

## **Andover Investment Advisors, LLC**

December 31, 2017

Part 2A of Form ADV: Firm *Brochure*

### **Item I**

Andover Investment Advisors, LLC  
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#### **CONTACTS**

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**This brochure provides information about the qualifications and business practices of Andover Investment Advisors, LLC. If you have questions about the contents of this brochure, please contact us at (978) 685-1050 and/or [sconte@andoverinvestments.com](mailto:sconte@andoverinvestments.com). The information in this brochure has not been approved or verified by the United States Security and Exchange Commission or by any state securities authority.**

**Additional Information about Andover Investment Advisors, LLC also is available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD Number. Our firm's identification number is 160235.**

**Our registration as an Investment Advisor does not imply any level of skill or training. The oral and written communication we provide to you, including this Brochure, is information you use to evaluate us against other advisors in making your decision to hire us or to continue to maintain a mutually beneficial relationship.**

## **Item 2 Material Changes**

The Securities and Exchange Commission requires that we advise you of material changes that have occurred at AIA since we posted our Form ADV Part 2 Brochure for the year ending December 31, 2016, to the SEC's public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We have made two changes this year that we would like to disclose:

**As of November 30, 2017, we registered with the SEC instead of the Commonwealth of Massachusetts. This change was made due to our increased asset size.**

**In addition, we have added Charles Schwab as custodian.**

We have posted a new Form ADV Part 2, as of December 31, 2017 to the SEC's public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). If you would like the full brochure, you can download it from this website or contact us at 978-685-1050 or by email at:

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## **Item 4 Advisory Business**

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

Andover Investment Advisors, LLC, was founded in 2011 by Samuel J. Conte II, the sole owner and President of the firm with over 25 years of experience. We manage client assets to the individual need of clients. Our clients consist of individuals, trusts, retirement plans and endowments. As noted we are registered with the SEC. We are registered in Massachusetts as well as New Hampshire. We are a fee-based asset manager, meaning we bill on the value of assets under management; we do not receive commissions, nor do we sell products.

### **B. Advisory Services**

As indicated, we provide investment advice only with respect to limited types of investments. We understand that our business activity is inherently risky as we build client portfolios using a mix of cash equivalents, investment grade bonds including corporate, municipal and treasury issues as well as common stocks. We actively manage asset allocation within a mix of cash, fixed income and S&P ranked companies. We concern ourselves with economic and business cycles as they impact asset prices. We attempt to earn stock market rates of return with less than market risks. We write an Investment Policy Statement for each of our clients identifying the mix and ranges of asset classes as well as identifying prohibited asset classes. We publish quarterly reports within thirty days of quarter end indicating changes in value both in dollars and percentages for the quarter, year to date, and since inception. All of our assets are managed on a fully discretionary basis within the confines of the Investment Policy Statement.

We provide limited-consulting services concerning investment strategy and asset allocation for an hourly fee but this is not a meaningful part of our business. AIA manages some assets held in annuities to provide service to our clients. In addition Samuel Conte is a licensed insurance producer and provides life insurance on the request-only of the client. He does not solicit business in this area.

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

Each client completes an Individual Questionnaire and a Risk Tolerance Questionnaire, where their personal objectives, goals, and risks are assessed and documented. An Investment Policy Statement is written for each client and their portfolio is created based on extensive interviews with the client as well as the results of these written documents, hence we manage client assets to the individual need of the client.

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

AIA does not participate in wrap fee programs.

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

As of 12/31/17 we manage \$103,432,986 and have approximately 125 client relationships.

## **Item 5 Fees and Compensation**

### **A. Method of Compensation and Fee Schedule**

Andover Investment Advisors is a fee based asset manager. With very minor exceptions the custodian of our assets is the investment bank UBS and Charles Schwab. We have negotiated favorable commission rates for our client transactions and since our investment philosophy is a long term buy and hold approach brokerage commissions are not a meaningful expense. We do not share in brokerage transactions nor do we require research or other services in exchange for our transaction flows. We are interested in prompt executions.

Our fees are negotiated at the rate of up to 1.5% of assets under management. Our fees are billed quarterly in arrears, on the market value of assets at the quarter end.

Any annuities managed for clients are billed at a rate of 50bps quarterly in arrears on the market value of the assets at the quarter end.

Consulting services will be billed quarterly at an hourly rate of \$250. Refunds will not apply due to the fact the service is billed in arrears.

### **B. Client Payment of Fees**

Unless we otherwise agree, the fees will be remitted directly from your account upon receipt by the custodian of a statement by Andover Investment Advisors indicating the amount of the fee. A letter is sent to the client simultaneously advising them of this fee calculation and transaction. This letter contains the value of the assets, the date of the valuation, the fee deducted, and the rate. If a client requests, we will direct-bill with an invoice, and they may pay by check.

Annuities held either at Hartford or Fidelity are billed through the custodian, with a check sent directly to AIA. Again, the client is advised simultaneously.

### **C. Additional Client Fees**

Advisory fees payable to AIA are not the only fees incurred when we purchase or sell securities in your account. As stated we have negotiated favorable commission rates for client transactions through UBS or Schwab. Brokerage commissions and transaction fees are charged directly by the custodian when transactions take place. AIA does not receive, directly or indirectly, any of these fees charged to the client. They are paid directly to the custodian.

#### **D. Prepayment of Client Fees**

Clients are not billed in advance. Our advisory services can be canceled by written instruction. In such case, a prorated fee will be charged as described above. However, termination will not affect either your or Andover Investment Advisors responsibilities under this agreement for previously initiated transactions or for balances due in this account. Upon termination, it is your exclusive responsibility to monitor the securities in your account, and Andover Investment Advisors will have no further obligation to act or advise with respect to those assets.

#### **E. External Compensation for the Sale of Securities to Clients**

We do not accept compensation for the sale of securities or other investment products, including asset based sales charges or service fees from the sale of mutual funds. We do not have any potential conflicts of interest present that relate to any additional (an un-disclosed) compensation from you.

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

Andover Investment Advisors neither accepts Performance Based fees nor participates in Side-By-Side management practices.

## **Item 7 Types of Clients**

Andover Investment Advisors provides investment advice to Individuals, Trusts, Retirement Plans, Endowments and Charitable Not-For-Profit Organizations. Our minimum account-opening requirement is \$250,000. Although we do not have a formal policy on minimum maintenance requirements, we encourage clients to seek investment alternatives if an account falls below \$100,000 in market value.

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

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

Andover Investment Advisors invests a significant percentage of client assets in common stocks. Although the long term trend in common stock prices is favorable, this asset class offers no promise to return investor funds and stock prices are volatile, as such, although not desirable, the risk of loss is real and clients should be prepared and be able to accept loss of principal. We concern ourselves with the total return of fixed income assets as well as common stock; seeking a blended return to satisfy stated investment objectives. We do not engage in “trading” as a strategy. We are long-term investors and among other things, we pay particular attention to business cycles. We believe successful investing, over time, involves active asset allocation. We believe price is a very important consideration in the stock selection process.

### **B. Material Risks Investment Strategy and Method of Analysis**

We attempt to mitigate risk by a series of strategies including; asset allocation, diversification within asset categories and maximum initial purchase weighting. Additionally, the initial purchase value of any issue cannot be greater than 10% of portfolio value and the investment in any industry cannot have an initial value in excess of 20%. Dividends are an important consideration in our investment analysis

### **C. Security Specific Material Risk**

Stock and bond markets fluctuate over time, and as such there exists inherent risk. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed.

## **Item 9 Disciplinary Information**

### **A. Criminal or Civil Action**

Andover Investment Advisors does not have any legal or disciplinary events that need to be disclosed.

### **B. Administrative Enforcement Proceedings**

Andover Investment Advisors does not have any legal or disciplinary events that need to be disclosed.

### **C. Self-Regulatory Organization Enforcement Proceedings**

Andover Investment Advisors does not have any legal or disciplinary events that need to be disclosed.

Please note that a history of an advisor's disciplinary or legal events, that are material to a client's evaluation of an advisor's business and management can be obtained from the Massachusetts Security Division.

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

### **A. Broker-Dealer or Representative Registration**

Andover Investment Advisors is not registered with any broker-dealer nor do we have any pending applications to do so.

### **B. Futures or Commodity Registration**

Andover Investment Advisors is not registered with any futures commission merchant, commodity pool operator, or commodity trading advisor, nor do we have any pending applications to do so.

### **C. Material Relationships Maintained by this Advisory Business and Conflict of Interest**

Although we have relationships with attorneys and certified public accountants, these are not material to our business.

Mr. Conte is a licensed insurance producer who can sell life insurance products. Although he does not actively solicit this business and only provides this service to his clients if requested, it could create a potential conflict of interest due to the receipt of commissions from such sales.

### **D. Recommendation or Selection of Other Investment Advisers and Conflicts of Interest**

We do not recommend or select other investment advisors nor do we receive any compensation from any other financial industry or affiliation.

## Item 11 Code of Business Conduct and Ethics

### A. Code of Ethics Description

Andover Investment Advisors has a **fiduciary** obligation to its investment clients and seeks the highest standard of ethics and conduct in all of its business relationships. All records and reports created or maintained pursuant to this Code are intended solely for the internal use of AIA and the confidential use of its clients.

Rule 204A-1 under the Investment Advisors Act of 1940 requires all investment advisors registered with the Securities and Exchange Commission (“SEC”) to adopt codes of ethics that set forth standards of conduct and require compliance with federal security laws. This code has been adopted by the Firm pursuant to paragraph (a) (1), (2), (4) and (5) of Rule 204A-1.

### Policy Objectives

The objective of this code is to provide standards of honest and ethical conduct and deter wrongdoing. Adoption of this code by AIA upholds full, fair, accurate, timely and understandable disclosure in reports and documents which AIA files with the SEC, as well as other communications. The code promotes compliance with applicable governing rules and regulations, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

### Compliance with Laws, Rules and Regulations

AIA expects all of its employees to comply with all laws, rules and regulations applicable to its operation and business. Employees should seek guidance whenever they are in doubt as to the applicability of any law, rule or regulation regarding any contemplated course of action. If a course of action creates doubt on the part of an employee they always should seek guidance before action. As a registered investment advisor, AIA is subject to regulation by the SEC and compliance with federal, state and local laws

### Conflicts of Interest

All employees should be diligent in avoiding any conflict of interest with regard to AIA’s interest. A conflict of interest can arise when an employee or Shareholder activities or contemplated activities interferes with the person's ability to perform his duties for AIA or investment clients objectively and effectively. Conflicts of interest also arise when an employee or members of the individual's family receives undisclosed or improper benefits as a result of the individual's position with AIA. Any conflict of interest that arises in a specific situation or transaction must be **disclosed** by the individual **and resolved** before taking any action.

## **Confidentiality**

Employees shall be meticulous in maintaining the confidentiality of any information pertaining to AIA or its clients, except when disclosure is authorized or legally mandated. Confidential information includes nonpublic information of AIA that may be helpful to competitors, or otherwise harmful to AIA, or its clients. The obligation of “preservation of confidentiality of information” continues after employment with AIA ends.

## **Fair Dealing**

Employees should always deal fairly with clients, service providers and competitors, and shall not seek unfair advantage through improper concealment, abuse of improperly acquired confidential information or the misrepresentation of material facts. Employees are duty bound to disclose facts truthfully and clearly so that the receiving party can rely on the veracity of the Firm's material disclosures.

## **Gifts and Entertainment**

Gifts or entertainment should never be offered, given or accepted by an employee in connection with AIA's business unless it is consistent with customary business practices, is not excessive in value and does not violate any laws or regulations. Employees may provide to or accept from any client or prospective client that does or seeks to do business with AIA a business entertainment such as dinner, tickets to theater or sporting events, golf outings etc. as long as the event is not extravagant or excessive or could construed to be a bribe, kickback, payoff or improper in any way.

## **Protection of Firm Assets**

It is the obligation of employees to protect the assets of AIA and its proprietary information. Proprietary information includes intellectual property such as business marketing and databases, records, salary information unpublished financial information and reports. Unauthorized use or distribution of this information is prohibited.

## **Administration and Enforcement of the Code**

Each newly hired employee will be provided with a copy of the code. Each employee shall certify in writing that they have received this copy within thirty (30) days of hire. Further they will acknowledge they have read and understand all of the provisions of the code and they agree to comply with the applicable terms of the code. Employees will annually certify that they have read, understood and complied with the code, they made all of the reports required by the code and have not engaged in any prohibited conduct.

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

AIA does not transact in securities in which it has a material financial interest.

**C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

AIA does not prohibit personal trading by its employees. Purchases of securities in an employee's personal account must be communicated to the President. Individual brokerage statements of the employee will be reviewed on a quarterly basis to ensure no conflicts of interest exist.

**D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

AIA does not prohibit personal trading by its employees, and is not concerned with any conflicts of interest occurring due to the fact that AIA purchases blue chip stocks. Any investment made by an employee could never effect the current trading volume and/or price of the stock. That being said, AIA will still adhere to its practice of reviewing employee's personal brokerage accounts on a quarterly basis.

## **Item 12 Brokerage Practices**

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

As indicated previously, with very minor exceptions, the custodian of our assets is the investment bank UBS and Charles Schwab. We have negotiated favorable commission rates for our client transactions and since our investment philosophy is a long term buy and hold approach brokerage commissions are not a meaningful expense. We do not receive research or other products or services other than executions from UBS. We do not receive client referrals from any broker-dealer.

### **B. Aggregating Securities Transactions for Client Accounts**

It is the practice of Andover Investment Advisors to often aggregate the purchase and sales of securities for our client accounts. Purchases cannot be aggregated when building an initial portfolio for a new client and are not aggregated as a result of an individual portfolio review.

## **Item 13 Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Andover Investment Advisors reviews client's accounts on a quarterly basis. The President performs these reviews. Portfolios are reviewed for, among other things, asset allocation, tax considerations and market concentration.

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

Factors that may trigger a review other than the periodic review are, among other things, market conditions or changes in client's stated needs as defined in the Investment Policy Statement including client's request for additional funds.

### **C. Content of Client Provided Reports and Frequency**

AIA publishes quarterly reports within thirty days of quarter end indicating change in value both in dollars and percentages for the quarter, year to date and since inception. In addition, the custodian sends a statement to the client on a monthly basis. This statement will include a list of portfolio holding and transactions for the period. Duplicate trade confirmations are sent to the client as well as AIA at the time of the transaction.

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

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

Andover Investment Advisors does not receive any economic benefits from others regarding referrals.

### **B. Advisory Firm Payments for Client Referrals**

Andover Investment Advisors does not compensate others for referrals.

## **Item 15 Custody**

Custody is defined as “holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.” Examples of custody are:

- Possession of client funds, unless an advisor receives them inadvertently
- An arrangement that authorizes an advisor to withdraw client funds
- Possession of client login credentials
- Acting in any capacity that gives an advisor legal ownership or access to client funds-trustee/executor/conservator/general partner.

Andover Investment Advisors primarily collects management fees through the direct debit of fees from the clients’ accounts. The client gives us this authority when the account is opened.

Massachusetts also states that “custody” shall have the meaning defined in the federal regulations. This means that accounts for which an investment advisor is deemed to have custody is subject to an annual surprise audit of these accounts. Massachusetts does consider having the authority to collect management fees through the direct debit of fees from a client’s account as having custody. However, an advisor is exempt from the independent verification requirement when this is the ONLY reason an advisor has custody when the advisor has written authorization to deduct fees from the account, and a copy of the billing invoice is sent to the client.

AIA does not have custody of client funds at any other time. Account statements from the custodians are sent directly to the client as well as the quarterly reports issued from Andover Investment Advisors. We recommend that clients compare the two on a quarterly basis for accuracy.

## **Item 16 Investment Discretion**

Andover Investment Advisors accepts discretionary authority to manage securities accounts on behalf of clients. Before we assume this authority, a client signs an agreement with Andover Investment Advisors agreeing to this, as well as the completion of an Independently Advised Brokerage Account Client Authorization and Agreement form with the custodian to allow executions/trades within their accounts held with the custodian.

### **Item 17 Voting Client Securities**

Andover Investment Advisors does not have authority to vote client securities. This is documented in the agreement the client signs when hiring our services. Clients receive proxies and other solicitations directly from the custodian.

## **Item 18 Financial Information**

### **A. Balance Sheet**

Since Andover Investment Advisors does not require or solicit prepayment of fees from a client six months or more in advance, as a private company, we are not required to submit a balance sheet and income statements.

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

There are no financial conditions that would impair AIA's ability to meet contractual commitments to clients. AIA does not solicit prepayment of fees from a client in advance.

### **C. Bankruptcy Petitions During the Past Ten Year.**

Andover Investment Advisors has neither been the subject of a bankruptcy petition at any time nor have we been the cause of another business having to petition for bankruptcy. AIA and its personnel has not been the subject of any investigation concerning financial indiscretion.