
Review of Accounts.....	8
Custody.....	8
Client Referrals and Other Compensation.....	8
Brokerage Practices.....	9
Financial Information.....	9

## Item 4 – Services, Fees and Compensation

### Services

Valpey Financial is the sponsor and investment manager of the Valpey Financial Wrap-Fee Program (hereinafter the “Program”). Please note that this program is not available to new clients and will be discontinued for all other clients effective 12/31/2012. Valpey Financial provides investment advisory services on a continuous discretionary and/or non-discretionary basis. These services include selecting or recommending investments to a client or making investments for a client based on the individual needs of the client. At the time of the clients' initial investments in the program, the investment adviser representative will assist the client in determining the client's current financial situation, financial goals and objectives, and attitudes towards risk. This determination will allow the investment adviser representative to review the client's situation, and determine an appropriate asset allocation plan. Account supervision is guided by the stated objectives of the client (i.e., aggressive, moderately aggressive, moderate, moderately conservative, or conservative).

Valpey Financial will create a portfolio consisting of one or more of the following: individual equities, corporate debt securities, commercial paper, CDs, municipal securities, mutual funds, exchange-traded funds (“ETFs”), U.S. Government securities, interests in real estate investment trusts (“REITs”), and partnerships investing in real estate. Valpey Financial may use other investment vehicles if it is deemed advantageous for our clients. Valpey Financial will allocate the client's assets among various investments taking into consideration the objectives of the client. The 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 that will be made on the client's behalf. Clients will retain individual ownership of all securities. Either a principal of Valpey Financial or the Valpey Financial investment adviser representative assigned to the account will implement or make recommendations with respect to changes to a client's account based on market, economic and political circumstances, and the individual characteristics of securities. Portfolios will be rebalanced on a discretionary basis.

Valpey Financial may request that it be provided with written discretionary authority to manage the assets in the client's account. An Investment Advisory agreement is signed by the client which grants the discretionary authority. Any limitations on this discretionary authority shall be included in the written agreement between each client and Valpey Financial. Clients may change/amend these limitations as required. This agreement gives Valpey Financial authority without prior consultation with the client to:

- Buy, sell, exchange, convert, and otherwise trade in stocks, bonds and other securities including money market instruments,
- Direct the amount of securities purchased, sold exchanged, and otherwise traded, and
- Place orders for the execution of such securities transactions with the client designated broker/dealer .

Client should be aware that Valpey Financial may make different recommendations and effect different trades with respect to the same securities to different advisory clients. For clients in need of brokerage or custodial services, Valpey Financial may recommend the use of an unaffiliated broker dealer and NASD member firm.

### Fees and Compensation

Valpey Financial is compensated by charging an annual “wrap-fee” for participation in the Program. This fee is billed quarterly, in advance, as a percentage of assets under management. Fees will be debited directly from an account specified by the client in the investment advisory agreement and directly remitted to Valpey Financial. Valpey Financial's most common fee schedule is shown below. This schedule and fees are negotiable and may be modified based on client specific requirements.

<u>Assets under management</u>	<u>Annual Fee (%)</u>
First \$500,000	1.50%
Next \$500,000	0.90%
Next \$500,000	0.80%
Next \$500,000	0.70%
Next \$500,000	0.60%
Assets over \$2,500,000	0.50%

All fees are specified in each client's investment advisory agreement. Client is advised to review the advisory fee noted on the agreement before signing.

Fees are calculated by multiplying the assets under management by the relevant percent and dividing by the appropriate number based on billing frequency. Accounts opened in mid-quarter will be assessed at a pro-rated management fee based on the number of calendar days in the calendar quarter that the agreement goes into effect.

A client agreement may be terminated at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to cancel an agreement without penalty within ten (10) business days after entering into the agreement.

A “wrap-fee” program is one that provides the client with advisory and brokerage execution services for an all-inclusive fee. The client is not charged separate fees for the respective components of the total service. The wrap-fee includes all advisory and brokerage commission costs and quarterly performance reports. The wrap fee does not include custodial fees, exchange fees, transfer taxes or certain administrative fees for wire transfers or certificate issues.

All fees paid to Valpey Financial for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. Mutual funds may also have distribution fees. If the mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund or ETF directly, without the services of Valpey Financial. In that case, the client would not receive the services provided by Valpey Financial which are

designed, among other things, to assist the client in determining which ETF(s) or mutual fund(s) are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Valpey Financial to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

In evaluating the Program, clients should consider that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the broker dealer's usual commission rates and other factors, the wrap fee may be more or less than the aggregate cost of such services if they were to be provided separately and if Valpey Financial were to negotiate commissions and seek best price and execution of transactions for the client's account. Furthermore inasmuch as Valpey Financial is paying the transaction costs for execution of securities transactions this may create a disincentive to trading securities in the account. Based on the Investment Advisory Agreement, Valpey Financial will execute all securities transactions in client accounts without commission costs.

Valpey Financial may seek to execute block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts so long as transaction costs are shared equally and on a prorated basis between all accounts included in any such block. Block trading allows Valpey Financial to execute equity trades in a timelier, equitable manner and may reduce overall commission charges absorbed by Valpey Financial. Adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid deviations from pre-determined minimum/maximum holdings limits (established for any account).

In addition, the amount of compensation received by Valpey Financial and its representatives as a result of the client's participation in the Program may be more than what Valpey Financial and its representatives would receive if the client paid separately for investment advice, brokerage and other services. Therefore, Valpey Financial and its representatives may have a financial incentive to recommend the Program over other advisory programs or services.

The factors that should be considered by a prospective client include the size of a client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, if any, the anticipated level of trading activity and the amount of advisory fees only for managing the client portfolio.

Advisory fees may vary among Valpey Financial's clients based upon a number of factors, including the size of the client's account, the types of investments, the nature of related services provided, and the length of the advisory relationship with a client other things.

Clients should understand that similar advisory services may be available from other registered investment advisers for lower fees.

## **Item 5 – Account Requirements and Types of Clients**

Valpey Financial requires a minimum account size of \$500,000 for participation in the Program. This account size may be negotiable under certain circumstances. Valpey Financial may group certain related client accounts for the purposes of achieving the minimum account size.

Valpey Financial generally provides investment advice to a number of clients:

- Individuals, including high net worth individuals
- Trusts and estates
- Pensions and Profit Sharing Plans
- Corporations and business entities

## **Item 6 – Portfolio Manager Selection and Evaluation**

### **Portfolio Manager**

Valpey Financial's advisors may act as portfolio managers. Advisory persons associated with Valpey Financial must possess, minimally, a college degree and/or appropriate business experience and all required licenses. In addition, they are required to have displayed a high degree of integrity in a previous business background, to have high standards of morals and ethics, and be committed to providing quality service.

While the underlying securities within Program accounts are continuously monitored, these accounts will be formally reviewed at least quarterly by the portfolio manager assigned to the account. The review will be conducted to determine if the current investment holdings of the account are consistent with the client's investment objectives. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, drift or variance from the model portfolio weighting or the market, political or economic environment.

### **Advisory Business Information**

Valpey Financial Services, LLC herein known as "Valpey Financial" is a limited liability corporation organized under New Hampshire law and registered with the State of New Hampshire. Valpey Financial maintains its primary office in Concord, NH and also maintains a satellite office in Dover, NH (no client information or required books or records are maintained at this satellite location). Valpey Financial is solely owned by Ronald L. Valpey and has been in business since 2010.

Valpey Financial provides investment advice to individuals, trusts, estates and business organizations. Valpey Financial furnishes investment advisory services through wrap fee programs on a discretionary and non-discretionary basis. These services include selecting or recommending investments for client's needs, risk tolerance and other assets and obligations of the client. The specific investment style chosen is based upon the goals, objectives, and individual needs of each client. When discretionary authority exists, the discretion includes the determination of the securities to be purchased and sold.

In addition, Valpey Financial provides financial advisory services including general financial planning and investment planning. Clients will receive a financial plan based upon a client's individual circumstances and may include components addressing client goals such as education, retirement, estate planning and disability.

Valpey Financial's investment advisory services are offered for a percentage of assets under management, hourly charges or a fixed fee.

As of December 31, 2011, Valpey Financial manages approximately \$34,033,413 in assets under management. Approximately \$27,885,650 is managed on a discretionary basis and \$6,147,763 is managed on a non-discretionary basis.

### Performance-Based Fees and Side-By-Side Management

Valpey Financial does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Valpey Financial does not do any side-by-side management.

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

Valpey Financial practices strategic asset allocation. Strategic asset allocation is creating, constructing, monitoring and managing a portfolio specific to the individual and his or her need, time horizon and risk tolerance. Strategic asset allocation is balancing more risky equities (stocks) with less risky debt investments (typically bonds, treasuries, bills, notes, certificates of deposit (CDs), and money market accounts. It should be noted that debt investments, while generally considered less risky than stocks, are not risk free, and some debt investments may actually be more risky than some stocks.

We believe that selecting an overall portfolio strategy specific to the individual is the single most important investment decision. The underlying holdings that comprise the portfolio must be well diversified with a strong return to cost ratio. It is our belief based on extensive and widely available research that very few active stock managers are able to out-perform the index best representing the area in which then invest and that selecting such a manger in advance of such performance is virtually impossible. Furthermore, trying to out-perform a respective index can, on average, actually be less lucrative than investing in the index itself when manager expenses, taxes and trading expenses are factored in.

We generally prefer passive management (passive selection), or indexing, to active management (predictive selection) with regard to stocks. We are more likely to utilize active management for non-stock holdings, but will also utilize a low-cost passive approach. We generally show preference to low cost investment options, whether passive or active, except in cases where historical return has warranted higher expenses.

Some of the investment vehicles utilized: No-load (no commission) or load-waived (commission waved) mutual funds, exchange traded funds (ETFs), stocks, bonds, treasuries, bills, notes, certificates of deposit (CDs), and money market accounts.

Valpey Financial may utilize a number of sources of financial information in the firm's analysis of securities including financial newspapers and magazines, research materials and reports, annual reports, prospectuses, SEC filings and company press releases. Research services are received in various forms, which may include written reports, or information obtained on the World Wide Web. Valpey Financial may collect historical data, performance data and data regarding market and industry trends to perform a detailed analysis of asset classes and investment vehicles for use in client portfolios. Valpey Financial does not independently verify third-party data. It is common for Broker Dealers to provide enabling technologies including but not limited to; software, pricing information and other market data, research materials, services that facilitate payment of advisor fees from client accounts, and assist with back-office functions, recordkeeping and client reporting, and training, both on site and off, which may entail the



broker dealer paying for travel and off site expenses, to employees of non-affiliated Advisory firms such as Valpey Financial. Valpey Financial is not affiliated with any Broker Dealer and does accept such help recognizing that these are expenses which will not be incurred by the firm and thus not have to be reflected in our fees to clients. However this can present a potential conflict of interest. Valpey Financial in an effort to avoid this potential conflict requires the client to make the choice of Broker Dealer to custody their funds with. Nevertheless Valpey Financial feels it is a potential conflict that should be disclosed.

All investments carry the risk of loss and there is no guarantee that any investment strategy will meet its objective. These risks include market risk, interest rate risk, issuer risk, and economic risks; therefore, client should be prepared to bear the risk of loss.

### Voting Client Securities

As a matter of firm policy and practice, Valpey Financial does not accept the authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Valpey Financial, however, may provide advice to clients regarding the clients' voting of proxies.

### **Item 7 – Client Information Provided to Portfolio Managers**

The portfolio manager will be provided with the client's investment objectives and background information at account inception and any changes to such information provided by the client thereafter. This information is gathered from the client via the Client Relationship Form and the Investment Policy Statement. Any changes thereafter provided by the client will be available to the portfolio manager.

### **Item 8 – Client Contact with Portfolio Managers**

Clients are free to contact and/or consult with the portfolio manager at any time.

### **Item 9 – Additional Information**

#### Disciplinary Information

Valpey Financial has no legal or disciplinary events to report.

#### Other Financial Industry Activities and Affiliations

Valpey Financial does not maintain any affiliations with other persons or firms that would be material to your evaluation of us.

#### Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The code of Ethics is based on the principle that Valpey Financial advisors and each of its employees owe a fiduciary duty to its clients and a duty to comply with federal and state securities laws and all other applicable laws. The Code of Ethics includes provisions regarding standards of business conduct, prohibitions, reporting of personal securities transactions and

holdings, reporting of code violations and furnishing and acknowledging certification of the firm's code of ethics. A copy of the entire Valpey Financial Code of Ethics is available upon request.

The principal business of Valpey Financial, its executive officers and other employees is that of providing of FEE ONLY advice. The executive officers and other employees of Valpey Financial are NOT separately licensed as registered representatives of any NASD registered broker dealer, therefore these individuals cannot and will not receive compensation for effecting any securities transactions, including incentive fees for executing transactions through any broker-dealer firm.

The principal executive officers, employees and advisory representatives of Valpey Financial may also be licensed as insurance agents or brokers for one or more insurance companies. As such, these individuals, in their separate capacities as insurance agents or brokers, will be able to effect and/or purchase insurance products for clients, for which they will receive separate, yet customary compensation. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client

If a product is not offered by these companies, other such companies offering the products will be recommended. The receipt of this compensation may affect Valpey Financial's judgment in recommending products to its clients.

Valpey Financial also offers financial planning and consulting services as an investment adviser. Any client receiving financial planning services at the firm's hourly rates will receive a copy of Valpey Financial's Form ADV, Part II describing the service and hourly fees. Valpey Financial may recommend services or products offered by Valpey Financial in the course of providing financial planning services. While these individuals endeavor at all times to put the interest of Valpey Financial's advisory clients first as part of Valpey Financial's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making advisory/investment recommendations.

Valpey Financial or individuals associated with Valpey Financial may buy or sell securities identical to, or different from those recommended to clients for their personal accounts. 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 policy of Valpey Financial that no person employed by Valpey Financial may purchase or sell any security immediately prior to a transaction(s) being implemented for an advisory account, and therefore, prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, Valpey Financial has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A director, officer or employee of Valpey Financial shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Valpey Financial shall prefer his or her own interest to that of the advisory client.

- 2) Valpey Financial maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by Ronald L. Valpey of Valpey Financial.
- 3) Clients are fully informed if any individual associated with this advisory practice may receive separate compensation BEFORE effecting any transaction that may create such compensation.
- 4) Valpey Financial emphasizes the unrestricted right of the client to select and choose any broker dealer (although the client's choice of broker dealer may require Valpey Financial to decline to manage the account), and/or insurance company (s)he wishes.
- 5) Valpey Financial requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 6) Any individual not in observance of the above may be subject to termination.

Program clients will receive quarterly account statements and confirmations of transactions directly from their account custodian. All clients should verify the accuracy of Valpey Financial's fee calculations.

## **Item 10 – Trading**

### **Review of Accounts**

A representative of Valpey Financial reviews the client accounts at least quarterly, and compares investments to insure that the accounts are:

1. Suitable to the client's investment objectives
2. Meets the client's qualify standards and
3. Ensures that the investment objectives are still pertinent.

Each client may receive a performance report upon request. Reported performance for individual clients is calculated for every Program portfolio managed by Valpey Financial. Performance information is calculated under the AIMR guidelines.

### **Custody**

Valpey Financial does not maintain direct custody or possession of any client's funds or securities. Valpey Financial only has authority to deduct fees directly from the client's accounts. For this reason only, Valpey Financial is deemed to have custody of funds.

Clients are sent account statements directly from the custodians at least quarterly. If additional statements/reports are sent by Valpey Financial, clients are urged to carefully compare the account statements received from the custodian with those they receive from Valpey Financial.

### **Client Referrals and Other Compensation**

Valpey Financial Services does not directly or indirectly compensate any person for client referrals.

It is common for Broker Dealers to provide enabling technologies including but not limited to;

software, pricing information and other market data, research materials, services that facilitate payment of advisor fees from client accounts, and assist with back-office functions, recordkeeping and client reporting, and training, both on site and off, which may entail the broker dealer paying for travel and off site expenses, to employees of non-affiliated Advisory firms such as Valpey Financial. Valpey Financial is not affiliated with any Broker Dealer and does accept such help recognizing that these are expenses which will not be incurred by the firm and thus not have to be reflected in our fees to clients. However this can present a potential conflict of interest. Valpey Financial in an effort to avoid this potential conflict requires the client to make the choice of Broker Dealer to custody their funds with.

### Brokerage Practices

Valpey Financial does not have the discretionary authority to determine the broker dealer to be used. Clients must direct Valpey Financial as to the broker dealer to be used to implement transactions for their Program account. As disclosed above, transactions are effected "net," i.e., without commission, and a portion of the wrap fee is generally considered to be in lieu of commission. Therefore, Valpey Financial does not negotiate commission rates with broker dealers and best execution may not be achieved. Clients pay a single fee for advisory and brokerage services. There may also be additional costs for certain custodial services.

Valpey Financial reserves the right to decline acceptance of any client account that directs the use of a broker dealer if Valpey Financial believes that the broker dealer would adversely affect Valpey Financial's fiduciary duty to the client and/or ability to effectively service the client portfolio.

### Financial Information

Valpey Financial 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.