

# PT Asset Management, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of PT Asset Management. If you have any questions about the contents of this brochure, please contact us at (303) 244-0467 or by email at: [randy.palomba@ptassetmanagement.com](mailto:randy.palomba@ptassetmanagement.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 PT Asset Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). PT Asset Management's CRD number is: 163396.*

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*Registration does not imply a certain level of skill or training.*

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## Item 2: Material Changes

The date of our last Brochure was March 30, 2013. This revised Brochure contains updates regarding the following items:

- The ownership description was revised in Items 4 and 10 to correctly reflect that PTAM is a wholly owned subsidiary of Public Trust Advisors, Inc. and to reflect the principal owners of Public Trust Advisors, Inc.

Pursuant to SEC Rules, we will provide you with one or more of the following:

- An updated annual brochure that includes a summary of any material changes to the Brochure during the course of the previous business year within 120 days of the close of PTAM's fiscal year end of December 31<sup>st</sup>.
- An interim amendment to the brochure if new information in response to Disciplinary Information (Item 9) is available; and
- An interim amendment resulting from any material change that could affect the relationship between our client(s) and PTAM.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

PT Asset Management is a Limited Liability Company organized in the state of Colorado.

This firm has been in business since March of 2012 and is the wholly owned subsidiary of Public Trust Advisors, LLC ("PTA"). The principal owners of PTA are John Francis Grady, Thomas D. Jordan, Randy Scott Palomba, Thomas Norbert Tight and Gregory Stuart Wright.

PTAM may from time to time utilize the services of third party investment managers in a sub-advisory capacity to provide certain investment advisory services to our clients. In these cases, PTAM will obtain written permission from the client and ensure the client receives all required disclosure information regarding sub-adviser. PTAM will continually monitor the services provided by the sub-adviser and will have the ability to hire and fire when necessary.

### **B. Types of Advisory Services**

PT Asset Management (hereinafter "PTAM") offers the following services to advisory clients:

#### ***Investment Advisory Services***

PTAM offers investment advisory services to U.S. government entities and municipalities ("Clients") only. These services are provided on either a discretionary or non-discretionary basis, depending upon each Client's needs and requirements and subject to the written investment guidelines provided by each Client. The investment guideline information provided by each Client, together with any other information relating to the Client's overall investment requirements ("Investment Policy Statement"), will be used by PTAM to determine the appropriate portfolio asset allocation for each client.

PTAM does not assume any responsibility for the accuracy of the information provided by a Client and is not obligated to verify any information received from a Client. Under all circumstances, Clients are responsible for promptly notifying PTAM in writing of any material changes to the Client's Investment Policy Statement. In the event that a Client notifies PTAM of changes, PTAM will review such changes and implement any necessary revisions to the Client's portfolio.

PTAM mainly invests Client assets in U.S. government securities, but may also invest in other fixed income securities and repurchase agreements. Please refer to Item 8 for additional information about PTAM's methods of analysis, investment strategies, and their associated risks.

### ***Administrative and Transfer Agency Services***

PTAM provides administrative and transfer agency services to the Local Government Investment Pool (LGIP) of New York Cooperative Liquid Assets Securities System ("NYCLASS"). Services provided, include but are not limited to, the maintenance of participant records, transactions and account balances; and money movements based on client requests.

### ***Fund Accounting Services***

PTAM provides fund accounting services for NYCLASS which entails the daily accounting of assets, income earned and expenses to derive an NAV and a daily dividend rate to be paid to participants. Additional services provided are annual financials and Board reports.

## **C. Client Tailored Services and Client Imposed Restrictions**

PTAM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

At the beginning of the relationship, we generally meet with the clients and gather information regarding client's overall investment objectives and guidelines. Where applicable an Investment policy is requested from the client and utilized to tailor the investments and objectives of the portfolio. From there we assist the client in determining the best investment strategy or strategies that are best suited to meet the client's needs and objectives. Once a client has selected an investment strategy or strategies, we provide continuous supervision and management of the assets. Clients are responsible for informing us of any changes to their investment objectives and /or restrictions.

Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. PTAM DOES NOT participate in any wrap fee programs.

## **E. Amounts Under Management**

As of December 31, 2012 PTAM had assets under management in the amount of \$ 20.6 million.

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Investment Advisory Services Fees***

Local Government Investment Pool (LGIP) accounts, fees are calculated based on the prior day's net asset value of the underlining portfolios. Fees paid to PTAM for the LGIP accounts cover portfolio management, fund accounting, administrative and transfer agency services and may cover various auxiliary expenses, including but not limited to, legal, audit, marketing, and board expenditures. These fees are generally paid monthly by the client to PTAM.

Separately managed accounts billing is based on the average market values for the billing period which can be either monthly or quarterly. These fees are based upon the needs of the client and complexity of the situation, agreed to in writing with the client and evidenced in the final fee schedule which is attached as Exhibit II of the Investment Advisory Contract. Fees are invoiced to the client and are paid either monthly or quarterly in arrears. Clients may terminate their contracts with thirty days' written notice. Because fees are charged in arrears, no refund policy is necessary. Annual fees can be up to 0.30%, depending on a number of factors, including but not limited the amount of assets being managed. Fees will be collected via check, ACH, bank wire, or paid by the custodian after deduction from the client's account (where applicable.)

All fees charged to clients are fully described in the contractual agreements between the client and PTAM.

The firm may from time to time charge a fixed rate for services. The amount is negotiable and depends on the extent of services required.

### **B. Other Fees and Expenses**

Clients should understand that the advisory fees described herein do not include certain charges imposed by third parties such as custodial fees and expenses. Client assets may also be subject to (as applicable) transaction costs, retirement plan administration fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

These fees and expenses are separate from and in addition to the fees charged by PTAM. Accordingly, each Client should review all applicable fees, to fully understand the total amount of fees to be paid by the Client and to thereby evaluate the advisory services being provided.

### **C. Prepayment of Fees**

Not applicable.

### **D. Outside Compensation For the Sale of Securities to Clients**

Neither PTAM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

PTAM does not charge or accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

PTAM generally provides investment advisory services to states or municipal government entities.

### ***Minimum Account Size***

There is no account minimum.

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

### **A. Methods of Analysis and Investment Strategies**

#### ***Methods of Analysis***

PTAM's methods of analysis include fundamental and technical analysis.

**Charting analysis** involves the use of patterns in performance charts. PTAM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** - Involves the evaluation of a security that attempts to measure its intrinsic value by studying related economic, financial and other qualitative and quantitative factors.

**Technical analysis** - Involves the examination of past market data such as prices and the volume of trading, which may provide an estimate of the future value of a security.

### ***Investment Strategies***

PTAM has three (3) investment strategies with different investment objectives as outlined below.

**Money Market** – This strategy is offered only to pooled investment accounts. The overall objectives are to preserve capital while providing high current income and daily liquidity. Short-term, high quality fixed income securities are utilized due to their minimal credit and volatility risk with the objective of maintaining a constant \$1.00 net asset value. Typically this strategy invests in U.S. Treasury and Agency securities, commercial paper, repurchase agreements and bank deposits.

**Enhanced Cash** – The overall objectives are to preserve capital while providing high current income with a high degree of liquidity and lower excess risk than short term benchmarks. Short-term, high quality fixed income securities are utilized due to their minimal credit and volatility risk. Generally, the weighted average maturity of the investments in this strategy can range from six to eighteen months. Typically this strategy invests in U.S. Treasury and Agency securities, commercial paper, short-term corporate notes and bonds, and municipal bonds.

**Core Assets**– The overall objectives are to provide a steady stream of income with longer-term capital appreciation. High quality fixed income investments are utilized to ensure minimal credit and volatility risk. This strategy involves active management of duration, sector and security selection. Common benchmarks for this strategy can be the Merrill Lynch 1-3 and 1-5 U.S. Treasury & Agency Indexes or as specified in the client's investment policy. Typically this strategy invests in U.S. Treasury and Agency securities as well as medium-term corporate and municipal bonds.

### **B. Material Risks Involved**

Investing involves risks, including loss of principal, which clients should be prepared to bear. The investment decisions made by PTAM for clients are subject to certain risks, and such decisions may not always be profitable. PTAM does not guarantee returns or performance against stated benchmarks. Past performance is not a guarantee of future results. The following is a summary of common risks associated with investing in fixed-income securities.

**Interest Rate Risk** – A bond's price and yield share an inverse relationship. Interest rate risk is that a bond's value may change due to a change in the absolute level in interest rates, the spread between two rates or a shift in the yield curve. The actual degree of a bond's sensitivity to changes in interest rates depends on various characteristics of the investment such as coupon and maturity.

**Credit Risk** – The risk that a bond issuer may fail to make payments for which it is obligated to pay. PTAM focuses on an issuer's financial condition to gauge its ability to make payments of interest and principal in a timely manner. Credit risk is also gauged by quality ratings assigned by Nationally Recognized Statistical Rating Organizations such as Moody's and Standard & Poor's.

**Liquidity Risk** – The degree to which an investment can be sold at or near its fair value. The size of a bond's market, the frequency of trades, ease of valuation and issue size impact liquidity risk.

**Market Risk** - The risk that the value of securities owned may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

**Issuer Risk:** The risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

**Municipal Project-Specific Risk:** The risk of the portfolio being more sensitive to adverse economic, business or political developments if it has invested in a substantial amount in municipal bonds of similar projects (e.g., housing, transportation, utilities), industrial development bonds, or in bonds from issuers in a single state.

**Default Risk:** The risk that a bond issuer (or counterparty) will default, by failing to repay principal and interest in a timely manner.

The market value of bonds will generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value at maturity. Interest rates for bonds may be fixed at the time of issuance, and payment of principal and interest may be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have longer maturities.

PTAM generally seeks investments that do not involve significant or unusual risk beyond the scope of the domestic high-grade fixed income universe. PTAM believes that the common risks involved with investing in fixed income securities as outlined above can be mitigated by prudently diversifying a portfolio's holdings.

## C. Risks of Specific Securities Utilized

PTAM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Short term trading** risks include liquidity, economic stability and inflation.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## Item 9: Disciplinary Information

### A. Criminal or Civil Actions

There are no criminal or civil actions to report.

### B. Administrative Proceedings

There are no administrative proceedings to report.

### C. Self-regulatory Organization (SRO) Proceedings

There are no self-regulatory organization proceedings to report.

## Item 10: Other Financial Industry Activities and Affiliations

### A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither PTAM nor any of our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. DRHI does not recommend or select other investment advisers for clients

in exchange for compensation from those advisers.

PTAM has one affiliated entity, Public Trust Advisors, LLC (PTA), a registered investment advisor. PTAM is a wholly owned subsidiary of PTA. The principal owners of PTA are John Francis Grady, Thomas D. Jordan, Randy Scott Palomba, Thomas Norbert Tight and Gregory Stuart Wright.

Each of these entities has agreements with its own respective client accounts.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither PTAM nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

**C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither PTAM nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

**D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

PTAM does not utilize nor select other advisers or third party managers. All assets are managed by PTAM management.

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

**A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Business Conduct Standard, who is subject to the code, Securities Holdings and Transaction Reports, Pre- Approval for Certain Securities Transactions, Insider Trading Policy, Outside Business Activities, Gifts and Other Matters Where There is Potential for a Conflict of Interest, Confidentiality, Record Keeping for the Code of Ethics, Training and Annual Certification and Compliance with Laws and Regulations. Our Code of Ethics is available free upon request to any client or prospective client.

## **B. Recommendations Involving Material Financial Interests**

PTAM does not recommend that clients buy or sell any security in which a related person to PTAM or PTAM has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

PTAM does not recommend that clients buy or sell any security in which a related person to PTAM or PTAM has a material financial interest.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

PTAM will not as a general rule, buy or sell securities for themselves that they also recommend to clients. PTAM will monitor personal trades with client's accounts for conflicts of interest.

## **Item 12: Brokerage Practices**

### **A. Selection Criteria and Best Execution**

As a fiduciary, PTAM has an obligation to use its best efforts to seek to obtain the best available price and most favorable execution given the circumstances with respect to all portfolio transactions placed by PTAM on behalf of our clients. This process is commonly referred to as "best execution". As part of our best execution process PTAM evaluates broker-dealers on a variety of criteria, including, but not limited to: (i) capital strength and stability, (ii) execution capabilities, (iii) trading expertise in fixed income securities, (iv) inventory of fixed income securities, (v) liquidity, (vi) any transaction costs, and (vii) reliable and accurate communications and settlement capabilities. From the evaluation, PTAM selects and maintains a list of brokers ("Approved Brokers") that are used for client transaction execution. To help ensure the firm is meeting our best execution obligations, PTAM performs a periodic (no less than quarterly) review of our trading practices and executions.

### **B. Order Aggregation and Allocation**

From time to time PTAM may determine, based on a variety of reasons, that the purchase or sale of a particular security is appropriate for multiple client accounts. When this happens, we may also determine that it is appropriate in the interest of efficient and effective execution to attempt to execute the trade orders as one or more block trades (i.e. aggregate the securities to be traded for each such account into one or more trade orders). These circumstances may, in turn, give rise to actual or potential conflicts of interest among the accounts for whom the security purchase or sale is appropriate, and among the subset of those accounts actually participating in a block trade, especially if the block trade order results in a partial fill. In order to address these conflicts, PTAM has adopted policies and procedures regarding allocating investment opportunities and also executed block trades in order to provide an objective and

equitable method of allocation so that all clients are treated fairly. The basic objectives of these policies and procedures are as follows:

- PTAM will always allocate investment opportunities among clients' accounts in a fair and equitable manner based on each client's overall investment objectives and strategy, and any restrictions placed on the management of the account;
- PTAM will only aggregate clients' trades when it believes that such aggregations are consistent with its duty to seek best execution for its clients; and
- PTAM will strive to ensure that no single client participating in the block trade would be favored over any other participating client.

The Custodian, when applicable, will be selected based on their relatively low transaction fees and their ability to perform their required duties. The Custodian provides for the safekeeping of clients assets. The choice of Custodian will be subject to periodic review by PTAM.

### **C. Soft Dollar Considerations**

PTAM does not have any third party soft dollar arrangements in place. There may be rare occasions when PTAM will receive proprietary research (i.e., internally created information covering such subjects as the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal services, credit analysis; risk measurement analysis) from an Approved Broker, and while we do not select Approved Brokers for trade execution based on the research they've provided, the price of their proprietary research is usually bundled into their transaction charges, which are paid for by the client. This practice is commonly referred to as "soft dollars" and is in accordance with the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934 ("Section 28(e)").

Also as permitted by Section 28(e), the research provided to PTAM by an Approved Broker may be used by the firm in servicing any or all of our clients, and may be used in connection with clients other than those making the payment of transaction costs to the Approved Broker. Since the research is being paid by the client, the receipt of such research may be deemed to be the receipt of an economic benefit by PTAM, and although customary and permitted, may be deemed to create a conflict of interest between PTAM and our clients. To address the conflicts surrounding soft dollars, PTAM has adopted written policies and procedures regarding trading and brokerage selection. In addition, we perform periodic reviews of trading practices to help ensure they remain in the best interests of our clients.

## **D. Brokerage for Client Referrals**

PTAM does not receive referrals from any broker-dealers in exchange for using the broker-dealer for execution of client trades.

## **E. Directed Brokerage**

In certain circumstances, PTAM may accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. When that happens, the client has usually negotiated terms and arrangements for the account with that broker-dealer, and PTAM will not seek better execution services or prices from other broker-dealers. In addition, depending on the arrangement, PTAM may not be able to aggregate a directed brokerage client's transactions with other PTAM client transactions for the same security and PTAM. Importantly, PTAM will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution, and as a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PTAM may decline a client's request to direct brokerage if, in PTAM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties and not be in the best interest of the requesting client. Further, from time to time PTAM may examine current market information for the benefit of the client is assessing the cost versus benefit of using a directed broker.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed periodically on a regular basis (at least monthly) by Randy Scott Palomba, Chief Financial Officer. Randy Scott Palomba is the chief advisor and is instructed to review clients' accounts with regards to their investment policies, risk tolerance levels and allocations. All accounts at PTAM are assigned to this reviewer.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least monthly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian. Monthly statements are provided to all separately managed accounts. These reports disclose such items as portfolio returns, holdings, transactions and issuer concentrations. Monthly statements are provided to clients and where applicable to other LGIP clients denoting their balances, transactions and income earned for the period.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

PTAM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PTAM clients.

### **B. Compensation to Non - Advisory Personnel for Client Referrals**

Except for employees, PTAM does not directly or indirectly compensate any person for client referrals.

## **Item 15: Custody**

Separately managed account clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to any statements and account reports provided by PTAM. Our statements and reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investors in Local Government Investment Pool accounts receive, at a minimum, audited financial statements within 120 days of pooled accounts fiscal year end.

## **Item 16: Investment Discretion**

For accounts where PTAM is granted discretionary authority in writing, PTAM will normally determine (without first obtaining client's permission for each transaction): 1)

the type of securities to be bought and sold, 2) the dollar amounts of the securities to be bought and sold, 3) the broker-dealers through which transactions will be executed, 4) whether a client's transaction should be combined with those of other Clients and traded as a "block", and 5) the commission rates and/or transactions costs paid to effect the transactions.

For non discretionary accounts, PTAM will provide recommendations to the client and if agreed upon for investment, will implement the transactions.

## **Item 17: Voting Client Securities (Proxy Voting)**

PTAM will not ask for, nor accept voting authority for client securities. Further, the types of securities purchased for clients' accounts are non-equity securities, which usually do not have voting rights.

## **Item 18: Financial Information**

### **A. Balance Sheet**

PTAM does not solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither PTAM nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

PTAM has not been the subject of a bankruptcy petition in the last ten years.