

# **Altrius Capital Management, Inc.**

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**March 2, 2015**

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of Altrius Capital Management, Inc. If you have any questions about the contents of this brochure, contact us at 252-638-7598. 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 Altrius Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Altrius Capital Management, Inc. is 121529.

Altrius Capital Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 17, 2014 there are no material changes to report.

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## Item 4 Advisory Business

Altrius Capital Management, Inc. is an SEC-registered investment adviser based in New Bern, North Carolina. Our firm was founded in 1997 and is organized as a Subchapter S-corporation under the laws of the State of North Carolina. We have been providing investment advisory services since 2004. James M. Russo is our principal owner. We have been delivering global balanced investment management services to a broad range of clientele for more than a decade and seek to provide diversified investment management services utilizing our fundamentally based, value oriented, and risk managed investment management process. With an economics underpinning and a value based philosophy, our investment management process is focused on finding the best solutions for investors across markets in an effort to deliver risk managed out performance over the short and long term.

As used in this brochure, the words "we", "our" and "us" refer to Altrius Capital Management, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Investment Management Services

We provide discretionary investment management services in accordance with your individual investment objectives. In the event you decide to engage our firm to provide investment management services (which may include certain financial planning and/or consulting services), you will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the fees to be paid.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, and/or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Account supervision is guided by your stated objectives (balanced, conservative balanced, and equity tilted balanced). We will assist you with identifying your investment objectives by assessing your risk tolerance based upon your age, income, need for cash flows, investment goals, and emotional tolerance for volatility. Strategies are then developed and implemented through an optimal combination of investments. When constructing portfolios we will determine how to allocate funds across different assets classes and securities. Refer to the *Other Financial Industry Activities and Affiliations* section below for disclosures on investments in our affiliated mutual fund(s).

We will also provide you with reports, at least quarterly, that generally include relevant account and/or market-related information such as an inventory and appraisal of account holdings, and investment performance. We may provide additional reports at your request. We encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, call our main office number located on the cover page of this brochure.

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change or if you wish to impose or change any reasonable restrictions on our management of your account(s).

You may terminate the portfolio management agreement by submitting written notice to our firm, which is effective upon our receipt. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Advisory Consulting Services**

Some clients may need general consulting services on specific securities and non-securities related investments. Such services may include some modular financial planning functions, or more general advice. We do not offer legal or tax counsel. At your request, we will provide professional references in these and associated areas.

Consulting services may include, but are not limited to, risk assessment/management, education funding, or financial decision making/negotiation. Through this limited engagement, you agree to hold our firm and our Associated Persons harmless from any liability arising out of any area(s) that we were not expressly contracted to review and/or analyze. Fees and fee paying arrangements for general consulting services are negotiated on a case by case basis. In the event you decide to engage our firm for advisory consulting services, you will be required to enter into a written engagement letter with us describing the scope of the services to be provided and the fees to be paid.

### **Advisory Services to Retirement Plans**

As disclosed above, we offer various levels of advisory and consulting services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Security Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor under ERISA Section 408(b)(2), we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, potential conflicts of interest, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan and related compensation are described below at Item 5, and in the service agreement that you have previously signed with our firm. We also participate in the TD Ameritrade AdvisorDirect referral program ("AdvisorDirect"), described more fully below at Item 12 and Item 14, and receive certain benefits resulting from our participation in AdvisorDirect. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants. Nonetheless, if we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

In providing services to the Plan and Participants, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting as a fiduciary of the Plan as defined in Section 3(21) under ERISA, only. In all cases, our status as a fiduciary under ERISA is clearly disclosed in the agreement you previously signed. If there is any discrepancy between the disclosures in this paragraph and the agreement, the agreement shall govern.

## **Types of Investments**

Accounts are normally managed using individual common stocks and bonds, exchange traded funds, structured notes, master limited partnerships and real estate investment trusts on an asset allocation basis. Additionally, we may recommend other types of investments since each client has different needs and different tolerances for risk. We may also advise you on any type of investment held in your portfolio at the inception of our advisory relationship, or on specific types of investments at your request.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## **Assets Under Management**

As of February 5, 2015, we provide continuous management services to \$192,060,465.78 in client assets on a discretionary basis. We do not provide continuous management services on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Investment Management Services**

Our fee for investment management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

#### **Account Asset Value    Company Fees (Annualized)**

First \$500,000	1.40%
Next \$500,000	1.00%
Over \$1 million	0.80%

In special circumstances, and in our sole discretion, we may negotiate a lesser management fee based upon certain criteria (i.e., the amount of work involved, amount of assets placed under our management, attention required in managing the account, etc.). For this fee, clients will receive asset allocation advice, money management, financial planning and custodial services. However, clients are made aware that transaction charges for trades made are paid in addition to the annual management fee.

Our portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. For the initial quarter of investment management services, the first quarter's fees will be calculated on a pro rata basis, which means the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

We may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

You may make additions to and withdrawals from your account at any time, subject to our right to terminate your account. You may withdraw account assets on notice to our firm, and subject to the usual and customary securities settlement procedures. However, we design our portfolios as long-term investments and asset withdrawals may impair the achievement of your specific investment objectives.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

If you receive an invoice from our firm, we encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, contact us at 252-638-7598.

### **Advisory Consulting Services**

Fees and fee paying arrangements for general consulting services are negotiated on a case-by-case basis. In the event you decide to engage our firm for advisory consulting services, you will be required to enter into a written engagement letter with us describing the scope of the services to be provided and the fees to be paid.

### **Advisory Services to Retirement Plans**

Fees and fee paying arrangements for retirement plan services are negotiated on a case-by-case basis. Where we provide continuous asset management services, our fees and fee paying arrangements are based on the tiered fee schedule and other information disclosed above, this section, at Investment Management Services. Where we are providing general consulting services, that are not continuous in nature, we generally charge 0.5% to 1.0% depending on the size of the plan. The agreed upon services, relevant fees, and fee paying arrangements will be disclosed in the executed service agreement.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds (ETFs). The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this Disclosure Brochure.

We may trade client accounts on margin. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved. You are encouraged to contact our firm at the telephone number on the cover page of this brochure to discuss any questions you may have regarding your account statement.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. In general, we require a minimum of \$500,000 in investible liquid assets to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management, or where a smaller account is tied to a larger client relationship. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

Third party programs, including TD Ameritrade's AdvisorDirect, may have account minimums that are higher or lower than our minimum account requirements. These minimums are disclosed separately in the relevant third party adviser's Form ADV disclosure brochure. Refer to *Item 12 Brokerage Practices* and *Item 14 Client Referrals and Other Compensation* for additional disclosures on TD Ameritrade and AdvisorDirect.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.



The use of margin transactions is not a fundamental part of our overall investment strategy, but we may use this strategy upon client requests.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Your account custodian, and our portfolio performance management and accounting software, will default to the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Research Processes**

In providing advisory services, research is conducted internally utilizing information obtained from a wide variety of sources and all professional staff members actively participate in the Company's research effort. Increasingly, the internet and new databases provide a wealth of ideas and information to enhance our research. The priority is for analysts to build up their knowledge and insights on an industry or company and to exploit the vast wealth of information that is increasingly available.

Industry research is used to supplement the Company's own research efforts. Our analysts research investments on a continuous basis. Examples of resources used by our analysts and portfolio manager include: Value Line, Standard and Poor's, Vickers, Thomson Reuters, Morningstar, Argus, TheStreet, JayWalk, and Zacks Investment Research.

### **Performance Advertising**

We advertise our past performance, and claim compliance with the Global Investment Performance Standards (GIPS®).

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the Advisory Business section above, client accounts are normally managed using individual common stocks and bonds, exchange traded funds, and structured notes on an asset allocation basis. In market segments and asset classes where direct bond and stock investments are not justified based on market dynamics or other criteria, we selectively employ ETFs. With a value perspective, and an emphasis on dividends, our international and U.S. equity individual security exposure is typically large cap in nature, with the use of mutual fund or ETF solutions primarily employed for a limited amount of Small and Mid cap exposure.

Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds (ETFs) are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

A structured note is a type of debt security that also includes a derivative component. The derivative is based on movement of an underlying index. For example, a structured note issued by a corporation may pay interest to note holders based on the rise and fall of oil prices. This gives investors the opportunity to both earn interest and profit from the change in price of a commodity at the same time. A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and, other events that are difficult to predict.

## Item 9 Disciplinary Information

Altrius Capital Management, Inc. has been registered and providing investment advisory services since 2004 and James M. Russo our Managing Member has been engaged in the financial services industry since 1997. Neither our firm nor any of our Associated Persons has any disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker .
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).
3. other investment adviser or financial planner.
4. futures commission merchant, commodity pool operator, or commodity trading advisor.
5. banking or thrift institution.
6. accountant or accounting firm.
7. lawyer or law firm.
8. insurance company or agency.
9. pension consultant.
10. real estate broker or dealer.
11. sponsor or syndicator of limited partnerships.

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

### Description of Code of Ethics

We have adopted a Code of Ethics that sets the standard of conduct expected to comply with applicable securities laws. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. We adhere strictly to these guidelines. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. You may contact us at 252-638-7598 to request a copy of our Code of Ethics.

### Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor our Associated Persons shall have priority over your account in the purchase or sale of securities.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

## Item 12 Brokerage Practices

We recommend that securities be purchased through the facilities of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. We participate in the TD Ameritrade Institutional Customer Program for advisors ("Institutional Program") as well as other specific programs through TD Ameritrade (more fully discussed at *Item 14 Client Referrals and Other Compensation*). TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers, services that include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in these programs. In addition to the benefits disclosed below, we may receive benefits such as assistance with conferences and educational meetings from product sponsors. Refer to *Item 14 Client Referrals and Other Compensation* for additional disclosures on this topic.

In suggesting a broker dealer we will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services. However, it may be the case that the recommended broker charges a higher fee than another broker charges for a particular type of service, such as commission rates. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through such broker as the firm recommends. In recognition of the value of research services and additional brokerage products and services TD Ameritrade provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Refer to *Item 14 Client Referrals and Other Compensation* for additional disclosures on this topic.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. We do not obligate ourselves to seek the lowest transaction charges in all cases except to the extent that it contributes to the overall goal of obtaining the best results for your account. While we endeavor at all times to put your interest first as part of our fiduciary duty, you should be aware that the receipt of additional benefits themselves creates a potential conflict of interest.

In very limited circumstances client assets may be held at Pershing Advisor Solutions, LLC ("PAS"), a division of Pershing, LLC, subsidiary of The Bank of New York Mellon Corporation, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. As a result of our relationship with PAS, we may receive certain benefits that include financial publications, research, and computer software, e.g. customized statements and reporting features. These benefits are available to all registered investment advisers that have access to PAS's institutional platform.

### Directed Brokerage

We require you to direct our firm to execute transactions through TD Ameritrade. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

**Block Trades**

Transactions for each client may be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

**Item 13 Review of Accounts**

We monitor client portfolios as part of an ongoing process while regular account reviews are conducted at least annually. You are encouraged to discuss your needs, goals, and objectives with our firm, and to keep us informed of any changes in this information. Additional reviews may be conducted at your request, or based on various circumstances, including, but not limited to, contributions and withdrawals, year-end tax planning, market moving events, changes in your financial situation, and/or, changes in your risk/return objectives.

Personnel currently performing reviews are: James M. Russo, President and CEO; Tara L. Hughes, Executive Vice President and Senior Analyst; Allison T. Coward, Vice President and Analyst. The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

You will receive transaction confirmation notices and regular summary account statements, at least quarterly, directly from your account custodian. We will also provide you with reports, at least quarterly, that generally include relevant account and/or market-related information such as an inventory and appraisal of account holdings, and investment performance. We *may* provide additional reports at your request. Refer to the *Brokerage Practices* section above for additional information on this topic.

We encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, call our main office number located on the cover page of this brochure.

## Item 14 Client Referrals and Other Compensation

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. Alternatively the Solicitor may receive a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. This creates a conflict of interest because the Solicitor has a financial incentive to recommend our firm to you for advisory services. However, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

We will receive client referrals from ("TD Ameritrade") through our participation in TD Ameritrade AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of, and unaffiliated with our firm; we do not have an employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisers. TD Ameritrade does not supervise our firm and has no responsibility for our management of your portfolios or our other advice or services. We pay TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that you pay to our firm ("Solicitation Fee"). We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by our firm from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and who hire our firm on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TD Ameritrade to you. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgment Form.

Our participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisers that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, we may have an incentive to recommend to our clients that their assets under management with our firm be held in custody with TD Ameritrade and to place transactions for their accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require us to do so. Our participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

As disclosed above under *Item 12 Brokerage Practices*, we participate in TD Ameritrade's Institutional Customer Program ("Institutional Program") and we may recommend TD Ameritrade to clients for custodial and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These



benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our Associated Persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our Client accounts. These products or services may assist us in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our Firm or our Associated Persons through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our Associated Persons in and of themselves creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

## Item 15 Custody

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

To the extent you receive invoices from our firm you should compare our invoices with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, contact our firm at 252-638-7598.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section above for more information on our discretionary management services.

## Item 17 Voting Client Securities

Generally, we do not vote proxies on behalf of your advisory accounts. However, in limited circumstances, and in our sole discretion, we may agree to vote proxies on your behalf.

Where we vote proxies, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue. Unless we receive specific instructions from you, we will not base votes on social considerations. Moreover, except in the case of a conflict of interest as described below, we do not accept direction from you on voting a particular proxy.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State Registered Investment Advisers

Our firm is a federally registered investment adviser; therefore, we are not required to respond to this section.

## Item 20 Additional Information

### Your Privacy

Altrius Capital Management, Inc. considers the preservation of your privacy a priority. In order to provide you with individualized service, we collect certain nonpublic personal information about you from information you provide on applications and other forms (such as your address and social security number), and information about your transactions with us (such as purchases, sales and account balances). We may also collect such information through your account inquiries by mail or telephone.



We do not disclose any nonpublic personal information about you to anyone, except as permitted by law. Specifically, so that we may continue to tailor our products and services to meet your investing needs and to effect transactions you request or authorize, we may disclose the information we collect, as described above, to companies that perform administrative or marketing services on our behalf, including financial service providers such as custodians, and administrative and marketing service providers such as printers and mailers. These companies will use this information only for the services for which we hired them and are not permitted to use or share this information for any other purpose.

A Securities and Exchange Commission rule requires that we provide to those issuers whose stock we are holding for your accounts, upon request, your name, address, and the number of shares held, unless you object to such disclosure. We will not disclose this information to issuers unless you advise us in writing that you wish to have this information disclosed. To do so, please send a letter to Altrius Capital Management, Attention: Compliance Department, 1323 Commerce Drive, New Bern, NC 28562. Since it is not possible to disclose this information to some issuers and not to others, if you choose to have this information disclosed it will be available to all issuers.

In order to further protect you, we also maintain strict internal security measures. We restrict access to your personal and account information to those employees who need to know that information to service your account. We also maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

If you have any questions regarding our policy or need additional copies of this notice contact our Compliance Department at 252-638-7598.

#### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

#### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.