

Dudley Capital Management LLC

Form ADV Part 2A

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~~2016~~] January
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This brochure provides information about the qualifications and business practices of Dudley Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at the address listed above, call us at (202) 441-7707, or send us an email at philip.dudley@mac.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Dudley Capital Management LLC, an SEC-registered investment adviser, also is available on the SEC’s website at www.adviserinfo.sec.gov. Registration as an investment adviser does not imply a certain level of skill or training.

Summary of Material Changes

This is a new brochure and there are no material changes to report. If you would like another copy of this Brochure, please download it from the SEC website at www.adviserinfo.sec.gov, or contact Dudley Capital Management LLC at (202) 441-7707 or philip.dudley@mac.com.

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4. ADVISORY BUSINESS

Principal Owners

Dudley Capital Management LLC (the “Manager”) is wholly-owned by Philip R.C. Dudley. [It began operations in 2017.](#)

Types of Advisory Services

The Manager provides investment advisory services, which include fundamental and quantitative active management and family office services. The Manager’s clients include individuals, private foundations and charities, pension and profit-sharing plans, and insurance companies. The Manager offers advice on equity and fixed income securities, mutual funds, exchange-traded funds, options, real estate, and alternative assets.

Family office services include financial planning, income tax planning, education funding, debt management, retirement planning, estate planning, bookkeeping, and bill payment services. The Manager will prepare a financial plan based on a client’s financial and personal circumstances, and the client can implement the plan through Dudley Capital Management LLC, another firm, or on his or her own. Clients who choose to implement the financial plan elsewhere will not receive ongoing investment advice or plan updates from Dudley Capital Management LLC.

Client Investment Objectives and Restrictions

The Manager tailors its investment advice to a client’s needs and objectives, [such as growth or income, based on responses to a questionnaire and an interview. Clients may request that certain securities or types of securities not be purchased for their accounts. Clients also may request that the Manager harvest tax losses to offset capital gains.](#) The Manager has discretion over a client’s assets, which is limited by any restrictions in the investment management agreement [or that are otherwise communicated to and accepted by the Manager.](#)

Assets under Management

As of August 1, 2016, Dudley Capital Management LLC had \$0 in discretionary assets.

5. FEES AND COMPENSATION

Advisory Fees

Dudley Capital Management LLC charges annual management fees that range from 0.25% to 1.00% of assets under management. Fees are negotiable. Fees are calculated and charges in advance and deducted from clients’ accounts.

Financial planning clients pay an hourly rate ranging from \$150 to \$250, depending on complexity, with a minimum annual fee of \$2500.

Other Non-Advisory Fees and Expenses

The annual fee does not include brokerage commissions, transaction fees, custodial fees, and other related costs and expenses paid to third parties that the client will bear. Clients whose assets are invested in mutual funds, closed end funds, exchange-traded funds, and private funds will pay their pro rata share of the fund's management fees and expenses. These fees and expenses are disclosed in the fund's prospectus or other offering documents.

Compensation for the Sale of Securities

Manager personnel are not compensated for the purchase or sale of securities to or from a client.

6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Manager does not charge performance-based or incentive fees, which are fees based upon a share of the capital gains on, or capital appreciation of, the assets in a client's account.

7. TYPES OF CLIENTS

The Manager provides investment advisory services to individuals, private foundations and charities, pension and profit-sharing plans, and insurance companies. The minimum required to open an account is \$25,000, which the Manager may waive in its discretion.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The Manager currently offers three strategies. The Growth and Income strategy invests in common and preferred stocks, fixed income securities, real estate investments trusts, and energy master limited partnership. The Fixed Income strategy invests in taxable and tax-free fixed income securities, depending on the client's preferences. The Master Limited Partnership strategy invests in energy-related master limited partnerships, focusing on oil and gas pipelines.

Risk Information

Risk is the chance that an investment's or investment strategy's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment. A fundamental idea in finance is the relationship between risk and return. The greater the amount of risk that an investor is willing to take on, the greater the potential return. The reason for this is that investors need to be compensated for taking on additional risk.

General Risks

Market risk is defined as the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market rate or price changes (e.g., equity prices). The price of a stock, bond or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.

There can be no assurance that any investment, investment strategy or the investment asset allocation selected will be profitable or successful in achieving its investment objectives. Investors should understand the primary risk of investing in securities involves a loss of capital and should be prepared to bear such a loss. Investment in securities comes with inherent risks in exchange for a return on that investment. A client may lose all or a portion of their principal and experience volatility in the value of that principal over time for various reasons as outlined below. This list is representative of many risks and is not necessarily a complete indication of all the risks a client may assume.

General Economic and Market Conditions. The success of the Manager's strategy will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of investments and the availability of certain securities and investments. Volatility or illiquidity could impair profitability or result in losses.

In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that clients will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on Manager's strategies.

Equity Risks

Equity Securities. Clients will invest in equity and equity-related securities in the U.S. and other countries. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, an account may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Manager has not hedged against such a general move. An account also may be exposed to risks that issuers will not fulfill contractual obligations such as delivering marketable common stock upon conversions of convertible securities.

Undervalued Equity Securities. The Manager focuses on investing in companies that the Manager believes are undervalued based on numerous factors. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investing long in undervalued securities presents opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Equity Securities of Growth Companies. Client accounts may be invested in equity securities of

companies that the Manager believes have potential for capital appreciation significantly greater than that of the market averages, so-called “growth” companies. The market capitalization of the growth companies may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the OTC markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and the Manager may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

Small and Mid-Cap Issuers. Clients may invest in securities of small and mid-cap issuers. While, in the Manager’s opinion, the securities of small and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large-cap issuers.

Foreign Securities Risks

Client accounts also may invest in securities of non-U.S. issuers, including companies headquartered outside the United States. Investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be adversely affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of a client’s assets denominated in that currency and thereby will have an impact upon the total return on such assets. The Manager may use options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of client assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Further, foreign exchanges and broker-dealers are

generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasionally lead to delays in settlements of trades affected in such markets.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval. Performance could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by the government of an emerging country.

Taxation of dividends, interest and capital gains received by non-residents varies among foreign countries and, in some cases, is comparatively high. In addition, some countries have tax laws and procedures that may permit retroactive taxation so that a client could in the future become subject to local tax liability.

In certain instances, rather than directly holding securities of non-U.S. companies, a client may hold these securities through an American Depositary Receipt (an “ADR”). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. company. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. company to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the client’s rights as a holder of an ADR may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the investor holding the ADR.

Fixed Income Risks

Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer’s ability to make such payments. Credit risk may be heightened for accounts that may invest in “high yield” securities.

Income risk is the risk that the income earned from an account may decline because of falling market interest rates. Also, if an account invests in inverse floating rate securities, whose income payments vary inversely with changes in short-term market rates, the account’s income may decrease if short-term interest rates rise.

Interest rate risk is the risk that the value of an account will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond’s expected life on a present value basis, taking into account the bond’s yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond’s price sensitivity to changes in interest rates.

During periods of declining interest rates, some bond issuers may exercise the option to prepay principal earlier than scheduled, forcing an account to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in its credit rating.

During periods of rising interest rates, the average life of certain types of bonds may be extended because of lower than expected principal payments. This may lock in a below market interest rate, increase the bond's duration, and reduce its value. This is known as extension risk. Market interest rates for investment grade fixed-income securities are currently significantly below their historical average rates. This decline may have increased the risk that these rates will rise in the future; however, historical interest rate levels do not necessarily predict future interest rate levels.

Municipal securities tax risk is the risk that income from municipal bonds could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. In addition, a portion of an account's otherwise exempt dividends may be taxable to those clients subject to the federal alternative minimum tax.

High yield securities risk is the risk that these securities, which are rated below investment grade and commonly referred to as "junk" bonds, may cause income and principal losses for an account. They generally have greater credit risk, are less liquid and have more volatile prices than investment grade securities.

Liquidity risk is the risk that inventories of bonds held by brokers and dealers can and have decreased in recent years, which lessen their ability to make a market in these securities. This reduction in market making capacity can decrease liquidity and increase price volatility and trading costs in fixed income securities and their markets, especially during periods of economic or market stress. When liquidity is decreased, an account may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could lower performance.

Valuation risk is the risk that an account will not be able to sell a security at the price established by the pricing service or custodian, which could result in a loss. Debt securities typically are valued by a pricing service or custodian using a range of market-based inputs and assumptions, including readily available market quotations obtained from broker-dealers buying and selling bonds and transactions for comparable bonds. Pricing services and custodians generally price bonds assuming trades in an institutional "round lot" size, but some trades may occur in smaller, "odd lot" sizes, often at lower prices than institutional round lot trades.

Master Limited Partnerships Risks

Investments in MLPs involve some risks that differ from an investment in the common stock of a corporation. Holders of MLPs have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP interests

and conflicts of interest exist between common unit holders and the general partner, including those arising from incentive distribution payments.

MLPs that provide crude oil, refined product and natural gas services are subject to supply and demand fluctuations in the markets they serve, which will be affected by many factors, including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events and economic conditions.

9. DISCIPLINARY INFORMATION

Neither the Manager nor its management personnel have any legal or disciplinary events that are material to a client's or a prospective client's evaluation of their advisory business or the integrity of their management.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Mr. Dudley is not affiliated with any financial services firm other than Dudley Capital Management LLC

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

The Manager has adopted a code of ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 ("Code of Ethics"). The Code of Ethics sets forth the rules for business conduct and personal investing activities of its employees. The Code of Ethics, among other things, sets ethical standards and requires compliance with the securities laws, safeguards material nonpublic information about clients' transactions and portfolio holdings, and requires initial and annual reports of securities holdings for access persons.

Investors and prospective investors may obtain a copy of the Code of Ethics upon request in writing to the Manager at the address on the cover of this Brochure.

Participation or Interest in Client Transactions & Personal Trading

The Manager's employees and officers may maintain positions in, or buy or sell the same securities or related options as clients buy or sell. In cases such as this, employees and officers would have an interest in the success of a security that may be recommended to, owned by, sold for or purchased for a client.

Employee trades are reviewed, so that no employee's trade execution receives a better execution price than a client's account for the same security traded on the same day in a client account. Employees are not permitted to buy or sell any securities that are included on a restricted security list (security trades placed by the Manager for client accounts) for a 24 hour period. However, this

restriction does not apply to employee accounts under contract with, and managed by, a professional investment manager. Employee trades will be reviewed at least monthly and, if an employee traded a security on the restricted security list, the employee trade may, on a case-by-case basis, be unwound, except as noted above. The intent of such a restriction and corrective action is to avoid potential conflicts of interest that may arise in the trading activities on behalf of clients.

The Manager's policy is to not engage in principal or agency cross transactions.

12. BROKERAGE PRACTICES

The Manager has the authority to determine the securities that are bought and sold for clients, the amount of securities to be bought or sold, the broker dealer to be used and the brokerage commissions, dealer spreads (for fixed income securities) and other fees to be paid.

The Manager seeks to obtain best execution for client transactions, *i.e.*, seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. Best execution means not only seeking to achieve the best price but also the consideration of many factors, such as the characteristics of specific trades, the stock being traded, specific needs of clients, conditions in the market at the time the order is placed and the overall efficiency of market structure. When selecting broker-dealers, the Manager also will consider execution capability, commission rate, the likelihood of price improvement, the speed of execution and likelihood of execution for limited orders, the ability to minimize market impact, the maintenance of confidentiality orders, and responsiveness of broker-dealers.

The Manager does not have any formal or informal arrangements or commitments to use research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

Trade Aggregation and Allocation

The aggregation or blocking of client transactions allows the Manager to execute transactions in a more timely, equitable and efficient manner. Blocking is done in an attempt to achieve a better overall price execution for a client. The Manager will aggregate client trades when: (1) the Manager believes that aggregation is consistent with its duty to seek best execution for its clients; (2) no advisory client will be unfairly favored over any other client; (3) each client that participates in an aggregated order will participate at the average share price for a given order, in a given security, on a given business day, and (4) if the aggregated order is not filled in its entirety, it will be allocated proportionately to receive the same allocation as the proportion of the total pre-trade allocation at the average price. For remaining portions that are filled on the following business day, clients will receive the same allocation as the proportion of the total pre-trade allocation at the average price of the business day.

The Manager seeks to allocate securities in a manner that is fair and equitable to all clients, with no particular group or client(s) being favored or disfavored over any other clients. The Manager prohibits allocation of trades in a manner that favors its proprietary accounts or any particular client. Clients may have different investment objectives, strategies, risk tolerance, tax status and other factors, and therefore may hold different securities, or the same securities in different

percentages.

The Manager seeks to identify and correct any errors as promptly as possible, without disadvantaging the client. The Manager pays for losses due to its trade errors and clients generally retain gains resulting from the Manager's trade error.

13. REVIEW OF ACCOUNTS

The Manager reviews client performance at least monthly. The Manager reviews asset allocation, holdings, performance, as well as industry, sector and issue concentrations and for general adherence to the chosen strategy. Clients will receive a written quarterly performance report. Clients may choose to have reports and other communications delivered electronically.

14. CLIENT REFERRALS AND OTHER COMPENSATION

The Manager does not compensate other persons for referring clients to it and does not accept economic benefits from non-clients in connection with giving advice to its clients.

15. CUSTODY

Clients may grant the Manager the authority to deduct their fees from the client's account, in which case the Manager will be deemed to have custody of the client's account.

Clients will receive a periodic account statement from their custodian. Clients should carefully review the account statements they receive from their broker-dealer or custodian and compare them with the statements or reports received from the Manager.

16. INVESTMENT DISCRETION

~~[The]~~ Clients give the Manager ~~[has discretion over client assets, which]~~ investment discretion over their accounts, which means that they authorize the Manager in the investment management agreement to invest the assets in their account. The Manager's investment discretion is limited by the terms of a client's investment management agreement and investment guidelines, if applicable.

17. VOTING CLIENT SECURITIES

The Manager votes proxies consistent with the best economic interests of its clients. At times, the Manager may not be able to vote proxies on behalf of clients when clients' holdings are in countries that restrict trading activity around proxy votes or when clients lend securities to third parties.

The Manager seeks to identify any conflicts of interests between clients' interests and its own interest within the proxy voting process. If the manager or one of its employees faces a material conflict of interest in voting a proxy, the Manager will ask the client to vote the proxy.

Proxy voting information is available to clients upon request. A copy of the Policy and voting information may be obtained by writing to the manager at the address listed on the cover of this Brochure.

18. FINANCIAL INFORMATION

The Manager does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore has not included a balance sheet for its most recent fiscal year. The Manager is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has it been the subject of a bankruptcy petition at any time during the past ten years.

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