



7373 Broadway, Suite 401  
San Antonio, TX 78209

Audie Apple 210-233-6065  
[aapple@sacaptrust.com](mailto:aapple@sacaptrust.com)

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

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This brochure provides information about the qualifications and business practices of San Antonio Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 210-233-6065 or by email at [aapple@sacaptrust.com](mailto:aapple@sacaptrust.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 San Antonio Capital Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

Our last annual update was March 2013.

This brochure has been updated as follows:

1. To show the new ownership structure as of July 1, 2013.

San Antonio Capital & Trust Holdings, LLC wholly owns San Antonio Capital & Trust Company, LLC which wholly owns San Antonio Capital Management, LLC. As of July 1, 2013 The Bank of San Antonio owns 100% of San Antonio Capital & Trust Holdings, LLC and Southwest Bankshares, Inc. owns 100% of The Bank of San Antonio. San Antonio Capital & Trust Company, This information can be found in "Item 4- Advisory Business".

2. The new CCO is Gary Schweers.

3. The addition of Russell Investments as a model portfolio alternative. This information can be found in "Item 4- Advisory Business".

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting us at 210-233-6065.

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## Item 4 Advisory Business

### ***Advisory Firm Description***

San Antonio Capital & Trust Holdings, LLC wholly owns San Antonio Capital & Trust Company, LLC ("SACT") which wholly owns San Antonio Capital Management, LLC ("SACM"). As of July 1, 2013 The Bank of San Antonio owns 100% of San Antonio Capital & Trust Holdings, LLC and Southwest Bankshares, Inc. owns 100% of The Bank of San Antonio. San Antonio Capital & Trust Company, The Bank of San Antonio and SACM may refer clients to one another. SACM pays referral fees to The Bank of San Antonio through a joint marketing agreement for client referrals.

### ***Types of Advisory Services***

SACM provides *investment supervisory services* to separate account portfolios on a discretionary basis. The Firm also provides *consulting services* on a project basis negotiated with the client in advance of services being provided. For clients not currently under a discretionary management agreement, consulting services may include, but are not limited to, the review of current investments, investment managers, asset allocation, potential investment opportunities, family investing education, etc.

Because SACM understands that each family is unique, the Firm will customize a solution that addresses a client's current and future needs. As the client's ambitions and goals evolve, so does SACM. The Firm coordinates a client's investment strategy with their long-term generational and philanthropic planning by working hand in hand with the client's tax and legal advisors. SACM analyzes a client's needs and objectives, provides comprehensive asset allocation advice, portfolio management, and consolidated reporting in order to serve families from one generation to the next.

SACM has developed a straightforward, transparent and efficient approach to investing that combines the Firm's core philosophies of Active Asset Allocation and Passive Implementation to build diversified, balanced portfolios. Please see "Methods of Analysis, Investment Strategies and Risk of Loss" for more information on these strategies.

We also offer Black Diamond Reporting Services for certain clients for a fee. This provides consolidated reporting for all accounts that is accessible to the client.

SACM is also the General Partner and Manager for SACM Biotech Ventures, LLC, a company which was formed for the specific purpose of acquiring limited partnership interests in InCube Ventures II, L.P., a Delaware limited partnership. The Manager (SACM), its principals and affiliates and family members reserve the right to purchase ownership interests in this entity. Managing Funds of this type is not SACM's primary focus. Less than 10% of SACM clients are invested in this Fund.

### ***Tailored Advisory Services***

SACM also customizes portfolios to meet each client's specific risk tolerance, time horizon and investment goals. Clients may place restrictions on the Firm's discretion in writing. We will:

- Review your present financial situation;
- Monitor and track assets under management;
- Provide portfolio statements, periodic rate of return reports, asset allocation statements, and rebalanced statements as needed;
- Advise on asset selection;
- Determine market divisions through asset allocation models;
- Provide research and information on performance and fund management changes;
- Build a risk management profile for you;
- Assist you in setting and monitoring goals and objectives; and
- Provide personal consultations as necessary.

You need to notify us promptly when your financial situation, goals, objectives, or needs change.

Under certain conditions, securities from outside accounts may be transferred into your advisory account; however, we may recommend that you sell any security if we believe that it is not suitable for the current recommended investment strategy. You are responsible for any taxable events in these instances.

Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is not indicative of future results.

### ***Third Party Money Managers***

We may determine that opening an account with a professional third party money manager is in your best interests. We have contracts with several third party money managers.

These programs allow you to obtain portfolio management services that typically require higher minimum account sizes outside of the program. The money managers selected under these programs will have discretion to determine the securities they buy and sell within the account, subject to reasonable restrictions imposed by you. Due to the nature of these programs, each of the independent money managers is obligated to provide you with a separate disclosure document. You should carefully review this document for important and specific program details, including pricing. Under these programs, we may:

- Assist in the identification of investment objectives
- Recommend specific investment style and asset allocation strategies
- Assist in the selection of appropriate money managers and review performance and progress

- Recommend reallocation among managers or styles within the program
- Recommend the hiring and firing of money managers utilized by you

You should read the ADV Part 2 disclosure document of the money manager you select for complete details on the charges and fees you will incur.

SACM advisers are available by appointment only to discuss your specific circumstances.

### ***Client Assets under Management***

As of December 31, 2012, SACM had total assets under management of approximately \$138,429,000.00 with 318 accounts. Of this total, \$132,696,700.00 was discretionary and \$5,732,299.00 was non-discretionary assets under management.

### ***Chief Compliance Officer***

The new Chief Compliance Officer is Gary Schweers.

## **Item 5 Fees and Compensation**

Annual discretionary service fees are as follows and are deducted from the account:

Cash/Fixed Income Accounts are charged 0.35% on assets under management.

Please note that Account(s) on the Cash/Fixed Income fee schedule above are excluded from the Blended/Equity fee schedule which is shown below.

SACM reserves the right to negotiate these fees under certain circumstances.

Blended/Equity Account fees are determined according to the assets under management using the below tiered schedule:

- 1.00% on assets from \$0 to \$1,000,000
- 0.85% on assets from \$1,000,000- \$3,000,000
- 0.75% on assets from \$3,000,000 to \$5,000,000
- 0.65% on assets over \$5,000,000

To illustrate how this fee schedule works, a \$10,000,000 equity account would pay:

- 1.00% on the first \$1 million
- 0.85% on the next \$2 million
- 0.75% on the next \$2 million
- 0.65% on the remaining \$5 million

Fees apply to the entire "Family" relationship, not per account. The minimum annual fee is \$2,500 per family.

Family members will consist of immediate family members within the family line. Spouses, children (and their spouses) and grandchildren will be deemed "family" for relationship level

consolidated pricing. SACM reserves the right to adjust the fee schedule for accounts depending on the size and type of account and the services required. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule. SACM reserves the right to make changes to its pricing plan with 60 days written notice.

Normally, each non-discretionary account will be charged \$250 per year with a cap of 1.5% on assets under management with the exception of small accounts. These small accounts will have a minimum annual fee of \$100. Non-discretionary accounts are not included in any relationship pricing.

Fees will be charged at the end of each month and will be deducted directly from the client's brokerage account pursuant to a written agreement. Fees are calculated based on the assets under management which includes the value of the account at market close on month-end plus accrued interest.

The administrative fee for our Black Diamond Reporting Services ranges from 5-10 bps depending upon the complexity of the information and the amount of manual data input required.

*Consulting* fees are charged on a project basis and are paid on a frequency negotiated on a case-by-case basis.

San Antonio Capital Management reserves the right to make changes to our pricing plan with 60 days written notice.

### ***Third Party Money Managers***

You may elect to have all or a portion of your account managed by a third-party money manager. These managers charge a fee for their services. This fee may be in addition to, or include, the fee charged by us as your advisor. The annual fee is generally charged on the entire account balance and computed and billed quarterly. Each third-party manager will have their own fee schedule, which will be disclosed to you in their ADV Part 2 Brochure. You will receive the ADV Part 2 Brochure for the specific third-party manager you select, at the time of establishing the account and management relationship. In addition, you will generally sign a separate agreement with the third-party manager which will outline the terms, conditions, and expenses of the third-party manager's services. On a quarterly basis, you will receive an invoice and statement from the third-party manager outlining all fees charged and account activity. Fees may be negotiable. Third-party managers will use various custodians as the clearing Broker-Dealer. In addition to advisory fees paid to the third-party manager and to us, you will pay fees to the custodian or mutual fund in the form of transaction costs, commissions, administrative fees, and internal expenses at the fund level. Neither the third-party manager, nor SACM receives any portion of these internal expenses for fees. All fees paid to us for advisory services are separate from the fees and expenses charged to shareholders of mutual funds, ETFs, and Money Market Funds. These additional expenses are outlined in the fund's prospectus. You should read all fund prospectuses and third-party manager agreements for full fee information.

### ***Additional fees***



When SACM recommends a mutual fund for a client's account, three separate fees may be charged to the client, either directly or indirectly. The first fee is SACM's investment management fee where the fund is included in the asset base for the monthly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian. (This set of fees also applies to any money market fund purchased in the client's account.) The third fee may be a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees a client would be required to open a separate account with each individual mutual fund company instead of using Fidelity, which would also negatively affect SACM's ability to deliver its services efficiently. Not all mutual fund trades enacted by SACM incur this transaction fee. When recommending mutual funds for client portfolios, SACM generally recommends no-load funds.

Additionally, the fees SACM charges are exclusive of all custodial, exchange and transaction costs paid to custodians, brokers or any other third parties. Clients should review all fees charged by SACM, custodians and brokers and others to fully understand the total amount of fees incurred.

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

We do not charge performance-based fees or perform side-by-side management for our retail investment advisory clients.

However, SACM is the General Partner and Manager for SACM Biotech Ventures, LLC. Pursuant to the management agreement with SACM Biotech Ventures, LLC, once all members are made whole, SACM will receive a 2.5% profits interest in any gain above the capital committed. SACM also received a 1% upfront closing fee on committed capital.

## **Item 7 Types of Clients**

SACM provides portfolio management services to the following types of clients:

- Individuals
- Partnerships
- Trusts
- Retirement accounts
- Corporations and other institutions
- Foundations and Donor Advised Funds

Generally, SACM requires a minimum dollar value of assets of \$250,000 under its management in order to initiate an investment advisory relationship. However, SACM has the discretion to waive the account minimum.

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

The client will benefit from the due diligence of SACM's Advisory Committee ("The Committee"), which consists of a diverse group of investors and business leaders who have committed their time, experience and personal capital to develop a thoughtful approach to investing for themselves, their families and the broader community. This committee contains a wide array of educational, investment and industry experience. SACM invites their clients to invest side by side with them and share in the insights of a well-versed and knowledgeable team. The Committee analyzes potential and existing investments based upon fundamental and cyclical data, combining research with underlying financial and economic information in order to make portfolio allocation decisions. However, the Portfolio Manager, Omar Akhill and the President, Audie Apple, have final say over all investment decisions.

### *The Client Investment Process*



### **1. Strategic Planning**

As your wealth manager, SACM evaluates the client life needs by defining:

Expectations of Income

Tolerance for Risk

Horizon - Time

Income Tax

Constraints

Attitude towards communication

Liquidity

SACM identifies a client's risk tolerance by looking at the following:

- Age
- Income
- Education
- Cash flow needs
- Investment goals and objectives
- Tolerance for volatility

This information is obtained from the client through client meetings and interviews.

### **2. Determine Asset Allocation**

SACM's basis for investing is predicated on diversification through dynamic asset allocation. Strategies are developed and implemented through a suite of diversified model portfolios, spanning from conservative to aggressive investment objectives. These portfolios consist of securities weighted by SACM with oversight from The Committee, which meets monthly to oversee and advise the asset allocation of the model portfolios. SACM uses a model portfolio or will structure a customized portfolio depending on the client's needs and objectives to provide the client with a fully diversified portfolio. SACM primarily uses Russell Investments products to create customized portfolios.

1. SACM analyzes and evaluates your current investment holdings, both liquid and illiquid, to determine your current risk exposures.
2. SACM then creates an optimized solution for your overall asset allocation in order to balance your risk and investment return potential.
3. SACM defines the appropriate levels of diversification among the various asset classes.

### **3. Implement Portfolio**

SACM develops a thoughtful plan to implement the portfolio, taking into consideration:

- Potential tax consequences
- Outside holdings
- Asset location (allocating assets across various entities, such as an IRA)
- When appropriate, we use exchange traded funds (ETFs) due to their low cost, tax efficiency and liquidity.

### **4. Monitor and Rebalance**

Over time, the Firm applies periodic changes to the portfolio as SACM sees opportunity to take advantage of market dislocations. SACM also monitors and rebalances the portfolio to maintain target allocation and risk levels.

SACM provides *investment supervisory services* through separate investments in the following:

- Equities
- ETFs
- Bonds
- Mutual funds
- Other instruments

### ***SACM Portfolios***

San Antonio Capital Management creates custom asset allocation models for clients utilizing separately managed accounts and customized Russell Investments portfolios. The portfolios are created according to each client's risk-return expectation and the majority of portfolios utilize ETF's and mutual funds. Portfolios can be created to range from low risk, simple cash management strategies to highly volatile opportunistic strategies.

Depending on the client's life goals and risk tolerance, the asset allocation may vary across the risk/return spectrum. As a client's wealth advisor, SACM will adjust and rebalance a client's portfolio as needs and goals change.

SACM also provides *investment consulting services* related to the following:

- Asset allocation
- Portfolio diversification
- Alternative assets
- Other general economic and financial topics

SACM does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. The client understands that investing in any security entails risk of loss.

### ***Third Party Money Managers***

We also offer clients the opportunity to invest with a third party money manager. This program may allow you to obtain portfolio management services that typically require higher minimum account sizes outside of the program. The money managers selected under this program will have discretion to determine the securities it buys and sells within the account, subject to reasonable restrictions imposed by you. The manager may use different investment strategies than those listed here. You should carefully review the third party manager's ADV Part 2A for important and specific program details, including pricing.

## **Item 9 Disciplinary Information**

There have been no disciplinary actions against SACM or any of its personnel.

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

San Antonio Capital & Trust Holdings, LLC wholly owns San Antonio Capital & Trust Company, LLC which wholly owns San Antonio Capital Management, LLC. As of July 1, 2013 The Bank of San Antonio owns 100% of San Antonio Capital & Trust Holdings, LLC and Southwest Bankshares, Inc. owns 100% of The Bank of San Antonio. San Antonio Capital & Trust Company, The Bank of San Antonio and SACM may refer clients to one another. SACM pays referral fees to The Bank of San Antonio through a joint marketing agreement for client referrals.

SACM Partners have invested in Class A and Class B stock in SACT Holdings, LLC. The Class A shares investment is used as operating capital for SACM, and the Class B shares are then further invested into public securities, which SACM manages under its standard investment management fee schedule. There is a conflict of interest in that SACM manages and charges

for the management of the Partners' investments in SACT Holdings, LLC, its ultimate parent entity.

SACM is the General Partner and Manager for SACM Biotech Ventures, LLC, a company which was formed for the specific purpose of acquiring limited partnership interests in InCube Ventures II, L.P., a Delaware limited partnership. The Manager (SACM), its principals and their affiliates and family members reserve the right to purchase ownership interests in this entity. The Chairman of SACM is a limited partner in SACM Biotech Ventures, LLC and has committed capital to it.

At this time SACM does not hold an ownership interest in SACM Biotech Ventures, LLC; however, SACM does receive compensation for the management services it provides. Once all members are made whole, SACM will receive a 2.5% profits interest in any gain above the capital committed. SACM also received a 1% upfront closing fee on committed capital.

San Antonio Trust Company, has been established to provide trustee services to current and new SACM clients. SACM and San Antonio Trust Company do have clients in common.

Clients should be aware that the receipt of additional compensation by SACM and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict: we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees; we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies; we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance; our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances; we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed; we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

To address the conflict of interest that a SACM employee may benefit more than the client we disclose to the client (at the time of investment) that SACM employees participate alongside the client with no preferential treatment. Moreover since SACM employees receive no sales or management fees, they are not incentivized to raise disproportionate funds from clients.

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

### ***Code of Ethics***

SACM has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm’s Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### **Misuse of Nonpublic Information**

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or client securities trades.

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

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business

- Engaging in any manipulative practices
- Participating in or having interest in Client accounts unless they are a family member

### ***Personal Securities Trading***

SACM permits its access persons to engage, on a limited basis, in personal securities transactions. As stated in the “Methods of Analysis, Investment Strategies and Risk of Loss” section, clients invest side by side with members of The Committee. Employee trades should be executed in a manner consistent with the Firm’s fiduciary obligations to clients: trades should avoid actual improprieties, as well as the appearance of impropriety. Employee trades must not be timed to precede orders placed for any client, nor should trading activity be so excessive as to conflict with the employee’s ability to fulfill daily job responsibilities.

SACM requires employees to:

- Pre-clear certain personal securities transactions.
- Report personal securities transactions on at least a quarterly basis.
- Provide SACM with a detailed summary of holdings (both initially upon commencement of employment and annually thereafter) over which the employee has a direct or indirect beneficial interest.

These are reviewed as required by the Chief Compliance Officer for compliance with the Code of Ethics. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records as required.

### **Outside Business Activities**

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease such activity.

### **Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

## **Item 12 Brokerage Practices**

SACM suggests that its investment management clients select brokerage services offered by Fidelity Institutional Wealth Services (“Fidelity”), which sends clients complete custodial statements on a monthly basis and also provides web access to client accounts, and Russell Investments.

In making its decisions regarding selecting a custodian which may also act as broker/dealer for clients, SACM seeks to obtain best trade execution, taking into account the following factors:

- The ability to effect prompt and reliable executions at favorable prices.
- The operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution.
- The financial strength, integrity and stability of the broker-dealer.
- The quality, comprehensiveness and frequency of available research services considered to be of value to SACM and its clients.
- The value of brokerage services over and above trade execution provided to SACM and its clients.
- The competitiveness of commission rates in comparison with other broker-dealers satisfying SACM's other selection criteria.

Although SACM generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent, particularly since SACM enacts all of its trades through Fidelity. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

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

"Soft dollars" is a term applied to commission revenue generated by client trades which is then used to pay for services provided to an investment advisor. These services must apply to benefit clients and include research and other related services as defined by the Securities and Exchange Act of 1934.

The availability of these soft-dollar benefits will create a conflict of interest and may influence SACM to select one broker rather than another to execute trades for the client's account. As such, Fidelity and Russell Investments provide 1) a portfolio management and reporting program and 2) a financial planning program to SACM. Nevertheless, SACM intends to use its best efforts to ensure that the fees and costs for services provided by such brokers are reasonable. Additionally, Fidelity and Russell Investments provide SACM with access to their research and the research of third parties at little or no cost.

There may other benefits from recommending a broker-dealer or other third party managers such as software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Other services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants



and other third party service providers who provide a wide array of business related services and technology with whom SACM may contract directly.

SACM's relationships with brokerage firms that provide soft-dollar services to SACM may influence SACM's judgment in allocating brokerage business and create conflicts of interest, both in allocating brokerage business between firms that provide soft-dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. However, please note that Russell Investments does require a minimum investment level in order for SACM to receive all benefits. This does incentivize SACM to place investments with Russell Investments. These conflicts of interest are particularly influential to the extent that SACM uses soft dollars to pay expenses it would otherwise be required to pay itself.

Additional benefits may be provided to SACM which are not paid for with soft dollars. These services might assist SACM with its administration of client accounts, and thus slightly help its profitability.

In certain instances SACM may execute over-the-counter securities transactions on an agency basis, which may result in advisory clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market makers mark-up or mark-down.

### ***Brokerage for Client Referrals***

SACM does not receive any compensation or incentive for referring you to broker-dealers for brokerage trades.

### ***Directed Brokerage***

Certain clients may instruct us to trade all or a portion of their portfolio transactions with a designated broker-dealer. We will accept this 'directed brokerage' as long as this arrangement does not materially undermine our ability to provide acceptable qualitative execution for these clients. SACM does not negotiate commissions or volume discounts for clients under directed brokerage arrangements, and therefore clients must negotiate commission rates on their own behalf. These arrangements may disadvantage clients if they pay a higher commission rate or receive less favorable execution than they would if SACM had full discretion to select brokers.

Under our trade policy, directed brokerage trades may be executed after all discretionary trades are completed in the same security. During volatile markets, this delay in the timing of "trade execution" may result in trade price disparities versus non-directed client trades. At the present time, only a small percentage of SACM clients request that we direct their business to a specific broker. If we find that a directed brokerage arrangement places the client at a material disadvantage, we will notify the client accordingly.

### ***Order Aggregation***

Orders for the same security entered on behalf of more than one client will generally be aggregated (bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders; filled orders shall be allocated separately from

subsequent orders. All clients participating in each aggregated order shall receive the average price and, if applicable, pay a pro-rata portion of commissions. Accounts which are beneficially owned by SACM or its employees or access persons may participate in aggregated orders under the same conditions as set forth above. Transactions are usually aggregated to seek a lower commission, lower costs or a more advantageous net price.

Transactions placed through a custodian other than Fidelity may not be bunched for order aggregation purposes.

Transactions placed in an asset management account by a third party manager will be executed through their broker-dealer or custodian. In determining best execution for these transactions, the third party manager is looking at whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. While they look for competitive commission rates, they may not obtain the lowest possible commission rates for account transactions. The aggregation and allocation practices of mutual funds and third party managers that we recommend to you are disclosed in the respective mutual fund prospectuses and third party manager disclosure documents which will be provided to you.

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

Generally, client accounts are reviewed on a regular basis by Omar Akhill, the Portfolio Manager. In addition, accounts are reviewed after the monthly Advisory Committee meetings to implement changes in asset allocations.

Clients receive statements at least quarterly directly from the account custodian. In addition, discretionary clients receive performance reports from SACM after the first full quarter of the relationship.

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

SACM and any of its affiliates have relationships where an administrative fee is paid to one another for introduction or referral of clients. Clients referred by an affiliate to SACM pay the same fee to SACM as if the client were to come to SACM directly.

SACM pays referral fees to the Bank of San Antonio for referring clients to SACM as permitted by the SEC. The referral fee is paid entirely from our investment advisory fee; the client does not pay an additional fee. The Bank of San Antonio must inform the client of their relationship with SACM at the time of solicitation and deliver a copy of this ADV and a written disclosure explaining the solicitation arrangement, including the fee arrangement.

### **Item 15 Custody**

For our retail advisory Clients, we do not have physical custody of any accounts or assets. However, we may be deemed to have custody of your accounts if we have the ability to deduct your quarterly fees from the custodian. Because SACM generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's

account, SACM is considered to have “custody” of client assets. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements all show the deduction of the management fee from the account. Otherwise, SACM may only direct the movement of funds from one account in the client’s name to another such titled account, but has no other access to funds.

The assets in client account(s) are held by Fidelity and Russell Investments. Clients may at any time add assets to or remove assets from the account.

When clients receive their account statements from the qualified custodian, they should carefully review those statements and take the time to compare them with those they receive from SACM. If the client finds significant discrepancies, the custodian and SACM should be notified.

SACM is considered to have custody of the following:

- The client accounts that have invested in the SACM Biotech Ventures, LLC and the client accounts over which SACM has a trustee relationship through the trust company, San Antonio Capital Trust (SACT).

In order to fulfill SACM’s regulatory responsibility for these accounts over which SACM has custody, the following safeguards have been instituted:

1. All Client accounts are held at Fidelity or another qualified custodian.
2. An audit is conducted, at least annually, by an independent certified public accountant who verifies all custodied Client funds and securities. .
3. At least every three months, SACM sends to each affected Client an itemized statement showing the Client’s funds and securities in SACM’s custody at the end of the period, and all debits, credits, and transactions in the Client’s account during that period. These statements are sent by Fidelity. Clients are encouraged to review these statements carefully and notify SACM of any discrepancies or concerns.

## **Item 16 Investment Discretion**

If a Client elects to give SACM discretion over their accounts, this occurs at the onset of the relationship and is disclosed in the Investment Management Agreement. For discretionary accounts, the Firm has full trading authority under a limited power of attorney assigned to SACM at the time of account opening. The Firm is authorized to make the following determinations in accordance with client objectives and restrictions without obtaining prior consent from the client:

- Which securities or instruments to buy or sell
- The total amount of securities or instruments to buy or sell
- The executing broker-dealer for any transaction
- The commission rates or commission equivalents charged for transactions.

In all cases, however, this discretion is exercised in a manner consistent with your stated investment objectives for your account. When selecting securities and determining amounts,

we observe the investment policies, limitations and restrictions you have set. We require that any investment guidelines and/or restrictions you wish to place be provided to us in writing.

Nondiscretionary accounts are managed for clients not willing or unable to provide limited power of attorney to SACM. Should you elect not to grant us discretionary authority, we have no authority from you to select the type of securities and amount of securities to be bought or sold without your prior express consent.

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

Clients receive proxy material directly from their account custodian by either email or U.S. mail. SACM will not vote (by proxy or otherwise) in any matter for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in the client's account.

### **Item 18 Financial Information**

SACM is required to provide you with any pertinent financial information or disclosures about our financial condition. We do not have any financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings. In addition, we do not charge fees that are more than \$1200 and also more than six months in advance. Therefore we are not required to provide a financial statement.