

# Atwater Malick, LLC

## Firm Brochure

*This brochure provides information about the qualifications and business practices of Atwater Malick, LLC. If you have any questions about the contents of this brochure, please contact us at (717) 439-9410 or by email at: [info@atwatermalick.com](mailto:info@atwatermalick.com). 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 Atwater Malick, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Atwater Malick, LLC's CRD number is: 147972*

3004 Hempland Road  
Suite 1  
Lancaster, Pennsylvania, 17601  
(717) 400-1505  
(717) 798-9908 – Fax  
[www.atwatermalick.com](http://www.atwatermalick.com)  
[info@atwatermalick.com](mailto:info@atwatermalick.com)

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

Version Date: 03/20/2017

## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Atwater Malick, LLC's on January 25, 2016 are described below. This list summarizes changes to policies, practices or conflicts of interests only.

- Atwater Malick, LLC has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.
- Atwater Malick, LLC requires a client relationship minimum of \$500,000.
- Item 11 D. has been updated to reflect that block trades to buy or sell common stocks may be placed in both client accounts and accounts for AM representatives.

## Item 3: Table of Contents

### Table of Contents

Item 2: Material Changes.....	i
Item 3: Table of Contents.....	ii
Item 4: Advisory Business.....	1
A. Description of the Advisory Firm.....	1
B. Types of Advisory Services.....	1
C. Investment Supervisory Services.....	1
D. Financial Planning.....	1
E. Services Limited to Specific Types of Investments .....	1
F. Client Tailored Services and Client Imposed Restrictions.....	2
G. Wrap Fee Programs .....	2
H. Amounts Under Management.....	2
Item 5: Fees and Compensation .....	3
A. Fee Schedule .....	3
B. Investment Supervisory Services Fees .....	3
C. Financial Planning Fees.....	3
D. Hourly Fees.....	3
E. Payment of Fees.....	4
F. Payment of Investment Supervisory Fees .....	4
G. Payment of Financial Planning Fees.....	4
H. Clients Are Responsible For Third Party Fees .....	4
I. Prepayment of Fees.....	4
J. Outside Compensation For the Sale of Securities to Clients.....	4
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	5
A. Minimum Account Size.....	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Investment Loss .....	5
A. Methods of Analysis and Investment Strategies .....	5
B. Charting analysis.....	5
C. Fundamental analysis.....	6

D. Technical analysis .....	6
E. Cyclical analysis .....	6
F. Material Risks Involved .....	6
G. Risks of Specific Securities Utilized.....	6
Item 9: Disciplinary Information.....	6
Item 10: Other Financial Industry Activities and Affiliations .....	6
A. Registration as a Broker/Dealer or Broker/Dealer Representative.....	6
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.....	7
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests .....	7
D. Selection of Other Advisors or Managers and How This Advisor is Compensated for Those Selections .....	7
Item 11: Code of Ethics, Participation in Transactions, Personal Trading.....	7
A. Code of Ethics.....	7
B. Recommendations Involving Material Financial Interests.....	7
C. Investing Personal Money in the Same Securities as Clients .....	7
D. Trading Securities At/ Around the Same Time as Clients' Securities.....	8
Item 12: Brokerage Practices .....	8
A. Factors Used to Select Custodians and/or Broker/Dealers .....	8
B. Research and Other Soft-Dollar Benefits .....	10
C. Brokerage for Client Referrals.....	10
D. Clients Directing Which Broker/Dealer/Custodian to Use .....	10
E. Aggregating (Block) Trading for Multiple Client Accounts.....	11
F. Cross Trading.....	11
Item 13: Reviews of Accounts.....	12
A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews.....	12
B. Factors That Will Trigger a Non-Periodic Review of Client Accounts.....	12
C. Content and Frequency of Regular Reports Provided to Clients .....	12
Item 14: Client Referrals and Other Compensation .....	12

A.	Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	12
B.	Compensation to Non-Advisory Personnel for Client Referrals .....	12
Item 15:	Custody .....	13
Item 16:	Investment Discretion .....	13
Item 17:	Voting Client Securities (Proxy Voting) .....	13
Item 18:	Financial Information .....	13
A.	Balance Sheet .....	13
B.	Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients .....	14
C.	Bankruptcy Petitions in Previous Ten Years .....	14

## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

This firm has been in business since September 19, 2008, and the principal owners are Matthew Charles Malick and Benjamin Howe Atwater.

### **B. Types of Advisory Services**

Atwater Malick, LLC (hereinafter “AM”) offers the following services to advisory clients:

#### **Investment Supervisory Services**

AM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. AM creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client’s specific situation. Investment Supervisory Services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

AM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. AM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### **Financial Planning**

Financial planning and consulting services may include, but are not limited to, life insurance, tax concerns, retirement planning (including retirement plan analysis), investment planning, college planning, and debt/credit planning. This service will be based on fixed fees or hourly fees and the final fee structure will be documented in a Financial Planning or Consulting Agreement. However, this service may also be offered free of charge for clients with managed investment accounts.

#### **Services Limited to Specific Types of Investments**

AM does not limit its investment advice and/or money management to specific types of investments or securities. AM may use a variety of securities to help diversify a portfolio when applicable.

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

AM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client's Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client-specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent AM from properly servicing the client account, or if the restrictions would require AM to deviate from its standard suite of services, AM reserves the right to end the relationship.

### **D. Wrap Fee Programs**

AM does not participate in any wrap fee programs.

### **E. Amounts Under Management**

AM has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$ 152,363,083	\$ 0	December 2016

## Item 5: Fees and Compensation

### A. Fee Schedule

#### Investment Supervisory Services Fees

Total Assets Under Management	Annual Fee
\$1 - \$1,000,000	1.00%
\$1,000,001 - \$3,000,000	0.75%
Above \$3,000,000	0.50%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Negotiation factors may include size of relationship, association with other relationships, complexity of management, number of accounts, financial planning needs, level of service, family member of AM employee, etc. Fees are paid quarterly in arrears, and clients may terminate their contracts with five days' written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. If clients terminate their accounts at any other time, AM will charge a pro-rated fee based on how many days within the applicable quarter AM provided management services. There is no additional termination fee.

Advisory fees are withdrawn directly from the client's accounts with client written authorization.

Because client fees will be withdrawn directly from client accounts, this advisor must: (A) Possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian; (B) Send the qualified custodian written notice of the amount of the fee to be deducted from the client's account; (C) Send the client written documentation itemizing the fee and the amount of assets under management on which the fee was based.

#### Hourly Fees

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is \$150. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Negotiation factors may include size of relationship, association with other relationships, complexity of management, number of accounts, financial planning needs, level of service, family member of AM employee, etc. Fees are paid in arrears upon completion. Because fees are



charged in arrears, no refund policy is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **B. Payment of Fees**

### **Payment of Investment Supervisory Fees**

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in arrears. Advisory fees are also invoiced and billed directly to the client quarterly in arrears. Clients may select the method in which they are billed.

### **Payment of Financial Planning Fees**

Fixed Financial Planning fees are paid via check. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund policy is necessary.

Hourly Financial Planning fees are paid via check. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund policy is necessary.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees etc.). Those fees are separate and distinct from the fees and expenses charged by AM. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

AM collects its fees in arrears. It does not collect fees in advance.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither AM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

AM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

AM generally provides investment advice to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

### **Minimum Account Size**

There is a client relationship minimum, \$500,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### **A. Methods of Analysis and Investment Strategies**

AM's methods of analysis include fundamental analysis and cyclical analysis.

*Fundamental analysis* involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

*Cyclical analysis* involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## B. Material Risks Involved

**Fundamental.** The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another and their impact on the investment in question. It is possible for market forces to be inconsistent or even contradictory, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**Cyclical.** While most economists and investors agree that there are cycles in the economy, the duration, and precise beginning and end, of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle if too early, may result in missed opportunity or unrealized losses.

AM uses Long Term, Short Term, Trading, Short Sales, Margin Transactions, Options Writing including covered options, uncovered options, or spreading strategies and does not feel that there are any material risks with any of these methods.

AM utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## C. Risks of Specific Securities Utilized

AM invests their clients' accounts primarily in individual equities, individual fixed income instruments and cash equivalents. It is vital to note that equities are inherently risky. Often analysts and other experts cannot anticipate equity losses. Although AM's preference is for "high-quality" fixed income, fixed income also encompasses various risks, including credit and interest rate risk. Cash equivalents, e.g. money market funds, historically display very low risk, but no government guarantee exists for money market funds.

AM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

### **Item 10: Other Financial Industry Activities and Affiliations**

#### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither AM nor its representatives registered as a broker/dealer or as representatives of a broker/dealer.

#### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither AM nor its representatives registered as a FCM, CPO, or CTA.

#### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Ben Atwater serves as a co-trustee on an unrelated trust relationship; other trustees include another individual trustee and a corporate trustee. Ben serves in this role independent of Atwater Malick, LLC. The primary responsibility of the trustees is to oversee the investment and administration of the trusts. Ben commenced his duties as a trustee on May 12, 2014. Ben's trustee responsibilities take about four hours per month, about half of which generally occur during securities trading hours. The corporate trustee is Fulton Bank, NA, One Penn Square, P.O. Box 4887, Lancaster, PA 17604.

#### **D. Selection of Other Advisors or Managers and How This Advisor is Compensated for Those Selections**

AM does not utilize nor select other advisors or third party managers.  
All assets are managed by AM management.

## **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

AM does not recommend that clients buy or sell any security in which a related person to AM has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

Representatives of AM may buy or sell securities for themselves that they also recommend to clients. AM will always document any transactions that could be construed as conflicts of interest.

### **D. Trading Securities At/Around the Same Time as Clients'**

Representatives of AM may buy or sell securities for themselves at or around the same time as clients. AM will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients, with the following transactions exempted.

#### **Exempted Transactions:**

- Purchases or sales affected in any account over which the access person has no direct or indirect influence or control.

- Purchases which are part of an automatic investment plan, including dividend reinvestment plans.
- Purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of its securities, to the extent such rights were acquired from such issuer, and sales of rights so acquired.
- Acquisition of securities through stock dividends, dividend reinvestments, stock splits, reverse stock splits, mergers, consolidations, spin-offs, and other similar corporate reorganizations or distributions generally applicable to all holders of the same class of securities.
- Purchases or sales of common stocks that are traded on major exchanges with an average daily volume of at least 100,000 shares and carry a market capitalization of at least \$1 billion.
- Open-end investment company shares.
- Certain closed-end index funds.
- Unit investment trusts.
- Exchange traded funds that are based on a broad-based securities index.
- Futures and options on currencies or on a broad-based securities index.
- Block trades to buy or sell common stocks in both client accounts and accounts for AM representatives.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian, Fidelity Brokerage Services LLC, was chosen based on their relatively low transaction fees and access to a wide variety of investment vehicles. AM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

Although AM is a discretionary asset manager, clients are under no obligation to act on our recommendations. We are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in the client's best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)

- Products and services offered (*e.g.*, investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial Strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

At least annually, we will review the marketplace, evaluating criteria such as overall expertise, cost competitiveness, and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations.

Currently, we require the use of National Financial Services, LLC, a Fidelity affiliated company and SEC-registered broker/dealer member FINRA/SIPC. This decision is based on our participation in the Fidelity Institutional Wealth Services program. Fidelity provides AM with access to their institutional trading and custody services, typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available to AM other products and services that we benefit from but may not directly benefit client accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back office functions, recordkeeping and client reporting

Many of these services generally may be used to service all or a substantial number of our accounts. Fidelity also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to AM by independent third-parties providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our recommendation that clients maintain their assets in accounts at Fidelity may be based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This creates a potential conflict of interest.

## **B. Research and Other Soft-Dollar Benefits**

There is no minimum client number or dollar number that AM must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for AM to direct clients to this particular broker/dealer over other broker/dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

## **C. Brokerage for Client Referrals**

AM receives no referrals from a broker/dealer or third party in exchange for using that broker/dealer or third party.

## **D. Clients Directing which Broker/Dealer/Custodian to Use**

AM allows clients to direct brokerage. AM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to



direct brokerage AM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

#### **E. Aggregating (Block) Trading for Multiple Client Accounts**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when AM believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices that might be obtained when orders are placed independently.

AM uses the average price allocation method for transaction allocation.

Under this procedure AM will calculate the average price and transaction charges for each transaction included in a block order and assign the average price to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which AM or our supervised persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. Neither we nor our supervised persons receive any additional compensation as a result of

#### **F. Cross Trading**

block trades.

AM utilizes fixed income (*i.e.*, bond) broker/dealers that execute cross trades of bonds amongst AM clients. A cross trade occurs when a transaction is implemented between two different clients' accounts, both of which are managed between two different clients' accounts, both of which are managed by AM. When prudent, we require the broker/dealer to execute a cross trade.

These type of cross transactions will only be used when it can be determined that doing so is designed to help achieve the "best execution" possible considering the overall situation and all factors.

Cross trades are utilized to benefit clients involved by saving commissions, mark-ups, and market impact costs.

AM represents both the client-sellers and client-buyers and therefore AM has a conflict of interest when cross trades are made. However, since AM does not receive any form of economic incentive or compensation when cross trades are affected, the decision to allow a fixed income broker/dealer to implement a fixed income cross trade is centered around the client's best interest and never based on AM economic considerations.

We do not receive any form of economic incentive or compensation when cross trades are affected. Cross trades pose a risk in that the fixed income broker/dealer may not go to the open market for pricing and therefore the client may not receive the most optimal price. Instead, the price on cross trades is typically equal to the mid-point between the prevailing bid-price and ask-price. AM's broker/dealer does not initiate cross trades. Only AM initiates cross trade requests to the broker/dealer. The broker/dealer, and therefore AM, doesn't permit cross trades between accounts owned by the same client.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

The securities in every client's account will be under continuous review. Client accounts will typically be reviewed quarterly. Accounts will be reviewed by Managing Members; Matthew Charles Malick and/ or Benjamin Howe Atwater. The chief advisors are instructed to review client's accounts with regards to their investment policies and risk tolerance levels. All accounts at AM are assigned to these reviewers.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

For our asset management services, clients are provided with transaction confirmation notices and regular quarterly (or monthly) account statements in writing directly from the qualified custodian. Additionally, AM provides position or performance reports upon request, or commonly during face-to-face client meetings.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

AM does not receive any economic benefit directly or indirectly from any third party for advice rendered to AM clients.

### **B. Compensation to Non-Advisory Personnel for Client Referrals**

AM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

AM is deemed to have custody of client funds and securities whenever AM is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody AM will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which AM is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client at least quarterly. Clients should carefully review those statements and are urged to

compare the statements against reports received from AM. When clients have questions about their account statements, they should contact AM or the qualified custodian preparing the statement.

### **Item 16: Investment Discretion**

For those client accounts where AM provides ongoing money management or investment advice with ongoing supervision, AM maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

### **Item 17: Voting Client Securities (Proxy Voting)**

AM will not ask for, nor accept voting authority for client securities. Clients may choose to receive proxies directly from the issuer of the security or the custodian. Clients may choose to direct all proxy questions to the issuer of the security.

### **Item 18: Financial Information**

#### **A. Balance Sheet**

AM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither AM nor do its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

#### **C. Bankruptcy Petitions in Previous Ten Years**

Neither AM nor have its management been the subject of a bankruptcy petition in the last ten years.