

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

March 18, 2021

#### **Alley Company, LLC**

SEC File No. 801-60264

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This brochure provides information about the qualifications and business practices of Alley Company, LLC. If you have any questions about the contents of this brochure, please contact us at 847-482-0938 or [stacy@alleycompanyllc.com](mailto:stacy@alleycompanyllc.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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Alley Company, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4: Advisory Business**

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

Alley Company, LLC ("Alley Company" and/or the "firm"), is an Illinois limited liability company and separate account management investment advisory firm that was established in 1998 by Steven J. Alley, who is the President and principal owner of the firm.

### **B. Description of Advisory Services Offered**

Alley Company provides a complete portfolio management service, commonly referred to as separate account management. This includes the purchase, sale, and continuous supervision of all assets under management. Generally, we invest in stocks, exchange-traded funds, and bonds, although stock options and convertible securities, among other investments, may be used in the customization of client portfolios or asset allocation programs. Alley Company will accept restrictions from clients on the use of certain securities in the portfolios.

Our equity investment objective is to compound long-term rates of return in a tax-efficient manner in a separate account format. To achieve this goal, we make U.S. large-cap equities the centerpiece investment for our clients, because historically this asset class has produced attractive risk-adjusted returns.

Alley Company's flagship equity strategies are the Alley Company Core Portfolio, the Alley Company Dividend Portfolio, and the Alley Company Hybrid Portfolio. The Core Portfolio philosophy is to focus on growth companies with proven track records, astute management teams, and strong potential for sustainable growth. Our Dividend Portfolio philosophy is to invest in high-quality companies with strong dividend paying cultures. The Hybrid Portfolio is a blend of the Core and Dividend Portfolios. Alley Company builds asset-allocation programs for clients around the Alley Company Core, Dividend, and Hybrid Portfolios. We develop these programs using low-cost and tax-efficient exchange-traded funds as well as fixed-income products to meet client-specific needs.

Alley Company also provides sub-advisory portfolio management services for other investment advisers using the aforementioned separate account disciplines.

For its discretionary asset management services, Alley Company receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure. In addition, pursuant to the terms of its investment advisory agreement with clients, Alley Company will remind clients of their obligation to inform Alley Company of any modifications or restrictions that should be imposed on the management of the client's account. Alley Company will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

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

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

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

Although Alley Company does not sponsor any wrap fee programs, the firm acts as a portfolio manager to Envestnet Asset Management's Third-Party Models wrap fee program. Further information is available in the program's wrap fee brochure.

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

As of December 31, 2020, Alley Company is responsible for managing approximately \$1,840,317,563 in client assets. This value includes approximately \$516,482,433 in discretionary assets and \$68,544,241 in non-discretionary assets under management; and \$1,255,290,890 in Unified Managed Account (UMA) programs.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

Alley Company is compensated solely on a fee basis. Alley Company's fee for services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Up to \$5 million	1.00%
Above \$5 million	0.80%

Generally, the minimum account size is \$2,000,000. Other billing rates and methods may be agreed to in special circumstances. The charges do not include commissions, as the adviser does not accept them.

Asset-based fees are always subject to the investment advisory agreement between the client and Alley Company. Such fees are payable quarterly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Adjustments for significant contributions to and distributions from a client's portfolio are prorated for the month in which the change occurs.

Fees are generally deducted from the clients' assets, although they also may be billed directly to the client for payment; clients may select either method of payment.

A client investment advisory agreement may be canceled at any time by either party upon written notice. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. Upon termination of any account, any unearned, prepaid fees will be promptly refunded.

### B. Client Payment of Fees

Alley Company's fees will generally be billed directly to and paid from the client's account by the custodian of the portfolio.

Alley Company will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### C. Additional Client Fees Charged

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, and by any broker-dealer or custodian retained by the client. Clients

are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

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

Alley Company generally requires fees to be prepaid on a quarterly basis. Alley Company's fees will either be paid directly by the client or disbursed to Alley Company by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled at any time by either party upon written notice. Upon termination of any account, any unearned, prepaid fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

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

Alley Company's financial advisors are compensated solely through a salary and bonus structure. Alley Company is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.



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

Alley Company manages customized stock options strategies to aid in the orderly disposition of concentrated stock holdings. This strategy is also used to generate additional income for the portfolio. For these services Alley Company generally is paid a fee that amounts to a percentage of the option income generated. These fees are paid quarterly in arrears.

Alley Company may charge performance-based fees to qualified clients who are defined as:

- A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;
- A natural person or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
  - Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 at the time the contract is entered into, exclusive of the value of their primary residence; or
  - Is a qualified purchaser as defined in section 2(a)(51)(AA) of the Investment Company Act of 1940 (15U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or
  - A natural person who immediately prior to entering into the contract is:
    - An executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or
    - An employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

Please be advised that performance-based fees involve a sharing of any portfolio gains between the client and the investment manager. Such performance-based fees create an economic incentive for the investment manager (Alley Company) to take additional risks in the management of a client portfolio which may be in conflict with the client's current financial circumstances, investment objectives, and tolerance for risk. No performance-based fees will be assessed until the portfolio, on a cumulative basis from account inception, is in a net gain position.

We believe we are not incentivized to expend more resources on our options accounts at the expense of our other accounts because this business is incidental to our account management business.

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

Alley Company provides investment services primarily to high-net-worth individuals that encompass business executives, entrepreneurs, retirees, and investors with large families. We also specialize in managing investments for institutions, foundations, and family offices.

Generally, the minimum account size is \$2,000,000.

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

### A. Methods of Analysis and Investment Strategies

The methods of analysis may include fundamental and technical analysis; computer-based risk/return analysis; and statistical and/or computer models utilizing long-term economic criteria. Alley Company may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

Alley Company manages equity portfolios for clients using three primary investment strategies:

- *Alley Company Core Portfolio* – The Core Portfolio philosophy focuses on investing in high-quality large-cap companies with proven track records of sustainable growth. This portfolio from time to time will also invest a small portion of the assets in small- and mid-cap companies that are deemed to have the potential to become large-cap over time. Our philosophy is to own companies that are #1 or “best of breed” in the industries they serve.
- *Alley Company Dividend Portfolio* – The Dividend Portfolio philosophy focuses on investing in high-quality companies that have strong dividend-paying tendencies or cultures. We invest in companies that have the fundamental wherewithal to sustainably pay a high dividend, as well as companies that demonstrate a high level of dividend growth. We strive to invest in companies with sound fundamentals that have the ability to sustain and grow their dividend payouts over time.
- *Alley Company Hybrid Portfolio* – The Hybrid Portfolio is a blend of the Core and Dividend Portfolios.

#### A.1. Exchange-Traded Funds and Individual Securities

Alley Company may recommend exchange-traded funds (ETFs) and individual securities (including fixed income instruments). Alley Company uses ETFs to gain exposure to certain industry groups or asset classes in the core portfolio. The use of ETFs, which are low-cost and generally tax-efficient vehicles, plays a significant role in our ability to build asset allocation programs for our clients. In developing asset allocation programs for clients, Alley Company generally uses the core or dividend portfolios in a separate account format as the large-cap centerpiece and then invests in ETFs to gain exposure to various other asset classes such as small- and mid-cap, international, emerging markets, or fixed income. For portfolios where the assets are not large enough to build a separate account portfolio of individual stocks or bonds, we use ETFs to build the portfolio asset allocation. Alley Company generally has low portfolio turnover and manages the portfolios as tax efficiently as possible.

A description of the criteria to be used in formulating an investment recommendation in ETFs and individual securities (including fixed-income securities) is set forth below.

Alley Company has formed relationships with third-party vendors that perform certain other administrative tasks. Alley Company may utilize additional independent third parties to assist it in recommending and monitoring individual securities as appropriate under the circumstances.

## **A.2. Material Risks of Investment Instruments**

Alley Company typically invests in individual securities and exchange-traded funds for the vast majority of its clients. Alley Company generally effects transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Commercial paper and certificates of deposit
- Municipal securities
- U.S. government securities
- Corporate debt obligations

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **A.2.c. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), and iShares<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price

movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF.

As a general business practice, the firm does not invest in ETFs that use leverage. To the extent the firm may utilize leveraged ETFs, please note the following: Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.2.f. Commercial Paper and Certificates of Deposit**

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.h. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

### **A.2.i. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper, and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

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

Clients should be aware that inherent in owning portfolios of stocks and bonds is the risk that individual securities or the overall portfolio may decline in value during times of stress in the economy or the underlying entity representing a specific security.

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although Alley Company, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, and, in very limited circumstances, Alley Company will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although Alley Company, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Alley Company as part of its investment strategy may employ covered call writing. Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

## **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

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

There is nothing to report on this item.

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

There is nothing to report on this item.



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

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

Neither Alley Company nor its affiliates are registered broker-dealers and do not have an application to register pending.

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

Neither Alley Company nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

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

#### **C.1. Investnet Asset Management, Inc.**

Alley Company is contracted as a sub-adviser to Investnet Asset Management, Inc. ("EAM"). Alley Company uploads model portfolios to EAM, which EAM then makes available to other investment advisers who have subscribed to the EAM investment platform. Alley Company paid an initial technology set-up fee to establish Alley Company on the EAM platform and pays an annual manager portal fee. Beyond these fees, other than the applicable asset-based fee paid to Alley Company, there is no additional remuneration paid by EAM to Alley Company or by Alley Company to EAM.

#### **C.2. Bernardi Securities' Recommendation of Alley Company**

Bernardi Securities may recommend Alley Company to manage equity portfolios for its clients. Alley Company shares its advisory fee with Bernardi Securities under a solicitor's agreement that is detailed in Item 14.B. Bernardi Securities has an economic interest in recommending to potential end clients that they utilize the services of Alley Company. Although Bernardi Securities strives to put its clients' interests first, such recommendation may be viewed as being in the best interests of Bernardi Securities rather than in the best interests of the client.

#### **C.3. C-Level Officers as Clients**

Certain of the firm's individual clients are C-level officers of publicly traded companies where such companies may comprise a portion of the portfolio holdings for one or more of Alley Company's managed portfolios. Please be advised that Alley Company has a disciplined multi-layered research process and does not consider the individual client relationship as a factor in determining whether or not to invest in a particular company for its managed portfolios.

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

### **D.1. Alley Company's Recommendation of Bernardi Asset Management**

Alley Company may recommend Bernardi Asset Management to manage separate account fixed income portfolios for clients. This is a solicitor's arrangement that is detailed in Item 14.A. Alley Company has an economic interest in recommending to potential end clients that they utilize the services of Bernardi Asset Management. Although Alley Company strives to put its clients' interests first, such recommendation may be viewed as being in the best interests of Alley Company rather than in the best interests of the client.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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

In accordance with the Advisers Act, Alley Company has adopted policies and procedures designed to detect and prevent insider trading. In addition, Alley Company has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Alley Company's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Alley Company. Alley Company will send clients a copy of its Code of Ethics upon written request.

Alley Company has policies and procedures in place to ensure that the interests of its clients are given preference over those of Alley Company, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

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

Alley Company does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Alley Company does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

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

Alley Company, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Alley Company specifically prohibits. Alley Company has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Alley Company's procedures when purchasing or selling the same securities purchased or sold for the client.

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

Alley Company, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Alley Company clients. Alley Company will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of Alley Company to place the client's interests above those of Alley Company and its employees.

## Item 12: Brokerage Practices

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

#### A.1. Custodian Recommendations

Alley Company may recommend that clients establish brokerage accounts with one or more custodians, depending on client needs, to maintain custody of clients' assets and to effect trades for their accounts. Although Alley Company may recommend that clients establish accounts at a custodian, it is the client's decision to custody assets with the custodian. Alley Company is independently owned and operated and not affiliated with any custodian.

For Alley Company clients' accounts, the custodian may or may not charge separately for custody services, but may be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into the custodian's accounts.

In certain instances and subject to approval by Alley Company, Alley Company will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Alley Company will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. Soft Dollar Arrangements

Alley Company does not utilize soft dollar arrangements. Alley Company does not direct brokerage transactions to executing brokers for research and brokerage services.

##### A.1.b. Institutional Trading and Custody Services

Custodians may provide Alley Company with access to their institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

**A.1.c. Other Products and Services**

Custodians may also make available to Alley Company other products and services that benefit the firm but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Alley Company's accounts, including accounts not maintained at the custodian. Custodians also makes available to Alley Company managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Alley Company's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Custodians may also offer other services intended to help Alley Company manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

Custodians may also provide other benefits, such as educational events or occasional business entertainment of Alley Company personnel. In evaluating whether to recommend that clients custody their assets at a custodian, Alley Company may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**A.1.d. Independent Third Parties**

Custodians may make available, arrange, and/or pay third-party vendors for the types of services rendered to Alley Company. Custodians may discount or waive fees they would otherwise charge for some of these services or all or a part of the fees of a third-party providing these services to Alley Company.

**A.2. Brokerage for Client Referrals**

Alley Company does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **A.3. Directed Brokerage**

#### **A.3.a. Alley Company Recommendations**

Alley Company, if requested by a client, will recommend one or more custodians for the client's funds and securities and to execute securities transactions depending on the needs of the client.

#### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Alley Company to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Alley Company derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Alley Company loses the ability to aggregate trades with other Alley Company advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

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

### **B.1. Best Execution**

Alley Company may recommend that clients establish one or more brokerage accounts to maintain custody of clients' assets and to effect trades for their accounts. Such accounts will be prime broker eligible, so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. Custodians charge a "trade away" fee, which is charged against the client's account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients will consult their current custodian for their policies and fees.

Alley Company, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of such securities, the executing broker, and the commission rates to be paid to effect such transactions. Alley Company recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Alley Company will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)

- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

### **B.2. Security Allocation**

Since Alley Company may be managing accounts with similar investment objectives, Alley Company may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Alley Company in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Alley Company's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Alley Company will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Alley Company's advice to certain clients and entities and the action of Alley Company for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Alley Company with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Alley Company to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in



the best interests of other accounts, then the trade will only be performed for that account. This is true even if Alley Company believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Alley Company acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Alley Company determines that such arrangements are no longer in the best interest of its clients.

## **Item 13: Review of Accounts**

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

The President of Alley Company and its employees review all client accounts. Accounts are thoroughly reviewed weekly, and in some cases daily, depending on market conditions.

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

Alley Company may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Alley Company formulates investment advice.

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

Alley Company clients receive a quarterly letter and portfolio report. The report shows all transactions in their accounts, a performance analysis, a portfolio appraisal, and a fee statement. Alley Company meets with clients quarterly or at intervals deemed appropriate by the client.

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

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

#### **A.1. Alley Company's Recommendation of Bernardi Asset Management**

Alley Company may recommend Bernardi Asset Management to manage separate account fixed income portfolios for clients. This is a solicitor's arrangement. Alley Company has an economic interest in recommending to potential end clients that they utilize the services of Bernardi Asset Management. Although Alley Company strives to put its clients' interests first, such recommendation may be viewed as being in the best interests of Alley Company rather than in the best interests of the client.

Alley Company may enter into agreements with solicitors who will refer prospective advisory clients to Alley Company in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Alley Company. The solicitor must provide the client with a disclosure document describing the fees it receives from Alley Company, whether those fees represent an increase in fees that Alley Company would otherwise charge the client, and whether an affiliation exists between Alley Company and the solicitor.

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

#### **B.1. Bernardi Securities Recommendation of Alley Company**

Bernardi Securities may recommend Alley Company to manage equity portfolios for its clients. Alley Company shares its advisory fee with Bernardi Securities under a solicitor's agreement. Bernardi Securities has an economic interest in recommending to potential end clients that they utilize the services of Alley Company. Although Bernardi Securities strives to put its clients' interests first, such recommendation may be viewed as being in the best interests of Bernardi Securities rather than in the best interests of the client.

Alley Company may enter into agreements with solicitors who will refer prospective advisory clients to Alley Company in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Alley Company. The solicitor must provide the client with a disclosure document describing the fees it receives from Alley Company, whether those fees represent an increase in fees that Alley Company would otherwise charge the client, and whether an affiliation exists between Alley Company and the solicitor.

## Item 15: Custody

Alley Company is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Alley Company urges its clients to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.
- Our authority to direct client requests, utilizing standing instructions, for third-party money movement (checks and/or journals, ACH). The firm has elected to engage an independent public accountant to annually conduct a surprise custody exam audit.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Alley Company with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Alley Company will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Alley Company, as an SEC-registered investment adviser, often has voting power with respect to securities in client accounts. When Alley Company has proxy voting power with respect to securities in a client's account, it owes certain fiduciary duties with respect to the voting of proxies. These fiduciary duties include (i) the duty of care, which requires Alley Company to monitor corporate events and to vote the proxies; and (ii) the duty of loyalty, which requires Alley Company to vote proxies in a manner consistent with the best interests of the client and to put the client's interests before Alley Company's own interests.

In keeping with its fiduciary duties, Alley Company has adopted a Proxy Voting Policy, which sets forth the firm's policies and procedures designed to ensure that it votes each client's securities in the best interest of the client. Alley Company will be authorized to take action and render any advice with respect to the voting of proxies for securities held in the client's account. Alley Company will make an independent valuation for each applicable company held in the client's account in accordance with its fiduciary obligations as detailed in this policy. Clients may contact Alley Company for information about how the firm voted with respect to any of the securities held in their accounts.

Except as required by applicable law, Alley Company will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies. From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Alley Company has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Alley Company also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Alley Company has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients. Where Alley Company receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

As a general rule, Alley Company will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with Alley Company's Proxy Voting Policy, unless a client specifically instructs Alley Company in writing to vote such client's securities otherwise. When making proxy voting decisions, Alley Company may seek advice or assistance from third-party consultants, such as proxy voting services or legal counsel.

A copy of Alley Company Proxy Voting Policy will be provided upon receipt of a written request.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Alley Company does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

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

Alley Company does not have any financial issues that would impair its ability to provide services to clients.

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

There is nothing to report on this item.

## Brochure Supplements



## **Brochure Supplement**

March 18, 2021

### **Alley Company, LLC**

SEC File No. 801-60264

### **Steven J. Alley**

### **President & Chief Compliance Officer**

Individual CRD No. 1197753

585 Bank Lane, Suite 2400

Lake Forest, IL 60045

phone: 847-482-0938

email: [steve@alleycompanyllc.com](mailto:steve@alleycompanyllc.com)

website: [www.alleycompanyllc.com](http://www.alleycompanyllc.com)

This brochure supplement provides information about Steven J. Alley that supplements the Alley Company, LLC, brochure. You should have received a copy of that brochure. If you did not receive a brochure or if you have any questions about the contents of this supplement, please contact us at 847-482-0938.

Additional information about Steven J. Alley is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Pursuant to an exemption under Illinois law, Mr. Alley is not required to register as an Investment Adviser Representative in the State of Illinois.

## Item 2: Educational Background and Business Experience

Steven J. Alley (b. 1953) is the President and Chief Compliance Officer of Alley Company, LLC. Steve entered the investment business in 1983 as an institutional equity salesman with Paine Webber. He joined Morgan Stanley & Co. in 1986 and was promoted to Vice President; in 1990, to Principal; and in 1993, to Managing Director. At Morgan Stanley, he had continually growing responsibilities, culminating as the Managing Director in charge of the Institutional Equity Department and Private Client Services in Chicago. He founded Alley Company, LLC, shortly after leaving Morgan Stanley in 1998.

### A. Educational Background

B.B.A., Concentration in Finance University of Wisconsin at Madison	1977
M.B.A., Concentration in Finance University of Wisconsin at Madison	1982

### B. Business Background

Alley Company, LLC	1998–Present
Morgan Stanley & Co.	1986–1998
Paine Webber	1983–1986

## Item 3: Disciplinary Information

Steven J. Alley does not have any disciplinary action to report. Public information concerning Steve's registration as an investment advisor representative may be found by accessing the SEC's public disclosure site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 4: Other Business Activities

There is nothing to report for this item.

## Item 5: Additional Compensation

There is nothing to report for this item.

## Item 6: Supervision

Supervision of Steven Alley is performed by himself in his capacity as Chief Compliance Officer, through reviews of internal transaction and security holdings reports, electronic and physical correspondence, and other internal reports as mandated by the firm and its regulatory authorities. Steve can be reached at 847-482-0938.

## **Brochure Supplement**

March 18, 2021

### **Alley Company, LLC**

SEC File No. 801-60264

**Rik W. Duryea**

**Managing Director**

Individual CRD No. 2310257

585 Bank Lane, Suite 2400

Lake Forest, IL 60045

phone: 847-482-0938

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This brochure supplement provides information about Rik W. Duryea that supplements the Alley Company, LLC, brochure. You should have received a copy of that brochure. If you did not receive a brochure or if you have any questions about the contents of this supplement, please contact us at 847-482-0938.

Additional information about Rik W. Duryea is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Educational Background and Business Experience

Rik W. Duryea (b. 1968) is a Managing Director of Alley Company, LLC. Rik began his investment career in 1993. He joined Alley Company in 2005 after working as a senior equity analyst at Fourth Dimension Partners and St. Paul Travelers. Prior to that he worked as an equity analyst at Piper Jaffray.

### A. Educational Background

B.A. in Economics, Colorado College	1992
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### B. Business Background

Alley Company, LLC	04/2005–Present
Fourth Dimension Partners	12/2003–04/2005
St. Paul/Travelers	11/1999–12/2003
Piper Jaffray	11/1992–11/1999

### C. Professional Designations

#### Chartered Financial Analyst<sup>®</sup> (CFA<sup>®</sup>)

The CFA<sup>®</sup> designation is an international professional certificate that is offered by the CFA Institute. Candidates that pursue the certification have in-depth knowledge of securities types and investment vehicles. In order to qualify for a CFA<sup>®</sup>, candidates must meet standards for examination, education, experience, and ethics. First, candidates must possess a bachelor's degree from an accredited school, or its equivalent. Second, candidates must have completed 48 months of qualified professional work experience, generally related to evaluating or applying financial, economic, and/or statistical data as part of the investment decision-making process involving securities or similar investment. Third, candidates must pass a series of three six-hour exams that covers ethics, quantitative methods, economics, corporate finance, financial reporting and analysis, security analysis, and portfolio management. Finally, candidates must meet and continue to adhere to a strict Code of Ethics and Standards governing their professional conduct, as reviewed by the CFA Institute.

## Item 3: Disciplinary Information

Rik W. Duryea does not have any disciplinary action to report. Public information concerning Rik's registration as an investment advisor representative may be found by accessing the SEC's public disclosure site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 4: Other Business Activities

There is nothing to report for this item.

## **Item 5: Additional Compensation**

There is nothing to report for this item.

## **Item 6: Supervision**

Supervision of Rik Duryea is performed by Steve Alley, Chief Compliance Officer, through reviews of internal transaction and security holdings reports, electronic and physical correspondence, and other internal reports as mandated by the firm and its regulatory authorities. Steve Alley can be reached at 847-482-0938.

## **Brochure Supplement**

March 18, 2021

### **Alley Company, LLC**

SEC File No. 801-60264

### **Thomas Van Vuren**

### **Managing Director**

Individual CRD No. 4486604

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Lake Forest, IL 60045

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This brochure supplement provides information about Tom Van Vuren that supplements the Alley Company, LLC, brochure. You should have received a copy of that brochure. If you did not receive a brochure or if you have any questions about the contents of this supplement, please contact us at 847-482-0938.

Additional information about Tom Van Vuren is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Educational Background and Business Experience

Tom Van Vuren, CFA® (b. 1976) is a Managing Director of Alley Company, LLC. He began his investment career in 1998, and joined Alley Company in 2014 after working as a senior equity analyst at Holland Capital Management. Tom brings research depth to Alley Company's internal portfolio management process at the individual security, sector, and asset class levels.

### A. Educational Background

B.A., Philosophy, Colgate University	1998
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### B. Business Background

Alley Company, LLC	01/2014–Present
Holland Capital Management	12/2001–01/2014
GW&K Asset Management	11/1998–01/2001

### C. Professional Designations

#### Chartered Financial Analyst® (CFA®)

The CFA® designation is an international professional certificate that is offered by the CFA Institute. Candidates that pursue the certification have in-depth knowledge of securities types and investment vehicles. In order to qualify for a CFA®, candidates must meet standards for examination, education, experience, and ethics. First, candidates must possess a bachelor's degree from an accredited school, or its equivalent. Second, candidates must have completed 48 months of qualified professional work experience, generally related to evaluating or applying financial, economic, and/or statistical data as part of the investment decision-making process involving securities or similar investment. Third, candidates must pass a series of three six-hour exams that covers ethics, quantitative methods, economics, corporate finance, financial reporting and analysis, security analysis, and portfolio management. Finally, candidates must meet and continue to adhere to a strict Code of Ethics and Standards governing their professional conduct, as reviewed by the CFA Institute.

## Item 3: Disciplinary Information

Tom Van Vuren does not have any disciplinary action to report. Public information concerning Tom's registration as an investment advisor representative may be found by accessing the SEC's public disclosure site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 4: Other Business Activities

There is nothing to report for this item.

## **Item 5: Additional Compensation**

There is nothing to report for this item.

## **Item 6: Supervision**

Supervision of Tom Van Vuren is performed by Steve Alley, Chief Compliance Officer, through reviews of internal transaction and security holdings reports, electronic and physical correspondence, and other internal reports as mandated by the firm and its regulatory authorities. Steve Alley can be reached at 847-482-0938.