

**VALDES & MORENIO, INC.****Introduction**

Valdes & Moreno, Inc. is registered as a broker-dealer with the U.S. Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) and a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). As such, the firm provides brokerage services and not investment advisory services. An important distinction is that we charge a fee on each transaction as opposed to a percentage of assets under management. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](http://Investor.gov/CRS).

**Relationships and Services**

Our firm primarily deals in individual stocks and fixed-income securities, not mutual funds, or ETFs. Our specialty is in municipal bonds. We underwrite highly rated bonds in negotiated and competitive primary offerings and trade high-yield municipal and corporate bonds in the secondary market. We also buy and sell stocks, mostly as an ancillary service for our bond customers. We make recommendations based on rating agency reports and in-house research. As our basic investment strategy is buy and hold, we only monitor accounts as needed, not on a regular basis. Our firm does not accept discretionary accounts. We will always speak to you first, explaining our rationale, and get your approval before we make a trade in your account. Because most bonds trade in multiples of \$5,000, by de facto that is typically our account minimum.

**Good Questions**

Why should you choose a brokerage model over an investment advisory model of doing business? Since our basic investment strategy is buy and hold, you only pay a fee once no matter how long you hold the position. There is no ongoing asset management fee.

How will we choose investments for you? Our recommendations are based on ratings from Moody's, S&P, and Fitch or our own research. We are not afraid to roll up our sleeves and do the homework.

What is your relevant experience, licenses, and education? The person you will talk to at our firm has either 45, 14, or 12 years of experience. All hold FINRA registrations that allow them to sell corporate and municipal securities. All hold principal registrations with FINRA that allow them supervisory capacity. All hold bachelor's degrees and two hold MBAs.

**Fees, Costs, Conflicts, and Standard of Conduct**

What fees will you pay? In our business model as a broker-dealer, we will act as agent and charge you a commission on stock trades. On bond trades, we will act as principal and charge you a markup. Typically, at a point in time, we will buy a block of bonds for later distribution to our customers after we have completed our homework. Because of the nature of the marketplace in which we compete, we have to extend our capital and buy bonds before we have a chance to do all the research we deem necessary to determine if they are a good fit to sell to our customers. This process could take a couple, several, or many days to reach that comfort level. All the while, our firm's capital is at risk. Once we reach that comfort level, at that point in time, we will **mark them up** 1 to 3%, depending, and sell them usually in pieces to our customers. The markup is your total cost over the lifetime of your investment. The markup

you pay is imbedded in the price you pay. With that said, we sell you the bonds on a yield basis so that all the money you pay is at work at that yield. If that yield is comparatively attractive to you, then we have a trade. You are certainly free to decline our offer if you think you can do better elsewhere. When we sell bonds, we treat everybody the same. Everyone pays the same price, including those of us with personal accounts. We often invest in the very same bonds we sell to our customers. Our interests are aligned, and our reputation is at stake on every sale.

Other than a commission or markup, we do not charge any other fee except a handling charge of \$5.00 per trade of which we are rebated \$3.00 by our clearing firm, Hilltop Securities, Inc. Hilltop also imposes an account maintenance fee if your account is inactive over a year's time. In general, you will not pay any fees or costs whether you make or lose money on your investment nor will fees or costs erode your investment return over time.

### **Good Questions**

How do fees or costs affect your investments? Commissions on stock trades are a sunk cost and includable in your cost basis for income tax purposes, but do not otherwise affect the return on the principal amount of your investment. Markups on bond trades are imbedded in the principal amount you invest so you will earn a return on your entire investment. What does affect the return on your investment is the price you pay. If you invest \$10,000 in a bond trade, the full \$10,000 will be invested for you minus the \$5.00 handling charge.

What is our legal obligation to you when we make a recommendation? When we make a recommendation, we have to act with your best interests at heart. We always have, required or not. In our business model, we do not have any conflicts of interest except we do trade with you as principal on bond trades. That simply means, as explained above, we buy bonds at one price and sell them to you at a higher price. That's a markup. By regulation, markups have to be fair and reasonable. We are periodically examined by the SEC and FINRA for such. In real time, we report all of our bond trades to a tape for investors and regulators to see.

How do the investment professionals at our firm make money? The investment professionals at our firm are paid a percentage of the commissions and markups they charge their customers. There are no conflicts other than we underwrite bonds from time to time. These opportunities are always subject to an official statement describing the primary offering, including terms, and special order handling rules.

### **Disciplinary History**

Does our firm or any of its investment professionals have any disciplinary history? Yes, the firm and its founder/owner, Marco Listrom, have taken regulatory bullets not because of, but for our customers. Each infraction speaks to who we are and about our culture. Please go to [Investor.gov/CRS](http://Investor.gov/CRS) for details. We will gladly speak to you about any concerns you may have.

### **Additional Information**

If you would like additional information about our firm or a copy of this *customer relationship summary*, please contact Marco Listrom at 816-221-6700. Likewise, please contact Marco Listrom if you feel anyone at our firm has mistreated you.