

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page



Form ADV Part 2 A
February 21, 2018

This brochure provides information about the qualifications and business practices of First Empire Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 631-630-2500. 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 First Empire Asset Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 Material Changes

The following changes have been made to this document from the last Form ADV Part 2 filing dated February 24, 2017.

Advisory Business: updated amount of assets managed.

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Item 4 Advisory Business

Firm Description and Ownership

First Empire Asset Management, Inc. (“FEAM” or “We”) commenced business as an investment advisor in August 2008.

FEAM is 100% owned by First Empire Holding Corp. First Empire Holding Corp. is a non-public company. First Empire Holding Corp. Employee Stock Ownership Plan owns 100% of the shares of First Empire Holding Corp. First Empire Holding Corp. owns 100% of the following non-public companies:

- FEAM – an SEC registered Investment Adviser*

- Balance Sheet Management & Consulting Services, Inc. – a provider of analytical services

- L.P.C. Services, Inc. – a provider of loan participations and loan services

- First Empire C.D. Management, Inc. – a deposit broker

- First Empire Securities Inc., (FESI) – a non-public broker-dealer registered with the SEC. FESI is a member of FINRA and SIPC.

We offer investment advice on fixed income securities on a discretionary and non-discretionary basis.

We tailor our advisory services to the individual needs of each client through separately managed accounts. FEAM accepts client-specific investment restrictions and guidelines.

We do not participate in wrap fee programs at this time.

We manage client assets on a discretionary or non-discretionary basis. As of December 31, 2017, we managed \$2,174, 623, 000 in non-discretionary assets only.

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

Item 5 Fees and Compensation

Fees

FEAM charges customers fees in two ways: a percentage of assets under management or fixed fees.

Our fee schedule for advisory services for discretionary and non-discretionary fixed income accounts is negotiated based on the specific services requested by the client.

The fee schedule is negotiable. FEAM may waive its management fees or charge a lesser management fee for clients in its sole discretion.

Billing

Fees are billed and payable quarterly in arrears. Clients have the option to be billed or to have advisory fees deducted directly from their accounts.

Other Fees

Clients will incur brokerage, transaction, custodial and/or mutual fund fees from their broker, as applicable. Clients can select their own broker. If a client selects its own broker, the client is responsible for negotiating commission rates and transaction costs. Clients may select FEAM's affiliated broker-dealer for execution. See item 10 for more information. Clients' costs will vary depending on the broker they select.

Pre-paid Fees

Clients do not pay fees in advance.

Other Compensation

FEAM does not receive compensation from asset-based sales charges or service fees from mutual funds.

Brokers or Agents

Clients have the option to purchase investments we recommend through other brokers or agents that are not affiliated with us.

Commissions or Markups

FEAM does not charge commissions or markups. If a client selects FEAM's affiliated broker-dealer for execution, the broker-dealer may charge the client a commission or markup for the transaction. FEAM will disclose to the customer the markup or commission charged by the affiliate broker dealer. See Item 10 for more information.

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

We do not charge performance based fees.

Item 7 Types of Clients

FEAM offers investment advisory services to corporations, credit unions, and banking institutions.

FEAM generally does not accept an account with an initial value of less than \$25 million. If we accept an account with a value lower than \$25 million, we reserve the right to charge a minimum annual fee.

We utilize a top-down investment style for managing fixed income portfolios. Fixed income advisory accounts are managed to meet each client's objectives, investment policies, residency, federal and state income tax requirements, and other specific needs.

Accounts may be managed on a discretionary or non-discretionary basis. For discretionary accounts, FEAM will select the securities and the amount of the securities that will be purchased or sold for each individual client's account. For non-discretionary accounts, the client must consent to the securities to be bought/sold, the amount of securities, and/or the broker to be used.

We accept from discretionary and non-discretionary clients, client-specific investment restrictions and guidelines.

Risks:

Investing in securities involves risk of loss that clients should be prepared to bear.

General characteristics and material risks of the three major asset categories include the following:

Stocks - Stocks have historically had the greatest risk and highest returns among the three major asset categories. As an asset category, stocks are a portfolio's "heavy hitter," offering the greatest potential for growth. Stocks hit home runs, but also strike out. The volatility of stocks makes them a very risky investment in the short term. Large company stocks as a group, for example, have lost money on average about one out of every three years. And sometimes the losses have been quite dramatic. But investors that have been willing to ride out the volatile returns of stocks over long periods of time generally have been rewarded with strong positive returns.

Bonds - Bonds are generally less volatile than stocks but offer more modest returns. As a result, an investor approaching a financial goal might increase his or her bond holdings relative to his or her stock holdings because the reduced risk of holding more bonds would be attractive to the investor despite their lower potential for growth. You should keep in mind that certain categories of bonds offer high returns similar to stocks. But these bonds, known as high-yield or junk bonds, also carry higher risk.

Bonds have inherent risks, including interest rate, credit, prepayment/extension and market risk. Sale of a fixed income security prior to maturity can result in a principal gain or loss.

Interest rate risk- the prices of bonds generally rise in value when interest rates fall, and prices of bonds generally fall in value when interest rates rise.

Credit risk is the risk that the issuer of the security will not have the capacity of its cash flows to repay interest and principal.

Prepayment/extension risk – mortgage securities have prepayment and extension risk. When interest rates fall, investors may have their principal returned to them sooner than expected because of accelerated prepayments of the loans. In this case, investors may be forced to reinvest the returned principal at lower interest rates. On the other hand, the life of the security may turn out to be longer than anticipated when interest rates rise because prepayment speeds are slower, creating extension risk. In this case, investors might miss an opportunity to earn higher prevailing rates of interest on their principal.

Market risk - The longer the maturity of the bond, the greater the degree of price volatility of the bond.

Duration risk - Duration risk is how much the price of your bond investment is likely to fluctuate when there is an up or down movement in interest rates. The higher a bond's duration, the greater its sensitivity to interest rate changes. This means fluctuations in price, whether positive or negative, will be more pronounced. If you sell before maturity, the price you receive will be affected by the prevailing interest rates and duration. For instance, if interest rates were to rise by two percent from today's low levels, a medium investment grade corporate bond (BBB, Baa rated or similar) with a duration of 8.4 (10-year maturity, 3.5 percent coupon) could lose 15 percent of its market value. A similar investment grade bond with a duration of 14.5 (30-year maturity, 4.5 percent coupon) might experience a

loss in value of 26 percent. The higher level of loss for the longer term bond happens because its duration number is higher, making it react more dramatically to interest rate changes.

Cash - Cash and cash equivalents - such as savings deposits, certificates of deposit, treasury bills, money market deposit accounts, and money market funds - are the safest investments, but offer the lowest return of the three major asset categories. The chances of losing money on an investment in this asset category are generally extremely low. The federal government guarantees many investments in cash equivalents up to certain insurance amounts. Investment losses in non-guaranteed cash equivalents do occur, but infrequently. The principal concern for investors investing in cash equivalents is inflation risk. This is the risk that inflation will outpace and erode investment returns over time.

Item 9 Disciplinary Information

None.

Item 10 Other Financial Industry Activities and Affiliations

FEAM is affiliated with First Empire Securities, Inc., a securities broker-dealer.

Some of the executive officers/employees of First Empire Asset Management, Inc. are also executive officers or employees of affiliated companies:

First Empire Securities, Inc. - a securities broker-dealer

Balance Sheet Management & Consulting Services, Inc. – a provider of analytical services

L.P.C. Services, Inc. – a provider of loan participations and loan services

First Empire C.D. Management, Inc. – a deposit broker

Clients may choose to direct transactions for execution through First Empire Securities, Inc. ("FESI"), a registered broker-dealer that is affiliated with FEAM and clears its transactions on a fully-disclosed basis through Pershing LLC. FESI may act on an agency or principal basis, and will be entitled to compensation for its services. FESI may receive compensation from the other parties to such transactions in addition to commissions, ticket charges or markups/markdowns. We handle the potential conflict of interest by disclosing to the customer the markup or commission charged by the affiliate broker dealer. FESI will not affect Agency Cross transactions with clients.

Clients of FEAM may also be clients of FEAM's affiliated companies. The affiliate company may receive additional benefits and/or receive additional compensation for services rendered. An affiliate company does not owe the same fiduciary duty to the FEAM client. We handle the potential conflict of interest by disclosing it.

FEAM has adopted a Code of Ethics. The Code of Ethics was created to:

- prevent the misuse of material, non-public information,
- prevent violations of applicable federal securities laws, and
- reflect FEAM's fiduciary responsibility to clients.

FEAM will furnish clients or prospective clients with a copy of its Code of Ethics upon request.

Access persons are prohibited from buying or selling any fixed-income security they have recommended to clients for 24 hours. At this time, the firm does not transact equities business and therefore does not require access persons to obtain prior approval of equities transactions. If the firm should decide to engage in equities business, the following will apply:

Employees of FEAM may purchase or sell for personal or related accounts the same or similar securities that are purchased or sold for client accounts. FEAM employees may also be clients of FEAM. All securities transactions for FEAM's employees are subject to the following restrictions which are included in FEAM's Code of Ethics:

All access persons are required to obtain approval prior to executing any equity transactions for his or her personal or related account. Investments in an IPO or private placement are included in this requirement. Permitted exceptions to this requirement are investments in an automatic investment plan or any plan where the access person has no direct or indirect influence or control are exempt from this rule.

If an access person requests to purchase or sell an equity security which is being purchased or sold for the clients of FEAM, he or she will be required to delay execution until 24 hours after all the clients' transactions have been completed.

All employees are required to request broker dealers or custodians to supply FEAM with duplicate copies of all personal securities confirmations and statements.

FEAM's compliance officer maintains records of all employee securities trading activity as well as all pre-approvals.

Employees must act in the best interests of the client, which includes but is not limited to, offering any applicable and suitable investment opportunities to FEAM clients before FEAM or its employees may act on them. All FEAM employees must acknowledge their understanding of the Compliance Manual and Code of Ethics.

FESI may execute "riskless" principal transactions for FEAM clients on certain conditions. In a riskless principal transaction, FESI purchases (or sells) a security, such as a corporate bond based on a client order (including discretionary orders from a client's Advisory Representative), and resells (or purchases, as the case may be), the security to (or from) the client. FESI will not typically charge a commission on the trade, but may receive compensation in the form of a mark-up from the price at which FESI purchased the security or a mark-down from the price at which it sold the security. Mark-ups and mark-downs will not exceed 10 basis points for traditional fixed income products or 25 basis points for structured products. New issues in syndicate will be sold by FESI at the public offering price and FESI will earn a pre-determined concession of such new issue. Alternatively, FESI may receive ticket charges from the clients in connection with any principal trades which will not exceed \$150 per trade. FESI will only execute such principal transactions for clients who have consented to principal transactions prior to the transaction settling.

Item 12 Brokerage Practices

Clients can choose the broker dealer (and/or custodian) for trading or custody. Costs will vary depending upon the broker dealer the client chooses. When a client directs brokerage, FEAM may be unable to achieve most favorable execution (i.e. the client may receive less favorable pricing or FEAM may not be able to aggregate the clients' orders to reduce transaction costs).

Clients may choose to direct transactions for execution through First Empire Securities, Inc. ("FESI"), a registered broker-dealer that is affiliated with FEAM and clears its transactions on a fully-disclosed basis through Pershing LLC. FESI may act on an agency or principal basis, and will be entitled to compensation for its services and may receive other benefits. FESI will not affect Agency Cross transactions with clients. FESI may receive compensation from the other parties to such transactions in addition to commissions or markups/markdowns, and FESI may have conflicting interests, loyalties and responsibilities than FEAM, as discussed in Item 10.

Transactions for each client account generally will 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 or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If we cannot obtain execution of all the combined orders at prices or for transactions costs that we believe are desirable, we will allocate the securities bought or sold on a pro rata basis based on assets under management or in some other manner that we determine is fair and equitable under the circumstances to all clients.

Item 13 Review of Accounts

First Empire Asset Management's Portfolio Managers review strategies on an "as needed" basis. The purpose of the review is to ensure adherence to the investment process, investment philosophy and all clients' investment mandates. All positions held in clients' accounts are reviewed at least quarterly. More frequent reviews may be triggered by changes in such variables as the market or economic conditions or change in a client's investment objectives.

First Empire Asset Management prepares written quarterly reports for its clients. Monthly reports are also available, upon client request. The reports list current assets, market values, cost information and unrealized gain/loss information.

Item 14 *Client Referrals and Other Compensation*

FEAM has entered into written solicitation agreements with First Empire Securities, Inc. and Balance Sheet Management and Consulting Services, Inc. (the "Solicitors").

Pursuant to the Solicitation Agreements, the Solicitors may refer persons to FEAM for investment advisory services. Solicitors are not authorized to act in any way on behalf of FEAM, except in connection with solicitation activities performed under the Solicitation Agreement. Solicitors are not authorized to enter into any agreement or undertaking on behalf of FEAM.

Each Solicitor and FEAM are related through common ownership and are under common control.

In return for services under the Solicitation Agreements, FEAM will pay each Solicitor a portion of the Management Fees (as defined in the applicable Solicitation Agreement) paid to FEAM by the referred clients for as long as the referred client's funds remain under the advisement of FEAM. Employees of FEAM and/or employees of affiliated companies may receive a portion of the investment advisory fees paid to FEAM resulting from referrals or management of client accounts.

The payment of such amounts to the Solicitors will not increase the amount of Management Fees a client would otherwise be required to pay as a client of FEAM.

FEAM may enter into additional solicitation agreements with third parties.

Item 15 *Custody*

FEAM does not custody client funds or securities. Custody of account assets are maintained with the independent custodian selected by each client. Each client is solely responsible for paying all fees or charges of the Custodian.

Item 16 Investment Discretion

FEAM accepts discretionary authority to manage securities on behalf of clients. Clients are required to enter into a written agreement including a power of attorney before we assume this authority. FEAM accepts, from its discretionary and non-discretionary clients, client-specific investment restrictions and guidelines.

Proxy Voting Policies and Procedures

FEAM has adopted proxy voting policies and procedures. FEAM votes proxies of client's securities over client accounts for which it has been granted authority. Generally, FEAM does not exercise proxy voting authority over securities not selected by FEAM that are held in a client account or over securities in accounts of which FEAM is not vested with discretionary authority.

FEAM is responsible for ensuring that all proxies received with respect to client accounts are voted in a timely manner consistent with each client's best interest and consistent with FEAM's policies. FEAM has implemented general voting policies regarding various voting issues. While FEAM generally adheres to such voting policies, we will always review each proxy individually. As a result, there may be cases in which particular circumstances lead us to vote an individual proxy differently than as set forth in general voting policies. Proposals not covered in the general voting policies are evaluated and voted on a case-by-case basis, taking into consideration all relevant facts and circumstances. Additionally, a client may provide FEAM with its proxy voting policy and instruct us to vote the proxies relating to the securities of such client's account accordingly.

Where a proxy proposal raises a material conflict of interest between the interests of FEAM and the interests of any client, FEAM will resolve such conflict of interest by voting in the best interests of the client. FEAM may address matters involving conflicts of interest in any of the following manners: (i) if a proposal is addressed by FEAM's voting policies, FEAM will vote in accordance with such policies; (ii) refer the proposal to the client and obtain instructions from the client on how to vote the proxy relating to that proposal; (iii) disclose the conflict of interest to the client, propose FEAM's intended vote and obtain the consent of the client to vote in such manner; or (iv) delegate the voting decision for such proxy proposal to an independent third party.

Records of proxy materials are maintained in FEAM's offices. A complete copy of FEAM's detailed proxy voting policies and procedures is available to clients upon request. Please call us at 631-630-2500 for more information.

FEAM does not currently have any discretionary accounts.

Item 18 Financial Information

FEAM does not require prepayment of fees for its services. There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Item 19 Requirements for State-Registered Advisers

FEAM is an SEC-registered adviser, not a state-registered adviser. Registration does not imply a certain level of skill or training.