

**Item 1: Cover Page**

**Appendix 1 of Part 2A  
AMS Advisors Discretionary and Non-Discretionary  
Investment  
Wrap Fee Program Brochure  
April 1, 2011**

**AMS Advisors LLC**

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This wrap fee program brochure provides information about the qualifications and business practices of AMS Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (312) 775-3557 or mlish13@yahoo.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

## **Item 2: Material Changes**

Initial publication date is March 31, 2011.

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## Item 4: Services, Fees, and Compensation

AMS Advisors LLC ("AMS Advisors" or "the firm") is an Illinois corporation limited liability company principally owned by William Hoover. AMS Advisors, registered in February of 2010, offers investment advisory to high-net-worth individuals, corporations, partnerships, trusts, and other legal entities.

AMS Advisors manages investment advisory accounts on both a discretionary and non-discretionary basis. Services to high-net-worth and affluent individuals, corporations, partnerships, trusts, and other legal entities may include, at the client's election, some or all of the following:

- Advice with respect to the appropriate allocation of assets for a client.
- Advice with respect to the creation of diversified portfolios consisting of recommended mutual funds, exchange-traded funds, individual equity or debt securities (exchange listed or over-the-counter), warrants, municipal debt securities, foreign issuers (equity and debt), commercial paper, certificates of deposit, investment company securities (variable life annuities, mutual funds), and government securities.
- Recommendations with respect to portfolio hedging, monetization, and income generation strategies involving, for example, the use of exchange-listed or over-the-counter options or forward instruments.
- Recommendation to participate in "wrap fee programs" sponsored by AMS Advisors, such as this AMS Advisors Discretionary and Non-Discretionary Investment Program.
- Statistical risk-based analysis on individual mutual fund securities within the client's portfolio.

AMS Advisors is a limited liability company formed under the laws of the State of Illinois and is registered with the Securities and Exchange Commission as an investment advisor. AMS Advisors is a notice filer with Illinois and such other state regulatory authorities as required. This wrap addendum narrative provides clients with information regarding AMS Advisors and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client. The information in this wrap addendum has not been approved or verified by the Securities and Exchange Commission or by any state regulatory authority.

Professionals associated with AMS Advisors are appropriately licensed, qualified, and authorized to provide advisory services on the firm's behalf. Such individuals are known as investment advisor representatives ("IARs").

Please contact Mark Lishchynsky, Chief Compliance Officer, at (312) 775-3532 if you have any questions about this wrap fee addendum to AMS Advisors' Brochure.

### A. AMS Advisors Investment Wrap Fee Program

AMS Advisors, through a client-designated investment advisor representative, offers a professional and flexible investment wrap fee program. The AMS Advisors Investment Wrap Fee

Program offers discretionary and non-discretionary asset management services based upon a client's individual financial circumstances, risk tolerance, investment goals and objectives, and any restrictions imposed by such client.

Generally, AMS Advisors does not receive any fees or payments from the custodian or other third-party service providers for recommending client investment in the AMS Advisors Investment Wrap Program. AMS Advisors may recommend or require that clients establish brokerage accounts with Fidelity's Institutional Wealth Services ("IWS"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. In the case of advisory accounts held at IWS, neither AMS Advisors nor any of its affiliates earns 12b-1 fee compensation from any mutual funds that clients own in their AMS Advisors advisory account. IWS will receive fees from acting as custodian. Additionally, IWS may receive ancillary sources of income from client accounts—for example, interest on clients' credit balances, 12b-1 fees, custodial, and other administrative expenses.

Given differences in the ways in which particular clients' individual circumstances are identified and how those circumstances are interpreted by different AMS Advisors financial advisors, clients sharing similar circumstances and risk profiles may receive different investment strategy recommendations.

The AMS Advisors Investment Wrap Fee Program is offered as a wrap fee program whereby AMS Advisors functions as the wrap fee program sponsor. AMS Advisors, through its investment advisor representative, will invest and reinvest the securities, cash, and/or other investments held in the client's account in accordance with the client's risk tolerance, investment goals and objectives, restrictions, and such other information ("profile") provided by the client to AMS Advisors. Consistent with the information in the profile, investments may be made in, but are not limited to, securities of any kind, including common and preferred stocks, warrants, options, rights, corporate or government bonds or notes issued by U.S. or foreign issuers, and shares of money market mutual funds. (The term "securities" shall refer to securities or to all permitted investments in an account, as applicable.)

The AMS Advisors Investment Wrap Fee Program is intended to comply with Rule 204-3 of the Investment Adviser Act of 1940, as amended (the "Adviser Act"), and Rule 3a-4 under the Investment Company Act of 1940, as amended (the "Company Act"). Each client's account is managed on the basis of the client's individual financial situation. Each client has the authority and opportunity to select an account's investment objective and impose reasonable restrictions on the management of the assets in the account. In addition, clients will be contacted at least annually (more often by agreement with the client), in order to confirm the accuracy of information and to provide ample opportunity to impose reasonable restrictions with respect to the assets in the managed account.

#### **A.1. Investment Policy Statement**

AMS Advisors may prepare an investment policy statement ("IPS") based on the client's investment objectives, goals, tolerance for risk, and such other factors unique to the client, and provide an appropriate model. On a quarterly basis, AMS Advisors, in connection with a third-party service provider, will provide such clients with reports regarding the performance of their

portfolios. In addition, AMS Advisors will monitor such portfolios and make additional recommendations and implementation decisions from time to time to rebalance and/or reallocate each client's investments in accordance with such client's IPS as applicable.

### **A.2. Rebalancing**

AMS Advisors will periodically rebalance the client's investment portfolio to conform to the asset allocation/asset class guidelines established by the client, if any. AMS Advisors, in consultation with the client, will periodically review each client's portfolio to determine whether risk and return objectives and investment policies need revision as a result of changes in the client's financial circumstances. If revision is necessary, then AMS Advisors will amend the IPS with the updated information and implement a new model portfolio.

### **A.3. Investment Restrictions and Changes in Clients' Financial Circumstances**

In addition to providing AMS Advisors with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are required to provide AMS Advisors with any reasonable investment restrictions that should be imposed on the management of their portfolio and to promptly notify AMS Advisors of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, AMS Advisors' reports to clients will remind clients of their obligation to inform AMS Advisors of any such changes or any restrictions that should be imposed on the management of their accounts. AMS Advisors will also contact clients at least annually to determine whether there have been any changes in the client's personal financial circumstances, investment objectives, and tolerance for risk.

### **A.4. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **A.5. Fee Schedule**

The fee for the AMS Advisors Investment Wrap Program is negotiable, with a maximum 3% annual fee based on the average daily account value of assets identified to AMS Advisors by the client, with respect to which AMS Advisors provides investment advisory services. Such fees are billed monthly or quarterly in advance and are prorated if the advisory relationship commences otherwise than at the beginning of a calendar month or quarter. The annual fee covers the initial and ongoing provision of investment advisory services, portfolio management, research, monitoring, performance reporting, trading, and recordkeeping. These fees include charges for all transaction costs such as commissions on purchases and sales of stocks, bonds, exchange-traded funds and options, trade-away fees on bonds, and mutual fund transaction fees. Except as otherwise provided below, the client will incur no charges other than AMS Advisors' fee pursuant to the above fee schedule in connection with maintenance of and activity in the client's account. The AMS Advisors wrap fee does not include mutual administrative and marketing fees

and expenses. To the extent securities transactions away from IWS, then there may commission mark-ups and mark-downs that the client will pay in addition to the wrap fee.

While negotiable, the fees charged for participation in the AMS Advisors Investment Wrap Fee Program may be higher or lower than if the client were to purchase the individual services without participation in the AMS Advisors Investment Wrap Fee Program.

The client pays one fee<sup>\*</sup> to AMS Advisors, and AMS Advisors will pay the providers of investment research and performance monitoring, including trading and performance reporting, by granting standing instructions to AMS Advisors to deduct and disburse such fees from the client's account. The client authorizes the qualified custodian to debit the fee from the client's account as instructed by AMS Advisors at the beginning of each billing period based upon the average daily account value of the previous period. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

Account assets held with IWS, as custodian, will be assessed the account fee based on the average daily account value of the previous billing period and will become due the following business day.

For accounts billed in advance and held in custody with IWS, the initial monthly or quarterly fee will be based on the average daily account value since the account funding date and will become due the following business day. Thereafter, the monthly or quarterly fee will be based on the average daily account value of the previous month or quarter and will become due the following business day.

A portion of the advisory fee will be paid to providers for investment research, performance monitoring, performance reporting, trading, custody, and other services provided to AMS Advisors under the program. Services provided to the client under the program may be more or less costly were the client to obtain the services individually. Factors influencing the cost include the amount and frequency of trading in the client's account, the level of investment advisory fees, the nature and substance of the investment research, performance monitoring, and performance reporting.

#### **A.6. Additional Terms for All AMS Advisors Client Accounts**

Asset-based fees are always subject to the investment advisory agreement between the client and AMS Advisors. Such fees are payable quarterly or monthly in advance. A client investment advisory agreement may be canceled at any time by the client, or by AMS Advisors with sixty (60) days prior written notice to the client.

### **B. Disclosure of Cost Difference if Services Are Purchased Separately**

Depending on a number of factors such as the number, size, and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time

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<sup>\*</sup> For accounts with less than \$25,000 in equity value, AMS Advisors may, in its sole discretion, charge transaction fees in addition to AMS Advisors' advisory fee.

could be more or less than what these fees and charges would be if the same services were provided on a separate basis. Bundled fees generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading costs. Frequent trading in an account, where transaction fees are included as part of the overall advisory fee to the client, drive trading costs higher and reduce the overall fee revenue to the advisor. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm's profitability.

### **C. Additional Fees**

Mutual funds and exchange-traded funds have certain embedded expenses such as management fees, administrative fees, and trading costs that the client bears solely from owning an investment in the mutual fund and/or exchange-traded fund. These fees are in addition to any fees charged by AMS Advisors. To the extent securities transactions are effected away from IWS, there may be commission mark-ups and mark-downs that the client will pay in addition to the wrap fee.

### **D. Compensation for Recommending the AMS Advisors Investment Wrap Fee Program**

AMS Advisors Investment Wrap Fee Program is a proprietary product offered exclusively through AMS Advisors. AMS Advisors' financial advisors are compensated based upon a payout structure relating to advisory fee revenue generated from their advisory clients. AMS Advisors' financial advisors may be dually licensed with BESTDirect, a FINRA member, and may provide services to non-wrap program clients on a commission basis. AMS Advisors has procedures in place to ensure clients are most appropriately placed in either in a wrap program or commission-based account, given the type of securities contemplated for investment and the frequency of trading expected in a particular account.

### **E. Client Assets Under Management**

AMS Advisors manages client assets. As of March 29, 2011, AMS Advisors manages \$165,000,000 in discretionary client assets and \$0 in non-discretionary client assets.



## Item 5: Account Requirements and Types of Clients

AMS Advisors generally provides investment advice to the following types of clients:

- Individuals
- Businesses
- Partnerships
- Trusts, estates, or charitable organizations
- Pension and profit sharing plans

AMS Advisors does not require a minimum account value or charge a minimum fee for its advisory services. For AMS Advisors-sponsored wrap accounts with less than \$25,000 in equity value, AMS Advisors may, at its sole discretion, charge transaction fees in addition to the AMS Advisors advisory fee.

AMS Advisors, for its Investment Wrap Fee Program, requires clients to establish brokerage accounts with Fidelity's Institutional Wealth Services ("IWS"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **A. Portfolio Manager Selection and Review**

AMS Advisors is the sole sponsor for the AMS Advisors Investment Wrap Fee Program. Each AMS Advisors financial advisor participating in the program formulates his or her advice subject to approval by AMS Advisors' investment committee of the investment methodology utilized by each participating financial advisor.

### **B. Participation in Wrap Fee Programs**

Other than offering this program, AMS Advisors does not participate in wrap fee programs.

### **C. AMS Advisors Acts as Both a Wrap Fee Sponsor and Portfolio Manager**

AMS Advisors Investment Wrap Fee Program is a proprietary product offered exclusively through AMS Advisors. Other than offering this program, AMS Advisors does not participate in wrap fee programs. As stated in Item 6.A. above, each individual financial advisor participating in the program formulates his or her own investment advice subject to approval by AMS Advisors' investment committee of the investment methodology utilized by each participating financial advisor.

#### **C.1. AMS Advisors Investment Wrap Fee Program**

AMS Advisors offers its discretionary portfolio management services under the AMS Advisors Investment Wrap Fee Program. Through this program, clients are able to benefit from the firm's investment methodology.

AMS Advisors' discretionary and non-discretionary asset management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. AMS Advisors will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a model portfolio consistent with such investment objectives, goals, risk tolerance, and related financial circumstances. AMS Advisors may utilize third-party software to assist in formulating its recommendations to clients.

The AMS Advisors Investment Wrap Fee Program is intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Clients' accounts are managed on the basis of their individual financial situations. Each client has the opportunity to select the account's investment objective and to impose reasonable restrictions on the management of the assets in the account. In addition, clients will be contacted annually to determine if there are any changes to their investment goals, objectives, and risk tolerance. Clients will also be notified quarterly to remind them to contact AMS Advisors in the event of any changes to their investment goals, objectives, and risk tolerance.

AMS Advisors' methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing

long-term economic criteria. AMS Advisors typically recommends to clients the same mutual funds within particular asset classes. Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity in their accounts.

The following are the major factors AMS Advisors considers when recommending and implementing investment recommendations:

- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Asset allocation
- Restrictions on management of account

Sources of information used to develop investment recommendations may include, but are not limited to, the following:

- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

#### **C.1.a. Investment Policy Statement**

AMS Advisors may prepare an Investment Policy Statement ("IPS") based on the client's investment objectives, goals, tolerance for risk, and such other factors unique to the client and provide an appropriate model. On a quarterly basis, AMS Advisors, in connection with a third-party service provider, will provide such clients with reports regarding the performance of their portfolios. In addition, AMS Advisors will monitor such portfolios and make additional recommendations and implementation decisions from time to time to rebalance and/or reallocate each client's investments in accordance with such client's investment policy statement, as applicable.

#### **C.1.b. Rebalancing**

AMS Advisors will periodically rebalance the client's investment portfolio to conform to the asset allocation/asset class guidelines established by the client. AMS Advisors, in consultation with the client, will periodically review each client's portfolio to determine whether risk and return objectives and investment policies need revision as a result of changes in the client's financial circumstances. If revision is necessary, then AMS Advisors will amend the IPS with the updated information and implement a new model portfolio.

#### **C.1.c. Investment Restrictions and Changes in Clients' Financial Circumstances**

In addition to providing AMS Advisors with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are required to provide

AMS Advisors with any reasonable investment restrictions that should be imposed on the management of their portfolio and to promptly notify AMS Advisors of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, AMS Advisors' reports to clients will remind clients of their obligation to inform AMS Advisors of any such changes or any restrictions that should be imposed on the management of the client's account. AMS Advisors will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

## **C.2. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account. See Item 6.C.1.c. above.

## **C.3. Management of Wrap Fee Program**

AMS Advisors Investment Wrap Fee Program is the only asset management program offered by AMS Advisors.

## **C.4. Performance-Based Fees and Side-by-Side Management**

AMS Advisors does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in the clients' best interests.

## **C.5. Methods of Analysis, Investment Strategies, and Risk of Loss**

AMS Advisors is responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. AMS Advisors may retain independent third parties to work in conjunction with its executive management team to provide input and guidance for the investment direction communicated by the firm. Such third-party providers will function as a de facto investment committee. In addition, AMS Advisors may utilize third-party software to assist in formulating investment recommendations to clients.

### **C.5.a. Methods of Analysis for the Retention of Mutual Funds, Exchange-Traded Funds, Independent Investment Managers, Pooled Investment Vehicles, Individual Equity and Fixed Income Securities**

AMS Advisors may recommend (i) separate account managers to manage client assets, (ii) no-load and load-waived mutual funds and individual securities (including fixed income instruments), and (iii) pooled investment vehicles. Such management styles may include, among others: large-, mid-, and small-cap value, growth and core; international and emerging markets; and alternative investments. AMS Advisors may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets

established by that manager—a factor that will be taken into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, individual securities (including fixed income securities), managers, and pooled investment vehicles is set forth below.

AMS Advisors has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, managers, and pooled investment vehicles
- perform billing and certain other administrative tasks

AMS Advisors may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers, and pooled investment vehicles to clients as appropriate under the circumstances.

AMS Advisors reviews certain quantitative and qualitative criteria related to mutual funds and managers to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. AMS Advisors will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by AMS Advisors on a quarterly basis or such other interval as mutually agreed upon by the client and AMS Advisors. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by AMS Advisors (both of which are negative factors in implementing an asset allocation structure). Based on its review, AMS Advisors will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

AMS Advisors may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (for example, for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the mutual funds or managers utilized. AMS Advisors will endeavor to obtain equal treatment for its clients with mutual funds or managers, but cannot assure equal treatment.

AMS Advisors will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

#### **C.6. Material Risks of Investment Instruments**

AMS Advisors typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Option contracts on securities
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

### **C.6.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk, and liquidity risk.

### **C.6.b. Warrants and Rights**

AMS Advisors may invest in warrants and rights. Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **C.6.c. Mutual Funds**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **C.6.d. Exchange Traded Funds ("ETFs")**

AMS Advisors may invest in ETFs (which may, in turn, invest in equities, bonds, and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup>, and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more

frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **C.6.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign), and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **C.6.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **C.6.g. U.S. Government Securities**

AMS Advisors may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **C.6.h. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities



offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **C.6.i. Options on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period, and interest rates.

#### **C.6.j. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth, and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, AMS Advisors will be unable to monitor or verify the accuracy of such performance information.

#### **C.6.k. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **C.6.I. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority, or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **C.6.m. Corporate Debt Obligations**

AMS Advisors may invest in corporate debt obligations. Corporate debt obligations include corporate bonds, debentures, notes, commercial paper, and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. AMS Advisors may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

**C.6.n. Mortgage-Backed Securities**

AMS Advisors may invest in mortgage-backed securities, including pass-through securities and collateralized obligations. Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, AMS Advisors may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages, and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

**C.6.o. Collateralized Obligations**

AMS Advisors may invest in collateralized mortgage obligations ("CMOs") that are collateralized by mortgage-backed securities issued by GNMA, FHLMC, or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly, or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

AMS Advisors may also invest in collateralized debt obligations ("CDOs"), which include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs"), and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

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In certain instances, when an independent investment manager through a separately managed account product or privately sponsored fund has discretionary authority, such investment manager may invest in the following types of financial instruments:

- Option contracts on indices
- Option contracts on futures
- Option contracts on commodities
- Futures contracts and index contracts

#### **C.6.p. Option Contracts on Indices**

An index assigns relative values to the securities included in the index, and the index fluctuates with changes in the market values of the securities included in the index. Index cash options operate in the same way as the more traditional options on securities, except that index options are settled exclusively in cash and do not involve delivery of securities. Thus, upon exercise of index options, the purchaser will realize and the writer will pay an amount based on the differences between the exercise price and the closing price of the index.

#### **C.6.q. Option Contracts on Futures**

Options on futures contracts are similar to options on securities, except that an option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract rather than to purchase or sell a security at a specified exercise price at any time during the period of the option. Upon exercise of the option, the delivery of the futures position to the holder of the option will be accompanied by transfer to the holder of an accumulated balance representing the amount by which the market price of the futures contract exceeds in the case of a call, or is less than in the case of a put, the exercise price of the option on the future.

#### **C.6.r. Option Contracts on Commodities**

Physical commodities include soft assets such as crops and coffee that are generally extracted from the ground, as well as hard assets such as minerals and metals that are mined. Investing in commodities carries significant risks, including price, credit, and market risk. Many physical commodities, as well as intangible commodities (such as security or fixed income indices), serve as the underlier to commodity futures contracts.

**C.6.s. Futures Contracts and Index Contracts**

A futures contract is a bilateral agreement where one party agrees to accept and the other party agrees to make delivery of cash for an underlying debt security, as called for in the contract, at a specified date and at an agreed-upon price. An index futures contract involves the delivery of an amount of cash equal to a specified dollar amount times the difference between the index value at the close of trading of the contract and the price at which the futures contract is originally struck. No physical delivery of the securities comprising the index is made. Generally, these futures contracts are closed out prior to the expiration date of the contracts.

**C.7. Investment Strategy and Method of Analysis Material Risks****C.7.a. Margin Leverage**

Although AMS Advisors, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, AMS Advisors will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

**C.7.b. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. AMS Advisors as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

#### ***C.7.b.1. Covered Call Writing***

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client's portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs, and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### ***C.7.b.2. Long Call Option Purchases***

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.7.b.3. Long Put Option Purchases***

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.7.b.4. Option Spreading***

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

**C.7.b.5. Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

**C.7.b.6. Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

**C.7.b.7. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified "cap rate." A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified "floor rate." A collar involving stock is called an "equity collar." In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

**C.7.b.8. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date, and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.



### **C.8. Concentration Risk**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

### **C.9. Voting Client Securities**

AMS Advisors does not vote client securities. The custodian, transfer agent, or broker for client accounts is responsible for providing proxies to the client. AMS Advisors will not entertain questions about security-specific solicitations.



## **Item 7: Client Information Provided to Portfolio Managers**

Each AMS Advisors financial advisor participating in the program formulates his or her advice subject to approval by AMS Advisors' investment committee of the investment methodology utilized by each participating financial advisor. Neither AMS Advisors nor its financial advisors shares any personal information it collects from clients other than as required by law or regulatory mandate. AMS Advisors collects the following information in order to formulate its investment recommendations to clients:

- Income
- Employment and residential information
- Social security number
- Cash balance
- Security balances
- Transaction detail history
- Investment objectives, goals, and risk tolerance

The following are the major factors AMS Advisors considers when recommending and implementing investment recommendations:

- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Restrictions on management of account

Sources of information used to develop investment recommendations may include, but are not limited to, the following:

- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

## **Item 8: Client Contact with Portfolio Managers**

AMS Advisors encourages communication between its clients and its financial advisors and does not limit or condition the amount of time clients can spend with AMS Advisors' advisory professionals.

## Item 9: Additional Information

### A. Disciplinary and Other Financial Activities and Affiliations

#### A.1. Disciplinary

AMS Advisors has not been the subject of a legal or disciplinary matter that is material to a client or prospective client's evaluation of AMS Advisors' business or the integrity of AMS Advisors' management.

##### A.1.a. Criminal or Civil Actions

There is nothing to report for this item.

##### A.1.b. Administrative Enforcement Proceedings

There is nothing to report for this item.

##### A.1.c. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report for this item.

#### A.2. Other Financial Activities and Affiliations

##### A.2.a. Broker-Dealer or Representative Registration

Certain employees or associated persons of AMS Advisors are also registered representatives of BESTDirect Securities, LLC, thereby creating an inherent conflict of interest for those employees working for any or all of these firms. There may be instances where a dually registered employee or associated person executes commission-based trades for BESTDirect Securities, LLC, and acts as an investment advisor for AMS Advisors' accounts. Dually registered employees may not act as both broker and advisor for the same client account.

##### A.2.b. Futures or Commodity Registration

Neither AMS Advisors nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and do not have an application to register pending.

##### A.2.c. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Certain members employees of AMS Advisors are insurance agents. AMS Advisory professionals may recommend insurance products and receive commissions for doing so. Clients are advised of a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products to clients. Clients are also advised that AMS Advisors professionals strive to put their clients' interests first and foremost. Clients may utilize any insurance carrier or insurance agency they desire.

**A.2.d. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

In addition to information disclosed in Item 10.C. above and item 12 below, AMS Advisors does recommend separate account managers or other investment products to advisory clients in which it receives compensation. Please refer to Item 9.B.5. of this Brochure.

**B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters****B.1. Code of Ethics Description**

In accordance with the Investment Advisers Act of 1940, AMS Advisors has adopted policies and procedures designed to detect and prevent insider trading. In addition, AMS Advisors has adopted a Code of Ethics (the "Code") designed to comply with Rule 204A-1 under the Investment Advisers Act. Among other things, the Code includes written procedures governing the conduct of AMS Advisors' advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer (or designee) of AMS Advisors. AMS Advisors will forward clients a copy of its Code of Ethics upon written request.

AMS Advisors has policies and procedures in place to ensure that the interests of its clients are given preference to those of AMS Advisors, its affiliates, and its associated persons. For example, there are

- restrictions as to when AMS Advisors and its associated persons may purchase or sell securities recommended by AMS Advisors
- policies in place to prevent the misappropriation of material non-public information
- policies and procedures to manage conflicts of interest
- such other policies and procedures reasonably designed to comply with federal and state securities laws

**B.1.a. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

AMS Advisors does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory, or buying stocks from advisory clients into a firm's inventory).

AMS Advisors, its affiliates, or any associated person of AMS Advisors or its affiliates, may have material financial interests in certain securities that may also be recommended to clients. In addition, the officers, directors, and employees of AMS Advisors may participate as board members or service providers of such companies and may be compensated by such companies for their services.

Certain employees or associated persons of AMS Advisors are also registered representatives BESTDirect Securities, LLC, thereby creating an inherent conflict of interest for those employees. There may be instances where a dually registered employee or associated person executes commission-based trades for BESTDirect Securities, LLC, and acts as an investment

advisor for AMS Advisors' accounts. Dually registered employees may not act as both broker and advisor for the same client account.

**B.1.b. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

AMS Advisors does not engage in principal trading, meaning that AMS Advisors, for its own account or a proprietary account of an affiliate, will not knowingly buy securities from or sell securities to a client's account. However, AMS Advisors, its affiliates, and associated persons (also referred to as "supervised persons") may buy or sell securities identical to those recommended to advisory clients for their own accounts, subject to the restrictions set forth in the Code of Ethics. There is an inherent conflict of interest between AMS Advisors' fiduciary duty of best execution for its clients and the apparent self-interest of employees trading in the same securities contemporaneously. Also, clients, including employees of AMS Advisors, have different investment objectives, goals and needs, and may do trades that differ from advisory clients. This includes taking the opposite side of a client's transaction. AMS Advisors has procedures in place to monitor such transactions to ensure that its transactions do not conflict with the duties that AMS Advisors owes to its clients.

AMS Advisors has implemented a detailed Code of Ethics which sets forth other prohibited transactions and procedures for reporting and monitoring the trading activity of supervised persons. Prohibited transactions include front-running, the misuse of inside or material non-public information, use of information about a client's transactions or contemplated transactions, and any violation of the fiduciary duty owed to clients.

Supervised persons must obtain permission from AMS Advisors' Chief Compliance Officer (or designee) prior to conducting any personal transactions. If the supervised person is executing transactions through an external broker (not AMS Advisors), the supervised person must inform the broker of his or her affiliation with AMS Advisors, must make arrangements for copies of confirmations to be sent to AMS Advisors' Chief Compliance Officer within 24 hours of each transaction, and must make arrangements for the Chief Compliance Officer to receive duplicate account statements. The Chief Compliance Officer will monitor the activity in the supervised person's account and compare it to activity in customers' accounts. Trading in violation of procedures may result in the unwinding of trades, disgorgement of profits, and potential disciplinary action.

**B.1.c. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

AMS Advisors, its affiliates, and associated persons may buy or sell securities identical or similar to those recommended to advisory clients for their own accounts, subject to the restrictions set forth in the Code of Ethics. There is an inherent conflict of interest between AMS Advisors' fiduciary duty of best execution for its clients and the apparent self-interest of employees trading in the same securities contemporaneously. When appropriate, identical same-day security transactions placed by an investment advisor representative will be average priced and allocated to the employee and customer accounts.

At all times as set forth in the Code of Ethics, decisions regarding transactions for client accounts will be independent of decisions concerning accounts of AMS Advisors' employees, associated persons, or their immediate families. Under no circumstances may action be taken for client accounts in order to benefit an employee or associated person's account or that of his or her family members. Moreover, AMS Advisors' personnel must pre-clear certain trades for personal securities accounts with the Chief Compliance Officer (or designee). All personnel are required to have duplicate copies of confirmations and/or statements with respect to every brokerage account they have sent to AMS Advisors in order to monitor compliance with its personal trading policies and restrictions. Personnel must report all personal securities transactions no less than quarterly.

AMS Advisors will not permit agency cross-transactions where AMS Advisors or one of its affiliates buys a security from its advisory client and contemporaneously sells such security to another buyer.

## **B.2. Factors Used to Select Broker-Dealers for Client Transactions**

AMS Advisors requires that clients establish brokerage accounts with Fidelity's Institutional Wealth Services ("IWS"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although AMS Advisors requires that clients establish accounts at IWS, it is the client's decision to custody assets with IWS. AMS Advisors is independently owned and operated and not affiliated with IWS.

For AMS Advisors client accounts maintained in its custody, IWS generally does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through IWS or that settle into IWS accounts.

AMS Advisors participates in the institutional customer program offered by IWS. Through this program, IWS offers various services to independent investment advisors, including custody of securities, trade execution, and clearance and settlement of transactions. AMS Advisors receives some benefits from IWS through its participation in these programs, as described below.

### **B.2.a. Institutional Trading and Custody Services**

IWS provides AMS Advisors with access to its institutional trading and custody services, which are typically not available to IWS retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at IWS. These services are not contingent upon AMS Advisors committing to IWS any specific amount of business (assets in custody or trading commissions). IWS's brokerage services include the execution of securities transactions, 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.

**B.2.b. Other Products and Services**

IWS also makes available to AMS Advisors other products and services that benefit AMS Advisors but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of AMS Advisors' accounts, including accounts not maintained at IWS. IWS also makes available to AMS Advisors its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of AMS Advisors' fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

IWS also offers other services intended to help AMS Advisors manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

IWS may also provide other benefits such as educational events or occasional business entertainment of AMS Advisors personnel. In evaluating whether to recommend or require that clients custody their assets at IWS, AMS Advisors may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by IWS, which may create a potential conflict of interest.

**B.3. Aggregating Securities Transactions for Client Accounts****B.3.a. Best Execution**

AMS Advisors may recommend or require that clients establish brokerage accounts with Fidelity's Institutional Wealth Services ("IWS"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Such accounts will be prime broker eligible, so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. IWS charges a "trade away" fee, which is charged against the client's account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients will consult their current custodian for policies and fees.

AMS Advisors, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of

such securities, the executing broker, and the commission rates to be paid to effect such transactions. AMS Advisors recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. AMS Advisors will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

### **B.3.b. Directed Brokerage**

#### ***B.3.b.1. AMS Advisors Recommendations***

AMS Advisors typically recommends IWS as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### ***B.3.b.2. Client-Directed Brokerage***

Occasionally, clients may direct AMS Advisors to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage AMS Advisors derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. AMS Advisors loses the ability to aggregate trades with other AMS Advisors advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **B.3.c. Security Allocation**

Since AMS Advisors may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by



AMS Advisors in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. Such aggregate orders may include transactions for accounts for employee benefit plans and private investment vehicles, such as limited partnerships or limited liability companies, in which AMS Advisors, its affiliates, principals, or employees are among the investors.

AMS Advisors' allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. AMS Advisors will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

AMS Advisors' advice to certain clients and entities and the action of AMS Advisors for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines, and circumstances. Thus, any action of AMS Advisors with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of AMS Advisors to or on behalf of other clients.

#### **B.3.d. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if AMS Advisors believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.3.e. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

AMS Advisors acts in accordance with its duty to seek best price and execution and will not continue any arrangements if the firm determines that such arrangements are no longer in the best interests of its clients.

**B.3.f. Soft Dollar Arrangements**

AMS Advisors does not utilize soft dollar arrangements. AMS Advisors does not direct brokerage transactions to executing brokers for research and brokerage services.

**B.3.g. Brokerage for Client Referrals**

AMS Advisors does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

**B.4. Review of Accounts****B.4.a. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

AMS Advisors' Chief Compliance Officer or designee, who has extensive compliance experience, is assigned to each account and/or financial plan and is responsible for monitoring and maintaining compliance with client-specific guidelines. Formal reviews are performed at least annually and include client portfolio structure, strategies, and adherence to client investment policy and guidelines and benchmarks. In addition, account and performance reviews are offered to clients on a quarterly basis. More frequent reports may be provided upon request.

**B.4.b. Review of Client Accounts on Non-Periodic Basis**

AMS Advisors may perform *ad hoc* reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how AMS Advisors formulates investment advice.

**B.4.c. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides regular account statements directly to the client. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by AMS Advisors.

**B.5. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

In addition to the information described in Items 10 and 12 of this Brochure, AMS Advisors does receive economic benefits from external sources. AMS Advisors does refer clients to certain investment management firms in return for an ongoing portion of the advisory fee received by such investment manager. All such arrangements are in compliance with Investment Advisers Act rule 206(4)-3. Generally, these requirements require the solicitor, AMS Advisors, to have a written agreement with the investment management firm. AMS Advisors must provide the client with a disclosure document describing the fees it receives from the investment management firm, whether those fees represent an increase in fees that the investment management firm would otherwise charge the client, and whether an affiliation exists between AMS Advisors and the investment management firm.

**B.5.a. Advisory Firm Payments for Client Referrals**

AMS Advisors may enter into agreements with solicitors who will refer prospective advisory clients to AMS Advisors in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with AMS Advisors. The solicitor must provide the client with a disclosure document describing the fees it receives from AMS Advisors, whether those fees represent an increase in fees that AMS Advisors would otherwise charge the client, and whether an affiliation exists between AMS Advisors and the solicitor.

**B.6. Financial Information****B.6.a. Balance Sheet**

AMS Advisors is not required to provide a balance sheet, as the firm does not have custody of client funds or securities or require prepayment of more than \$1,200 in fees per client, six or more months in advance.

**B.6.b. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

AMS Advisors does not have any financial issues that would impair its ability to provide services to clients.

**B.6.c. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.