

# *Alpha Capital Management, LLC*

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## *Disclosure Brochure*

*February 19, 2014*

This brochure provides information about the qualifications and business practices of Alpha Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 404.604.2293. 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.

Alpha Capital Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

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

## Material Changes

Alpha Capital Management, LLC (“ACM, we, us, our, ours”) delivers its brochure initially when we enter into an advisory agreement. We then offer or deliver our brochure on an annual basis. We will provide a summary of material changes to our brochure by April 29th of each year. We may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes will include the date of our last annual update of our brochure.

There have been no material changes made to our brochure since its last annual update on March 22, 2013.

Currently, our brochure may be requested by contacting Lauren Ross, Chief Compliance Officer at 212-207-8539 or by email to [lross@alphacapitalmgmt.com](mailto:lross@alphacapitalmgmt.com). Our brochure is also available on our website [www.alphacapitalmgmt.com](http://www.alphacapitalmgmt.com). We will provide you with a new brochure at any time without charge.

Additional information about our company is also available via the SEC’s website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The SEC’s website also provides information about any persons affiliated with ACM who are registered as investment adviser representatives of ACM. Information on our investment adviser representatives who work with your account can be found in our brochure supplements.

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## **Advisory Business**

ACM is a Limited Liability Company organized under the laws of Georgia. Brad Alford founded the Atlanta, GA-based investment advisory firm in 2006 and is the principal owner. ACM is an SEC-registered investment adviser.

### *Investment Management Services*

We use the expertise of third party money managers to provide you a variety of investment opportunities and management styles. We select funds based upon the fund's management and your risk tolerance and investment objectives. The investment strategies utilized and portfolios constructed and managed depend on your individual investment objectives and goals. Model portfolios, sub-advisers, options, and/or margin may be used as a part of this strategy.

You should notify us promptly if there are any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions upon the management of your account.

As of December 31, 2013, we managed approximately \$84.9 million in client assets on a discretionary basis where we made all of the investment decisions.

## **Fees and Compensation**

We offer our services on a fee-only basis. Fees for the initial quarter are based on

the value of your cash and securities on the date the custodian/broker-dealer receives them and are prorated based upon the number of calendar days in the calendar quarter that our agreement is in effect. Our fee schedule is described below:

<b><u>Assets Under Management</u></b>	<b><u>Advisory Fee<sup>1</sup></u></b>
Up to \$2,000,000.00	0.90%
Over \$2,000,000.00	0.70%

*<sup>1</sup>All fees are negotiable at our sole discretion.*

Our annual fee is calculated and paid quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter.

Broker-dealers and other financial institutions that hold client accounts are referred to as custodians ("custodian/broker-dealer"). Your custodian/broker-dealer determines the values of the assets in your portfolio.

In addition to our fee, you may be required to pay other charges such as:

- custodial fees,
- brokerage commissions,
- transaction fees,
- SEC fees,
- internal fees and expenses charged by mutual funds or exchange traded funds ("ETFs"), and
- other fees and taxes on brokerage accounts and securities transactions.

None of these fees are paid to or are shared with us.

Mutual fund companies and ETFs charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Complete details of these internal fees and expenses are explained in the prospectuses for each investment. You are strongly encouraged to read these explanations before investing any money. You may ask us any questions you have about fees and expenses.

If you purchase mutual funds through the custodian/broker-dealer, you may pay a transaction fee that would not be charged if the transactions were made directly through the mutual fund company. Also, mutual funds held in accounts at brokerage firms may pay internal fees that are different from funds held at the mutual fund company.

While you may purchase shares of mutual funds directly from the mutual fund company without a transaction fee, those investments would not be part of our advisory relationship with you. This means that they would not be included in our investment strategies, investment performance monitoring, or portfolio reallocations.

Please be sure to read the section entitled “Brokerage Practices,” which follows later in this brochure.

Should you terminate the advisory agreement we have entered into within

five (5) business days from the date the agreement is executed, you will receive a full refund of any fees paid.

Should either one of us terminate the advisory agreement we have entered into before the end of a billing period, any unearned fees that were deducted from your account will be returned to you by us. The amount refunded to you is calculated by dividing the most recent advisory fee you paid by the total number of days in the quarter. This daily fee is then multiplied by the number of calendar days in the quarter that our agreement was in effect. This amount, which equals the amount we earned for the partial quarter, is subtracted from the total fee you paid in advance to determine your refund.

### ***Performance-Based Fees***

We do not charge performance-based fees on any of our client accounts. Performance-based fees are based on a share of capital gains on or capital appreciation of the account assets.

### ***Types of Clients***

We provide advisory services primarily to high net worth individuals, including their trusts, estates and retirement accounts. We also provide services to corporations or business entities including their pension and profit sharing plans. As a condition for starting and maintaining an advisory relationship, we generally require a minimum portfolio size of \$200,000. We, at our sole

discretion, may accept clients with smaller portfolios based upon certain factors including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing client relationships. We may consider the portfolios of your family members to determine if your portfolio meets the minimum size requirement.

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

We employ a rigorous process in constructing a portfolio of third party investment advisers, funds and/or ETFs based on individual client investment objectives and risk tolerances. We begin the portfolio construction process by screening the universe of managers, funds and ETFs using qualitative inputs such as:

- fund strategy,
- assets under management,
- fund expenses,
- manager tenure.

And quantitative inputs based on:

- historical returns,
- volatility of returns,
- variance of returns,
- value added by a fund managers, and
- the fund's sensitivity to broad market movements.

Actual fund selection and portfolio

weightings of funds are determined by how each is expected to contribute to portfolio returns, in addition to the Adviser's forward looking outlook for asset classes.

Funds are monitored on a daily basis and can be sold for a number of reasons.

Reasons for selling a fund may include:

- underperformance of the fund vs. peers or expectations,
- identification of a more attractive fund,
- identification of a lower cost fund,
- an increase in volatility of a fund's returns,
- an unwanted change or drift in an fund's strategy, or
- a change in the fund's management.

Although we manage your portfolio in a manner consistent with your risk tolerances, there can be no guarantee that our efforts will be successful. You should be prepared to bear the risk of loss.

Our investment strategies may include long-term and short-term purchases/sales, the use of options, margin, trading (securities sold within a year) and short sales. You may place reasonable restrictions on the strategies to be employed in your portfolio and the types of investments to be held in your portfolio.

All investments involve risks that can result in loss:

- loss of principal,
- a reduction in earnings (including interest, dividends and other distributions), and
- the loss of future earnings.

Additionally, these risks may include:

- market risk,
- interest rate risk,
- issuer risk, and
- general economic risk.

You must also be aware that the use of margin, options and short sales are higher risk strategies. It is possible to lose all of the principal you invest, and sometimes more. In a cash account, your risk is limited to the amount of money that you have invested. In a margin account, your risk includes the amount of money invested plus the amount that has been loaned to you. When you short sell, your losses can be infinite.

### ***Disciplinary Information***

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

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

Alpha Capital Management (“ACM”) is an SEC-registered investment adviser that owns 22% of Alpha Capital Funds Management (“ACFM”). Brad Alford is the principal owner and Chief Investment Officer of both ACM and ACFM. ACM and ACFM also share staff and office facilities.

ACM may recommend to their advisory clients the purchase or sale of mutual funds managed by us.

As explained under “Fees and Conditions” above, we may recommend various asset management firms. If you establish an investment advisory relationship with one of these firms, our financial advisors may share in the advisory fees you pay to these asset management firms.

As previously noted, we will explain the specific costs associated with any recommendation.

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

We have adopted a Code of Ethics (“Code”) to address the securities-related conduct of our advisory representatives and employees. The Code includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place your interests ahead of ours;
- that all personal securities transactions of our advisory representatives and employees be conducted in a manner consistent with the Code and avoid any actual or potential conflict of interest, or any abuse of an advisory representative's or employee's position of trust and responsibility;
- that advisory representatives may not take inappropriate advantage of their positions;
- that information concerning the identity of your security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request.

We do not buy or sell securities for our firm that we also recommend to clients. Although our advisory representatives and employees are permitted to buy or sell the same securities for their personal and family accounts that are bought or sold for your account(s), the timing of such transactions may be restricted. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by you or
- considered for purchase or sale for you.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in your best interest,
- prohibit favoring one client over another,
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee receiving a better price than a client, and
- place certain restrictions ("blackout periods") on when advisory representatives or employees may purchase or sell the same securities purchased or sold for you.

### ***Brokerage Practices***

We may recommend that the broker-dealer/custodian for your account be Schwab Institutional division of Charles Schwab & Company, Inc., ("Schwab"). Schwab will assist us in servicing your accounts. We are independently owned and operated and not affiliated with Schwab. Our use of Schwab is, however, a beneficial business arrangement for us and for Schwab. Information regarding the benefits of this relationship is described below.

In recommending Schwab as custodian and as the securities brokerage firm responsible for executing transactions for your portfolios, we consider at a minimum Schwab's:

- existing relationship with us,
- financial strength,
- reputation,
- reporting capabilities,
- execution capabilities,
- pricing, and
- types and quality of research.

The determining factor in the selection of Schwab to execute transactions for your accounts is not the lowest possible transaction cost, but whether Schwab can provide what is in our view the best qualitative execution for your account.

Schwab provides us with access to its institutional trading and custody services, which includes:

- brokerage,
- custody,
- research, and
- access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

We are not required to effect a minimum volume of transactions or maintain a minimum dollar amount of client assets to receive these services.

Schwab does not charge separately for holding our clients accounts, but may be compensated by you through other transaction-related fees associated with the securities transactions it executes for your accounts.

Schwab also makes available to us other products and services that benefit us but may not benefit you directly. Some of these products and services assist us in managing and administering our client accounts, such as software and other technology that:

- provide access to account data such as:
  - duplicate trade confirmations,
  - bundled duplicate account statements, and
  - access to an electronic communication network for client order entry and account information;
- facilitate trade execution, including:
  - access to a trading desk serving advisory participants exclusively and
  - access to block trading which provides the ability to combine securities transactions and then allocate the appropriate number of shares to each individual account;
- provide research, pricing information and other market data;
- facilitate payment of our fees from client accounts; and
- assist with back-office functions, record keeping and client reporting;



- and
- receipt of compliance publications.

Schwab also makes available to us other services intended to help us manage and further develop our business. These services may include:

- consulting,
- publications and conferences on practice management,
- information technology,
- business succession,
- regulatory compliance, and
- marketing.

Schwab may also make available or arrange for these types of services to be provided to us by independent third parties. Schwab may discount or waive the fees it would otherwise charge for some of the services it makes available to us. It may also pay all or a part of the fees of a third party providing these services to us. Thus, we receive economic benefits as a result of our relationship with Schwab, because we do not have to produce or purchase the products and services listed above.

Because the amount of our compensation or the products or services we receive may vary depending on the custodian/broker-dealer we recommend to be used by our clients, we may have a conflict of interest in making that recommendation. Our recommendation of specific custodian/broker-dealers may be based in part on the economic benefit to us and not solely on the nature, cost

or quality of custody and brokerage services provided to you and our other clients. We nonetheless strive to act in your best interests at all times.

Commissions and other fees for transactions executed through Schwab may be higher than commissions and other fees available if you use another custodian/broker-dealer firm to execute transactions and maintain custody of your account. We believe, however, that the overall level of services and support provided to our clients by Schwab outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Many of the services described above may be used to benefit all or a substantial number of our accounts, including accounts not maintained through Schwab. We do not attempt to allocate these benefits to specific clients.

You may direct us in writing to use a particular broker-dealer to execute some or all of the transactions for your account. If you do so, you are responsible for negotiating the terms and arrangements for the account with that broker-dealer. We may not be able to negotiate commissions, obtain volume discounts, or best execution. In addition, under these circumstances a difference in commission charges may exist between the commissions charged to clients who direct us to use a particular broker or dealer and other clients who do not direct us to use a particular broker or dealer.

## ***Review of Accounts***

All accounts are reviewed by the Chief Investment Officer and/or the Chief Compliance Officer on an ongoing basis. The reviews focus on consistency of portfolio investments with investment objectives and constraints and risk tolerances. Constraints may include: time horizon, liquidity needs, tax considerations and legal/regulatory constraints.

On a quarterly basis, performance is reviewed to monitor consistency with appropriate benchmarks. Cash levels are reviewed at least quarterly. After consideration of the above factors, allocation and investment determinations are made. Thereafter, accounts are reviewed on a transaction, monthly, quarterly or annual basis, as needed. Account reviews may be triggered by potential change (beyond client's needs) including analyst reports, company news, fund management change and interest rate movement. There is no limit to the number of accounts for which the reviewer is responsible. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Advisor and to keep the Advisor informed of any changes thereto.

You will receive statements from the custodian/broker-dealer at least quarterly. These statements identify your current investment holdings, the cost of each of those investments, and their current market values. If requested by client, Adviser will provide a quarterly

report which details the performance of their investments.

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

We receive certain economic benefits as a result of our participation in Schwab's institutional program. Those benefits are described in detail in the preceding section entitled "Brokerage Practices."

We do not directly or indirectly compensate any person who is not one of our advisory representatives or employees for client referrals.

## ***Custody***

You will receive statements from the custodian/broker-dealer that holds your investment account on at least a quarterly basis. We urge you to carefully review these statements. You should verify that the transactions in your account are consistent with your investment goals and the objectives for your account. We also encourage you to contact your advisory representative or our Chief Compliance Officer should you have any questions or concerns regarding your account.

## ***Investment Discretion***

We offer our advisory services on a discretionary basis. This means that we do not need advance approval from you to determine the type and amount of

securities to be bought and sold for your accounts. We do not, however, have the ability to choose the broker-dealer through which transactions will be executed. Additionally, we do not have the ability to withdraw funds from your account (other than to withdraw our advisory fees which, may only be done with your prior written authorization.)

This discretion is used in a manner consistent with the stated investment objectives for your account, if you have given us written authorization to do so. We only exercise discretion in accounts where we have been authorized by you. This authorization is typically included in the investment advisory agreement you enter into with us.

### ***Voting Client Securities***

Proxies on securities held in client's accounts are voted by ACM's managers. ACM has adopted policies and procedures designed to prevent conflicts of interest from influencing proxy voting decisions made on behalf of client accounts and to ensure that such decisions are in accordance with ACM's fiduciary obligations to its clients.

ACM's proxy voting policies and procedures, including information for clients on how their securities were voted, are available upon written request to Alpha Capital Management, LLC, Attn: Chief Investment Officer, 3060 Peachtree Road NW, Suite 240, Atlanta, GA 30305.

ACM will work with the client's custodian to ensure receipt of proxies. However, if the custodian is not able to facilitate this procedure, the client will be notified that ACM will not be voting the proxies.

In addition, ACM actively reviews and may elect to participate in class action lawsuits involving securities on behalf of its clients. Clients may choose to vote proxies by sending in written notification stating their desire to the firm. Additionally, clients may choose to review information regarding participation in class actions with written notification.

### ***Financial Information***

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding.