

# First Santa Fe Advisors, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of First Santa Fe Advisors, LLC (“FSFA” or the “Advisor”). If you have any questions about the contents of this brochure, please contact us at 505-995-1885. 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 FSFA is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This brochure contains information about FSFA and there have been no material changes to the brochure since its adoption.

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## Advisory Business

The Advisor was founded in March of 2007, registered as an investment adviser with the SEC in June of 2007, and is principally owned by Massey, Quick and Co. LLC and the New Mexico Banquest Corporation. As of March 31, 2011 the Advisor managed \$220,287,364 on a non-discretionary basis on behalf of approximately 82 clients and \$6,209,165 on a discretionary basis on behalf of approximately one client.

FSFA provides the following advisory services:

### *Investment Management Services*

The Advisor provides investment management services that are defined as giving continuous advice to a client or making allocations (on a discretionary or non-discretionary basis) for clients based on the individual needs of each client. Investment goals, objectives, management style, risk tolerance and other factors affecting the client's portfolio are determined via an extensive initial interview with each client which may be conducted in person or via the telephone.

The Advisor does not hold itself to be a research analyst for individual securities (i.e. individual stocks, bonds, etc.). Some clients may choose to hold individual securities in their brokerage accounts. Clients must continue to monitor these positions and perform their own due diligence and not rely on the Advisor for analysis. The Advisor may give some general advice with regards to monitoring and over time reducing overweighted and concentrated individual security positions. This advice will be given in the context to the client's overall asset allocation.

For clients with assets of \$250,000 to \$5,000,000, the Advisor may construct risk based Asset Allocation funds comprised of mutual funds, exchange traded funds, and third-party separate account investment managers.

### ***Financial Planning Services***

The Advisor provides financial planning services to certain clients to which it provides investment management services. In providing this service, the Advisor will review several areas of the client's financial profile, including objectives, asset/liability analysis, tax planning, cash flow management, investment planning, retirement planning, risk management, estate planning, multi-generational wealth transfer strategies, asset protection, and closely held business transition strategies.

An investment plan is developed in the context of the client's investment objectives and financial resources. A determination is made on the degree of risk that the client can tolerate and the need for diversification, liquidity, capital accumulation and tax reduction. Once suitable investment strategies are determined, the Advisor will recommend one or more of such strategies in response to changing market and economic conditions. A written report is prepared which includes a summary of the Advisor's review process and an action guide which may provide specific recommendations with respect to asset allocation and manager selection.

## **Fees and Compensation**

Investment Management and Financial Planning Clients – Clients to which FSFA provides both investment management and financial planning services may be charged fees on a monthly basis, in arrears, based on the value of the assets in the account as of the end of each month. Clients to which FSFA provides both investment management and financial planning services may be charged fees on a quarterly basis, in arrears, based on the value of the assets in the account as of the end of each period. Fee terms are subject to negotiation. The fee may either be charged directly to the client's account or the client may be billed. Any accounts opened or closed during a month will have the advisory fee pro-rated for the period. FSFA's basic fee structure is as follows (fees shown are annual):

### ***Equity***

1.65% on the first \$500,000 of equity assets under management

1.40% on equity assets between \$500,000 and \$3,000,000

1.15% on equity assets between \$3,000,000 and \$5,000,000

1% on equity assets between \$5,000,000 and \$10,000,000

.85% on equity assets between \$10,000,000 and \$25,000,000

.60% on equity assets from \$25,000,000 to \$75,000,000

.25% on equity assets from \$75,000,000 to \$150,000,000

.10% on equity assets over \$150,000,000 and above

#### *Fixed Income*

.40% on the first \$50,000,000 of Fixed Income assets under management

.20% on fixed income assets between \$50,000,000 and \$100,000,000

.13% on fixed income assets over \$100,000,000

Client accounts that are exclusively invested in mutual funds and exchange traded funds are charged an annual fee of 1% on assets under management.

Investment Management Clients –Clients to which FSFA provides only investment management services may be charged fees on a monthly basis, in arrears, based on the value of the assets in the account as of the end of each month. Clients to which FSFA provides only investment management services may be charged fees on a quarterly basis, in arrears, based on the value of the assets in the account as of the end of each period. Fee terms are subject to negotiation. The fee may either be charged directly to the client's account or the client may be billed. Any accounts opened or closed during a month will have the advisory fee pro-rated for the period. FSFA's basic fee structure is as follows (fees shown are annual):

#### *Equity*

1.25% on the first \$3,000,000 of equity assets under management

1% on equity assets between \$3,000,000 and \$5,000,000

.70% on equity assets between \$5,000,000 and \$10,000,000

.55% on equity assets between \$10,000,000 and \$25,000,000

.40% on equity assets between \$25,000,000 and \$75,000,000

.25% on equity assets between \$75,000,000 and \$150,000,000

.10% on equity assets over \$150,000,000

*Fixed Income*

.35% on the first \$50,000,000 Fixed Income assets under management

.15% on fixed income assets from \$50,000,000 to \$100,000,000

.08% on fixed income assets over \$100,000,000

Client accounts that are exclusively invested in mutual funds and exchange traded funds are charged an annual fee of 1% on assets under management.

General Information on Fees – All clients should understand that all fees paid to the Advisor for investment advisory services are separate from the fees and expenses charged to clients by the investments (mutual funds and exchange traded funds) or managers to which client assets may be allocated. Additionally, FSFA's clients bear trading costs and custodial fees. Clients should review all fees charged by FSFA and its affiliates, custodians and brokers, and others to fully understand the total amount of fees to be paid. For additional information about brokerage, please see "Brokerage Selection."

Each client should evaluate the overall cost and benefit of the advisory services that they will be purchasing. If a client selected and purchased their own investments without engaging the Advisor's services, they would not pay a fee to the Advisor and would, therefore, have a less expensive investment alternative.

Client accounts may be classified as Equity, Fixed Income, or Blended Equity and Fixed Income. Client accounts classified as Blended Equity are charged based upon the Equity fee schedule presented above. Client accounts classified as Fixed Income are charged based upon the Fixed Income fee schedule presented above.

Massey, Quick & Co., LLC, one of the principal owners of FSFA, is the investment manager of two private investment funds of funds. Related persons of Massey, Quick & Co., LLC act as general partners to the funds. The Advisor may recommend that certain client accounts invest in the funds of funds. The funds of funds are primarily invested directly or indirectly, with investment managers or in private investment funds sponsored by various investment managers that are selected by the principals of Massey, Quick & Co., LLC. Clients of the Advisor that invest in the private investment funds managed by Massey, Quick & Co., LLC will be granted a waiver of their current wealth management fee on the portion of their assets invested in the funds of funds however the client will be charged a 1% management fee and a 10% performance fee subject to a high water mark on those assets by the funds of funds as disclosed by the funds' relevant offering documents.

## **Performance Based Fees and Side-by-Side Management**

The Advisor does not charge any performance fees. However, as described in the Fees and Compensation section, certain client assets may be allocated to a fund of funds managed by an affiliated entity. The affiliated entity charges a performance fee subject to a high water mark and a portion of that performance fee is not paid to any affiliate of the Advisor.

Affiliates receive a portion of the fees charged to the fund of funds which may create an incentive for FSFA allocate client assets to the fund of funds. Additionally, the performance fee may create an incentive for Massey, Quick & Co., LLC to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.

## **Types of Clients**

FSFA primarily provides customized investment management services to individuals, high-net-worth individuals, corporations and associated trusts, and charitable organizations.

The Advisor generally requires a minimum of \$250,000 of assets under management for each client. In certain circumstances, minimum assets under management requirements may be negotiable.

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

### ***Investment Strategy and Research Process***

FSFA does not actively trade in individual equities or fixed income securities. Rather, the Advisor typically allocates clients' assets among mutual funds, exchange traded funds, unregistered investment funds ("hedge funds") and separate accounts that are managed by unaffiliated third-party money managers. The Advisor may offer advice about specific investment managers who specialize in various disciplines, including, but not limited to equities, fixed income, real estate, and cash management. The Advisor may also recommend investments in hedge funds which invest in venture capital, private equity, and other hedge funds. As described in the Fees and Compensation section, FSFA may allocate a portion of a client's account to a fund of funds managed by an affiliate of the Advisor.

FSFA's investment strategies are primarily long-term in scope and include using investment managers with different investment disciplines. Recommendations for the short-term are generally limited to cash equivalents and money market funds, and trading is not employed as a strategy other than for end-of-year sales for recognizing tax losses or gains as may be appropriate.

The Advisor performs due diligence on all third-party investment managers, including the managers of hedge funds, prior to recommending the third-party investment managers to its clients. The Advisor considers a number of quantitative and qualitative factors in evaluating

investment managers. Reviews generally include on-site meetings with portfolio managers, analysts and operational staff as well as review of both published statistical data.

### ***Risks***

The description contained herein is an overview of the risks entailed in the Advisor's investment strategy and is not intended to be complete. All investing involves a risk of loss and the investment strategy offered by the Advisor could lose money over short or long periods. The following are certain risks applicable to advisers that select third-party investment managers to manage a portion of its clients' underlying assets:

**No Registration.** The hedge funds will not be registered as investment companies under the Investment Company Act of 1940 (the "1940 Act") and, therefore, the clients will not be entitled to the various protections afforded by the 1940 Act with respect to its investments in hedge funds. Accordingly, the provisions of the 1940 Act, which, among other things, require investment companies to have securities held in custody at all times in segregated accounts and regulate the relationship between the investment company and its asset management, are not applicable to an investment in hedge funds. Unlike registered investment companies, hedge funds generally are not obligated to disclose the contents of their portfolios. This lack of transparency may make it difficult for the Advisor to monitor whether holdings of the hedge funds cause the clients to be above specified levels of ownership in certain asset classes. Although the clients expect to receive information from each hedge fund regarding its investment performance on a regular basis, in most cases there is little or no means of independently verifying this information. A hedge fund may use proprietary investment strategies that are not fully disclosed to its investors and may involve risks under some market conditions that are not anticipated by the client.

**Hedge funds may not allow withdrawals and may distribute securities instead of cash.** Hedge funds may be permitted to redeem their interests in-kind. Thus, upon the client's withdrawal of an interest in a hedge fund, it may receive securities that are illiquid or difficult to value.

**Hedge funds may be illiquid.** As the client may make additional investments in or affect withdrawals from a hedge fund only at certain times pursuant to limitations set forth in the governing documents of the hedge fund, the client may have to invest a greater portion of its assets temporarily in money market securities than it otherwise might wish to invest and may have to borrow money to repurchase units. The redemption or withdrawal provisions regarding the hedge funds vary from fund to fund. Therefore, the client may not be able to withdraw its investment in a hedge fund promptly after it has made a decision to do so. Some hedge funds may impose early redemption fees. This may adversely affect the client's investment return or increase the client's expenses and limit the client's ability to make offers to repurchase units.

**Portfolio funds may be difficult to value.** The valuation of the client's investments in hedge funds is ordinarily determined based upon valuations calculated by the Advisor based on information provided by the hedge funds and their auditors. Although the Advisor reviews the valuation procedures used by the portfolio funds, the Advisor may not be able to confirm or

review the accuracy of such valuations. The Advisor may face a conflict of interest in valuing hedge funds, since the hedge funds' values will affect the Advisor's compensation. Furthermore, revisions to a hedge fund's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until the audits of the hedge fund has been completed.

## **Disciplinary Information**

FSFA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Advisor or its personnel.

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

The Advisor is a joint venture between Massey, Quick & Co., LLC and New Mexico Banquest Corporation. Massey, Quick & Co., LLC is a SEC registered investment advisor. New Mexico Banquest Corporation is a federally chartered financial holding company that owns 100% of the common stock of the First National Bank of Santa Fe and 6260 Corporation dba First Santa Fe Insurance Services.

As previously discussed, Massey, Quick & Co., LLC is the investment manager of two private investment fund of funds. The Advisor may recommend that certain client accounts invest in the funds of funds. FSFA makes all investment recommendations in the best interests of its clients and does not take into consideration the affiliation of Massey, Quick & Co., LLC.

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

The Advisor may recommend that clients invest in hedge funds in which the Advisor, its affiliates, or its employees' assets are also invested. To avoid any potential conflicts of interest involving personal trades, the Advisor has adopted a Code of Ethics (the "Code"), which includes a formal code of ethics and insider trading policies and procedures. Advisor's Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Advisor above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;



- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

The Code also requires employees to report personal securities transactions on at least a quarterly basis and provide the Advisor with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest. Transactions in initial public offerings and private placements, including interests in private investment funds, require pre-clearance.

Clients and prospective clients may obtain a copy of the Code by contacting Ms. Kristina Alley (FSFA's Chief Compliance Officer ("CCO")) via phone at (505) 955-1888.

Please refer to the Other Financial Industry Activities and Affiliations section for disclosure on the fund of funds that is recommended to clients and managed by an affiliate of FSFA.

## **Brokerage Practices**

FSFA does not actively trade in individual equities or fixed income securities. The third-party investment managers recommended by the Advisor select the brokers through which they trade.

In limited cases, the Advisor maintains discretionary authority over a client account and it, or the selected managers, shall have the authority to determine the securities purchased or sold and the amount of securities to be purchased or sold for the client account. Under the Advisor's discretionary and non-discretionary agreements, the client always has the authority to choose the custodian for their account.

The Advisor, through its affiliate, The First National Bank of Santa Fe, has negotiated favorable commission rates and terms with Bank of New York Mellon ("BONY") and a portion of Advisor's clients use BONY to execute transactions in individual securities such as mutual funds and ETFs, when applicable. The First National Bank of Santa Fe may execute trades accordingly on behalf of certain client accounts without the express consent of clients. Additionally, the Advisor has negotiated favorable commission rates and terms with Fidelity Institutional ("Fidelity") and a portion of the Advisor's clients use Fidelity to execute transactions in individual securities such as mutual funds and ETF's, when applicable.

Certain clients may direct the Advisor to use a particular broker-dealer to execute some or all transactions in the client's account. In such an event, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Advisor will not seek better

execution services or prices from other broker-dealers to be able to aggregate the client's transactions for execution through other broker-dealers with orders for other accounts managed by the Advisor. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

To the extent possible, the Advisor will seek to aggregate client transactions. Typically, eligible clients participate in investments in mutual funds, exchange traded funds, hedge funds, and separate accounts on a pro rata basis. Certain investments may not be appropriate for all FSFA clients and, as such, shall only be offered to those clients that have investment guidelines consistent with the investment.

Certain employees of the Advisor may hold licenses at third-party broker-dealers. The Advisor does not execute client transactions through any broker-dealer with which its employees may hold licenses.

## **Review of Accounts**

All client accounts are reviewed at least quarterly. Each client account will also be reviewed whenever the Advisor is informed by the client of any changes in the client's circumstances or when the Advisor believes market conditions or other factors warrant such review.

Upon client requests for financial planning services, the Advisor will conduct initial consultations and an annual review of client financial plans. Since individual requirements for each client may vary considerably, the Advisor will consider requests for more frequent reviews of client plans.

All accounts will be reviewed by one or more of the following individuals:

Stewart R. Massey, Partner  
Leslie C. Quick III, Partner  
Joseph Belfatto, Partner  
Christopher Moore, Director  
Kristina E. Alley, Senior Vice President  
David Kantor, Senior Vice President  
Mark Lubchenco, Vice President

Initial consultations and reviews (if desired by the client) of financial plans will be conducted by at least two of the individuals listed above.

Clients will receive a summary report of their account on either a monthly or quarterly basis, showing performance for the period and performance since inception of the advisory relationship. These reports will be in addition to any periodic statements received from the relevant custodians, brokerage firms, investment administrators, third-party investment managers or funds.

## **Client Referrals and Other Compensation**

From time to time, Advisor may enter into solicitation agreements with individuals who are affiliated with the Advisor whereby investment advisory accounts are solicited for Advisor. These agreements require that the solicitor perform his duties in accordance with the Investment Advisers Act of 1940 and appropriate state regulations and that the solicitor provide each prospective client information concerning the compensation relationship between themselves and the Advisor.

Please refer to the Other Financial Industry Activities and Affiliations section for disclosure on the fund of funds that may be recommended to clients and managed by an affiliate of FSFA.

## **Custody**

FSFA maintains authority to directly debit fees from its clients' accounts. Additionally, affiliates of the Advisor may serve as the custodian for certain client accounts. For these reasons the Company is considered to have custody of client assets. The clients' respective custodians send statements directly to the clients on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by FSFA.

## **Investment Discretion**

In limited cases, the Advisor maintains discretionary authority over a client account and it, or the selected managers, shall have the authority to determine the securities purchased or sold and the amount of securities to be purchased or sold for the client account. Under the Advisor's discretionary agreements, the client has maintains the authority to choose the custodian for their account.

## **Voting Client Securities**

Notwithstanding FSFA's discretionary authority to make investment decisions on behalf of certain clients, the Advisor will not exercise proxy voting authority over client securities. The obligation to vote client proxies shall at all times rest with client. Clients should receive all proxies and other solicitations directly from their respective custodians or transfer agents, as applicable. Clients shall in no way be precluded from contacting the Advisor for advice or information about a particular proxy vote. However, FSFA shall not be deemed to have proxy voting authority solely as a result of providing such advice to clients.

Should FSFA inadvertently receive proxy information for a security held in a client's account, then the Advisor will immediately forward such information on to the appropriate client, but will

not take any further action with respect to the voting of such proxy. Upon the termination of its Agreement with a client, the Advisor shall make a good faith and reasonable attempt to forward proxy information inadvertently received by Advisor on behalf of the client to the forwarding address provided by the client.

## **Financial Information**

FSFA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.