

# Disclosure Brochure

June 4, 2015

## **Andres Capital Management, LLC**

*A Registered Investment Adviser*

This brochure provides information about the qualifications and business practices of Andres Capital Management, LLC (hereinafter “ACM,” the “Firm,” “we,” “our”). If you have any questions about the contents of this brochure, please contact Armand “Ted” Palatucci at (484) 427-7836 or email him at [tpalatucci@andrescapital.com](mailto:tpalatucci@andrescapital.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 Andres Capital Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Andres Capital Management, LLC is an SEC-registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2.      Material Changes**

This brochure contains information about Andres Capital Management, LLC upon its initial registration as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Therefore, no summary of material changes is applicable or provided at this time.

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## **Item 4. Advisory Business**

Andres Capital Management, LLC (“ACM,” the “Firm,” “we,” or “our”) is an independent investment advisory firm founded in April 2015.

As of June 4, 2015, ACM managed \$0 in client assets on a discretionary basis and \$0 in assets on a non-discretionary basis as disclosed in ACM’s ADV Part 1.

ACM is currently seeking registration as an investment adviser with the SEC. Once such registration is effective, ACM will seek to provide active fixed income portfolio management in taxable and tax-exempt accounts for individuals, corporations, other business entities, charitable organizations, trusts, estates, pension and profit-sharing plans, and other investment advisers, among others.

Prior to the rendering of any of the foregoing advisory services, clients are required to enter into one or more written agreements with ACM setting forth the relevant terms and conditions of the advisory relationship (the “Agreement”). While this brochure generally describes the business of ACM, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees, or any other person who provides investment advice on ACM’s behalf and is subject to the Firm’s supervision or control.

### ***Investment Management Services***

ACM manages customized fixed income portfolios on a discretionary basis by primarily allocating assets among municipal securities, corporate debt securities, U.S. government securities, agency securities, mortgage pass-through securities and money market funds. ACM’s services include the development of investment strategies, evaluation and appraisal of securities held as well as securities considered for purchase, construction of fixed-income investment portfolios, execution of securities purchase and sale transactions, and portfolio administration, including the tracking of and reporting on portfolio performance and investment results.

ACM tailors its advisory services to meet the needs and objectives of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. ACM consults with clients on an initial and ongoing basis to determine various factors relevant to the management of their portfolios. Clients are advised to promptly notify ACM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if ACM determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

## **Item 5. Fees and Compensation**

ACM offers its investment management services for an annual fee based upon a percentage of assets under management. Generally, the fee is prorated and charged either monthly or quarterly, in advance, and depending on the engagement, the fee may be calculated using either the average daily balance of the assets during the quarter or the market value of the assets on the last day of the previous quarter. The specific fee schedule ranges from 50 basis points (0.50%) up to 100 basis points (1.00%) and is determined by the type of client and the strategy used to manage the portfolio.

For the initial term of an engagement, the base fee is calculated on a pro rata basis. In the event the Agreement is terminated, the base fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is refunded or charged to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to our right to terminate an account. Additions may be in cash or securities provided that we reserve the right to liquidate any transferred securities or decline to accept particular securities into a client's account.

### ***Fee Discretion***

ACM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, and pro bono activities.

### ***Additional Fees and Expenses***

In addition to the advisory fees paid to ACM, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions (collectively, "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client's account as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

## **GENERAL INFORMATION**

**Billing and Fee Debit:** Clients generally provide ACM with the authority to directly debit their accounts for payment of the Firm's investment advisory fee. As part of this billing process, the client's custodian is

advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the Financial Institutions that act as qualified custodian for client accounts is required to send to the client a statement showing all transactions within the account during the reporting period, including any amounts paid to ACM. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement. Alternatively, clients may elect to have ACM send them an invoice for direct payment.

*Receipt of Commissions:* Certain Supervised Persons of ACM are separately licensed as registered representatives of a broker-dealer. In their separate capacities, these individuals are able to implement investment recommendations for clients for separate and typical compensation (i.e., commissions or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. Each Supervised Person may, at his or her discretion, offset the client's advisory fees to the extent the Supervised Person has earned commissions from implementing investment advisory recommendations. Commissions for product transactions will never serve as a credit on the client's account.

*Limited Negotiability of Advisory Fees:* Although the Firm has established the range of fees listed above, we may negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. Clients with similar financial situations and investment goals may pay different fees. We will review all fees to ensure that they are reasonable. The specific fee schedule will be identified in the contract between the Firm and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of Supervised Persons of our Firm.

*Account Additions and Withdrawals:* Clients may make additions to or withdrawals from their account at any time, subject to ACM's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to ACM, subject to the usual and customary securities settlement procedures. However, ACM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. ACM may consult with its clients about the options and implications of transferring securities. Clients are

advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax implications.

*Termination of the Advisory Relationship:* A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

*Mutual Fund and ETF Fees:* All fees paid to ACM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

*ERISA Accounts:* ACM may be deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, ACM may only charge fees for investment advice about products for which our Firm and/or our related persons do not receive any commissions or 12b-1 fees; or conversely, investment advice about products for which our Firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset ACM's advisory fees.

*Advisory Fees in General:* Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

*Limited Prepayment of Fees:* Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

ACM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

We provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals);
- High net worth individuals;
- Pension and profit sharing plans;
- Trusts;
- Estates;
- Charitable organizations;
- Investment advisers; and
- Corporations or other business entities.

Minimum Account Requirements: ACM does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship; however, the Firm may, in its discretion, negotiate a minimum quarterly or annual fee for smaller accounts.

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

### ***Methods of Analysis***

ACM generally utilizes a combination of fundamental and cyclical methods of analysis. ACM undertakes extensive analysis of the shape and slope of the securities yield curve to capture investment opportunities offering optimum trade-offs between price risk and incremental yield. ACM also examines spread relationships among different fixed-income sectors, such as federal agency debt, structured products, and corporate obligations.

Fundamental Analysis: ACM attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of a company or government entity) to determine if the company or government entity is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). ACM looks for securities which offer attractive after-tax yields, strong/improving issuer fundamentals, sound security structure liquidity/marketability and relative value.

Cyclical Analysis: ACM seeks to add value for its clients through disciplined management of fixed-income portfolio holdings over the entire interest rate cycle. The key to the Firm's investment approach is to appraise correctly where it is in the overall interest rate cycle at any given time, then to array portfolio



holdings correctly to benefit favorable moves in interest rates as they play out or to defend against unfavorable ones. Bond prices move inversely to interest rates – they rise when rates go down and vice-versa. Bond prices are also more volatile – meaning that they change by a greater magnitude – for longer-maturing bonds than for shorter ones. For these reasons, the Firm tries to lengthen portfolio maturities when it believes interest rates are headed down, and to shorten them when it thinks interest rates are about to rise.

*General Analytical Risk:* ACM's analytical methods rely on the assumption that the entities whose securities the Firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While ACM is alert to indications that data may be incorrect, there is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information.

### ***Investment Strategies and Risks of Loss***

ACM may use any or all of the following investment strategies in identifying attractive investment opportunities or determining an investment program for the client. Clients should review with the Firm the specific investment strategies being used for the client's portfolio.

- Purchasing securities with strong and/or improving credit quality with sound security structure.
- Ensuring that all holdings within the portfolios are investment grade rated and U.S. dollar denominated.
- Seeking eligible securities that include those in the municipal, U.S. Treasury, government-related, corporate, securitized, and municipal sectors of the investment grade bond market.
- Seeking various specific weighted average durations, with weighted average credit ratings of single A or above.
- Actively managing to help achieve tax efficient considerations regarding any state and local income taxes.

*General Risk of Loss:* The profitability of a significant portion of ACM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of certain asset classes. There can be no assurance that ACM will be able to predict those price movements accurately. Investing in securities involves the risk of loss and clients should be prepared to bear potential losses.

*Fixed-Income Securities Risk:* Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations.

*Mutual Funds and ETFs:* An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the

individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Share of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

*Exchange-Traded Notes (ETNs):* ACM may recommend an investment in, or allocate assets among, various exchange-traded notes ("ETNs"). ETNs are unsecured debt securities which are listed on securities exchanges and transacted at negotiated prices in the secondary market. ETNs are designed to track the performance of a corresponding benchmark. An ETN is essentially a contract between an issuer and the ETN holder, whereby the issuer, upon maturity, agrees to pay an amount relative to the returns of an underlying benchmark. In addition to the risks associated with the specific benchmark, ETN holders are also subject to various counterparty concerns. In this respect, the value of an ETN may be adversely impacted by a downgrade to the issuer's credit rating and/or an unwillingness or inability of the issuer to perform its contractual obligations.

*Management Through Similarly Managed "Model" Accounts:* ACM may manage certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds, ETFs and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives,

securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact ACM if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

*Agency Cross Transactions:* ACM may engage in agency cross transactions pursuant to which ACM may effect transactions between a client's account and the accounts of other individuals and/or entities which may include clients of ACM (i.e., arranging for the client's securities trades by "crossing" these trades with securities transactions of other advisory clients). ACM will only engage in agency cross transactions when it believes such transactions are beneficial to the client. The client may revoke ACM's agency cross transaction authority at any time upon written notice to ACM.

## **Item 9. Disciplinary Information**

ACM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

ACM is not engaged in any other financial industry activities and does not have any affiliations that are otherwise material to the Firm's advisory business.

### ***Registered Representatives of Broker-Dealer***

Certain of the Firm's Supervised Persons may be registered representatives of other broker-dealer firms.

In their separate capacities as registered representatives, these individuals can purchase and sell securities for advisory clients for separate and typical commissions or other compensation, and may also receive ongoing compensation in the form of 12b-1 fees from mutual funds purchased by clients.

Supervised Persons who are registered representatives may receive commissions generated by securities transactions in client accounts. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all advisory recommendations is solely at the discretion of the client.

Please see additional disclosures about brokerage practices in Item 12 of this Brochure.

## **Item 11. Code of Ethics**

ACM has adopted a Code of Ethics which sets forth high ethical standards of business conduct that is required of its employees and supervised persons, including compliance with applicable federal securities laws.

The Firm and its personnel owe a duty of loyalty, fairness, and good faith towards its clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Our Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees and Supervised Persons are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling us at (484) 427-7836.

Our Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our Firm and/or individuals associated with our Firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the express policy of our Firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our Firm's Code of Ethics, to ensure our Firm

complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No Supervised Person or employee of our Firm may put his or her own interest above the interest of an advisory client.
- No Supervised Person or employee of our Firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- We maintain a list of all reportable securities holdings for our Firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our Firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
- Clients can decline to implement any advice rendered, except in situations where our Firm is granted discretionary authority.
- All of our Supervised Person and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each Supervised Person of our Firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to disciplinary action and/or termination.

## **Item 12. Brokerage Practices**

ACM works only with fixed-income securities, which are traded in dealer markets. When determining dealers to be used in the execution of securities transactions, ACM takes into account dealers': (i) expertise and market-making capabilities with respect to the type of securities being bought and sold, (ii) history of making competitive bids and offers, and (iii) history of flexibility with respect to settlement dates. It is the Firm's practice to transact business with the dealer making the best bid or offer on each security transaction, consistent with settlement date needs of its clients.

Research and Other Soft Dollar Benefits: ACM does not use soft dollars for any accounts. ACM generally does not accept research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

Registered Representatives of Broker-Dealer: Certain of the Firm's Supervised Persons may be registered representatives of other broker-dealer firms.

In their separate capacities as registered representatives, these individuals can purchase and sell securities for advisory clients for separate and typical commissions or other compensation, and may also receive ongoing compensation in the form of 12b-1 fees from mutual funds purchased by clients.

Supervised Persons who are registered representatives may receive commissions generated by securities transactions in client accounts. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all advisory recommendations is solely at the discretion of the client.

Please see additional disclosures about brokerage practices in Item 10 of this Brochure.

Brokerage for Client Referrals: ACM does not consider, in selecting broker-dealers, whether ACM receives client referrals from such broker-dealer or third party.

Directed Brokerage: ACM does not recommend, request, or require that a client direct execution of transactions through a specified broker-dealer.

Trade Aggregation and Allocation: ACM will aggregate trades across various client accounts. This is done only when the purchase or sale of a security is in the best interest of each individual client account. When a trade is aggregated across client accounts, one or all of the following characteristics of each individual client account is considered: risk tolerance, investment objective, investment horizon, liquidity needs, place of residence, marginal tax bracket, and any limits or preferences the client has specified regarding their account.

In allocating the aggregated trades to client accounts, ACM's practice is to allocate securities to portfolios deriving the greatest benefit from the additional investment, taking into account (i) the suitability of the available security for each portfolio, given the credit and maturity profiles of the portfolios, (ii) the proportion of cash awaiting investment to the overall size of each portfolio, (iii) the opportunity to break the security purchased into transactional-efficient multiples when distributing allocations among portfolios, and (iv) the availability of close substitutes among securities offered in the new issue and secondary markets.

## **Item 13. Review of Accounts**

### ***Account Reviews***

ACM monitors investment portfolios as part of a continuous and ongoing process while regular account reviews are generally conducted on a monthly basis. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with ACM and to keep ACM informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### ***Account Statements and Reports***

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are held in custody. On a quarterly basis, the Firm will also send performance reports, which clients are encouraged to compare with the information contained in the account statements they receive from their custodians.

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

### ***Client Referrals***

Our Firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this disclosure brochure and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our Firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of Firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

### ***Other Compensation***

Certain of the Firm's Supervised Persons may be registered representatives of other broker-dealer firms.

In their separate capacities as registered representatives, these individuals can purchase and sell securities for advisory clients for separate and typical commissions or other compensation, and may also

receive ongoing compensation in the form of 12b-1 fees from mutual funds purchased by clients.

Supervised Persons who are registered representatives may receive commissions generated by securities transactions in client accounts. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all advisory recommendations is solely at the discretion of the client.

Please see additional disclosures about other financial industry activities and affiliations in Item 10, and brokerage practices in Item 12, of this Brochure.

## **Item 15. Custody**

As previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure, we directly debit advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our Firm does not have any other type of custody of client accounts.

## **Item 16. Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell;
- determine the amount of the security to buy or sell;
- determine when transactions are made;
- determine the financial institution to be used.



Clients give us discretionary authority when they sign a discretionary agreement with our Firm, and may limit this authority by giving us written instructions. Clients may also amend such limitations by once again providing us with written instructions.

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

As a matter of Firm policy, we do not vote proxies on behalf of clients. Therefore, although our Firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18. Financial Information**

ACM is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

