

# Martone Capital Management, Inc.

ADV Part 2A Brochure  
Dated: March 5, 2022

Contact: William A. Martone, Chief Compliance Officer  
7 Skyline Drive, Suite 350  
Hawthorne, N.Y. 10532  
[www.martonecapital.com](http://www.martonecapital.com)

**This brochure provides information about the qualifications and business practices of Martone Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (914) 318-9440 or [wmartone@gmail.com](mailto:wmartone@gmail.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Martone Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Martone Capital Management, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since the most recent Annual Amendment filing on February 1, 2021, this Brochure has not been materially amended. Certain non-material changes have been made at Items 4 and 5 regarding our advisory services, including retirement account rollovers and management of cash balances. Item 14 has been revised with respect to our solicitor relationship with Paladin Registry.

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents .....	2
Item 4	Advisory Business.....	3
Item 5	Fees and Compensation.....	6
Item 6	Performance-Based Fees and Side-by-Side Management.....	7
Item 7	Types of Clients .....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9	Disciplinary Information .....	11
Item 10	Other Financial Industry Activities and Affiliations .....	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12	Brokerage Practices.....	12
Item 13	Review of Accounts.....	14
Item 14	Client Referrals and Other Compensation.....	15
Item 15	Custody .....	15
Item 16	Investment Discretion.....	16
Item 17	Voting Client Securities.....	16
Item 18	Financial Information.....	16
Item 19	Requirements for State-Registered Advisors.....	16

## Item 4            **Advisory Business**

- A. Martone Capital Management, Inc. (the “Registrant”) is a corporation formed on April 6, 1995 in the State of Delaware. The Registrant became registered as an Investment Adviser Firm in February 2004. The Registrant is owned by William A. Martone. William A. Martone is the Registrant’s Principal and Chief Compliance Officer.
  
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, and pension and profit sharing plans, etc.) discretionary and non-discretionary investment advisory services. The Registrant **does not** provide financial planning or estate planning services. To the extent requested specifically by the client, the Registrant *may* provide limited consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc.

### **INVESTMENT ADVISORY SERVICES**

The client can engage the Registrant to provide discretionary or non-discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Prior to engaging the Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

To commence the investment advisory process, an investment adviser representative will first ascertain each client’s investment objectives and then recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and rebalances (on a discretionary or non-discretionary basis) and/or recommends that clients rebalance accounts as necessary based on such reviews.

### **MISCELLANEOUS**

**Limitations of Non-Investment Consulting/Implementation Services.** To the extent requested by a client, Registrant may provide limited consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. The Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of Registrant’s services should be construed as legal, accounting, or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents or tax returns. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including the Principal of Registrant in his separate licensed capacity as an insurance agent further discussed in Item 10.C below. Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives. **Please Note:** If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided.

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis **must be willing to accept** that Registrant cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) without first obtaining the client's consent.

**Please Note: Fee Differentials.** As indicated below at Item 5, our standard annual advisory fee is 1.25%. Fees are negotiable and may vary based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, the level and scope of the overall investment advisory services to be rendered, negotiations, and other factors. As a result, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions regarding Fee Differentials.

**Please Note: Cash Positions.** Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Registrant's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, William Martone, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

**Schwab.** As discussed below at Item 12, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that Charles Schwab & Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge transaction fees for effecting certain securities transactions for the client's account. The fees charged by Schwab, or any broker-dealer/custodian directed by the client, are in addition to Registrant's advisory fee referenced in Item 5 below. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity. Of

course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other designated professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Retirement Rollovers – No Obligations / Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. If Registrant provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. **No client is under any obligation to roll over retirement plan assets to an account managed by Registrant, , whether it is from an employer's plan or an existing IRA. The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**Use of Mutual Funds and Exchange Traded Funds ("ETFs").** While the Registrant may recommend allocating investment assets to mutual funds and ETFs that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publicly-available mutual funds and ETFs that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services.

**Disclosure Statement.** A copy of Registrant's written disclosure statement as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.

- E. As December 31, 2021, the Registrant had \$16,822,615 in assets under management on a non-discretionary basis and \$1,269,927 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a *fee* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant to provide investment advisory services on a *fee* basis, the Registrant's negotiable annual investment advisory fee is one and one-quarter percent (1.25%) of the market value of the assets placed under the Registrant's management.

**Please Note:** As discussed in Item 4 above, Registrant's fee is negotiable and may vary based upon various objective and subjective factors, including but not limited to: the amount of the assets placed under Registrant's direct management, the complexity of the engagement, potential additional future assets, and the level and scope of the overall investment advisory services to be rendered. Before engaging Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients on a quarterly or monthly basis, in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Schwab* serve as the broker-dealer/custodian for client investment advisory assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

When in the reasonable determination of the Registrant that it would be beneficial for the client, certain individual fixed income transactions may be executed through broker-dealers other than the account custodian. In that event, the client will generally incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "trade-away" and/or prime broker fee charged by the account custodian. **ANY**

**QUESTIONS:** Registrant's Chief Compliance Officer, William Martone, remains available to address any questions that a client or prospective client may have regarding trade-away arrangements.

- D. Registrant's annual investment advisory fee shall be prorated and paid monthly or quarterly, as agreed with the client. The fee is assessed in arrears, based upon the market value of the assets on the last business day of the previous month or quarter, as applicable. The Registrant generally does not require an annual minimum fee or asset level for investment advisory services.

If a client engages Registrant subsequent to the start of a fee period, or terminates their engagement during the middle of a fee period, the fee attributable to that period will be prorated based upon the number of days that during the fee period that asset management services were provided..

- E. **Licensed Insurance Agent.** William A. Martone is a licensed insurance agent in his individual capacity, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced above, clients can therefore engage Mr. Martone to effect insurance transactions on a commission basis.

**Conflict of Interest:** The recommendation by William A. Martone or any of Registrant's representatives that a client purchase an insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from William A. Martone. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7 Types of Clients**

The Registrant's clients shall generally include individuals, high net worth individuals, and pension and profit sharing plans. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client may have regarding its advisory fee schedule.

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

- A. The Registrant shall utilize the following methods of security analysis:
- **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)

- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equities, individual bonds, bond funds, exchange traded funds, exchange traded notes, mutual funds on a discretionary or non-discretionary basis in accordance with the client's designated investment objective(s).

**Inverse Funds.** The Registrant may utilize mutual funds and/or exchange traded funds that are designed to perform in an inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment hedging strategy. There can be no assurance that any such strategy will prove profitable or successful. In light of the enhanced risks/rewards associated with such products, a client

may direct the Registrant, in writing, not to employ any or all such strategies for their accounts.

**Closed-End Funds.** Closed-end funds generally do not continually offer their shares for sale. Rather, they sell a fixed number of shares at one time, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. The specific risk factors related to closed-end funds vary depending upon the structure of each fund. Shares of closed-end funds frequently trade at a premium or discount relative to their net asset value (“NAV”). If Registrant purchases shares of a closed-end fund at a discount to its NAV, there can be no assurance that the discount will decrease, and it is possible that the discount may increase and affect whether the client will realize a gain or loss on the investment. Many closed-end funds invest using borrowed money to seek higher returns. This triggers greater risk and could cause the share price to fluctuate accordingly, especially because the closed-end fund will also have to pay interest or dividends on its leverage, effectively reducing the return value. Many closed-end funds also choose to distribute a fixed percentage of net assets regardless of the fund’s actual interest income and capital gains. Consequently, distributions by a closed-end fund may include a return of capital, which would reduce the fund's net asset value and its earnings capacity. Closed-end funds may invest in a greater amount of illiquid securities than open-end mutual funds. Investments in illiquid securities pose risks related to uncertainty in valuations, volatile market prices, and limitations on resale that may have an adverse effect on the ability of the fund to dispose of the securities promptly or at reasonable prices. Finally, closed-end funds carry liquidity risks, which exists when particular investments are difficult to purchase and sell, possibly preventing Registrant from selling out of such illiquid securities at an advantageous price.

**Use of Margin and Securities Based Loans.** Registrant does not generally recommend the use of margin loans or securities-based loans (collectively, “SBLs”) as an investment strategy, in which the client would leverage borrowed assets as collateral for the purchase of additional securities. However, clients generally retain the ability to establish a margin account with the client’s broker-dealer/custodian or their affiliated banks (each, an “SBL Lender”) to access SBLs for financial planning and cash flow management purposes. In limited circumstances, Registrant may deem it advisable for a client to borrow money on margin to pay bills or other expenses such as financing the purchase, construction, or maintenance of a real estate project. The client is never under any obligation to establish an SBL and always retains final discretion over such practice. In no event shall Registrant engage in an SBL transaction on behalf of the client, but Registrant will remain available to assist the client through such process.

Unlike a traditional real estate-backed loan, an SBL has the potential benefit of enabling borrowers to access to funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor.

The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to those described below. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin

and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts. The following describes some of the risks associated with SBLs, which Registrant recommends that clients consider before participating in an SBL program:

1. **Increased Portfolio Risk, Including the Risk for Potential Losses in the Event of a Downturn:** Borrowing money on margin to pay bills or other expenses increases a client’s level of exposure to market risk and volatility. The more money a client borrows on margin, the greater the market risk. This is especially true in the event of a significant downturn in the value of the assets used to collateralize the SBL. In some circumstances, clients may lose more money than they originally invested and borrowed. As the marginable investments in a client’s portfolio provide the collateral for the SBL, the value of that collateral fluctuates according to market activity, while the amount the client borrows stays the same.
2. **The Potential Obligation to Post Collateral or Repay the SBL if the SBL Lender Determines that the Value of Collateralized Securities is No Longer Sufficient to Support the Value of the SBL:** The SBL requires a certain minimum value of equity to continue service of the SBL (the “Maintenance Requirement”). If the value of the client’s portfolio securities decline in value, so does the value of the collateral supporting the SBL. If the value of the SBL collateral declines to an amount where it is no longer sufficient to support the borrower’s line of credit or loan, the SBL Lender will issue a “Maintenance Call” (also referred to as a “margin call”). In that event, the client would be required to post additional collateral or repay the SBL within a specified period of time. The SBL Lender is also commonly entitled to increase its Maintenance Requirement at any time, without having to provide prior written notice to the borrower. As a result, borrowers are subject to risk of repayment of the loan and should be aware of such risks when foregoing a traditional mortgage to finance a real estate purchase.
3. **The Risk that the SBL Lender may Liquidate the Client’s Securities to Satisfy its Demand for Additional Collateral or Repayment:** The SBL Lender commonly reserves the right to render the borrower’s repayment immediately due, and/or terminate the SBL at any time without cause, at which point, the outstanding SBL balance would become immediately due and payable. However, if the borrower is unable to add additional collateral to their account or repay the loan with readily available cash, the SBL Lender can typically liquidate the borrower’s securities and keep the cash to satisfy the Maintenance Call. When liquidating the securities of the borrower’s investment portfolio, the SBL Lender usually reserves the right to decide which securities to sell to protect its interests, and is not necessarily required to provide written notice of its intentions to liquidate. Accordingly, clients who borrow money through an SBL should be aware of this risk and that such risk is not limited to the margin in the client’s account, which could result in the client having to owe additional money or collateral to the SBL Lender after the positions are liquidated. It is therefore possible that a client can lose more money than what the client originally invested into the portfolio.
4. **Liquidity Risk:** SBLs also have a significant effect on the liquidity of a client’s portfolio. Namely, a security (whether an equity, mutual fund or ETF) that is used as collateral for an SBL loses its liquidity as long as the SBL is outstanding. Decreased

liquidity increases portfolio risk and restricts a client's access to their funds, which clients should strongly consider before using an SBL.

5. **Impact on Fees:** Registrant's asset-based fees are based upon the value of assets under Registrant's management. Accordingly, if the client maintains a margin debit balance at the end of a fee period, the amount of such margin balance would be disregarded for fee calculation purposes. If the client has a cash need and Registrant recommends that a client apply for an SBL, as opposed to recommending the client sell securities that Registrant manages for an asset-based fee, such recommendation presents a conflict of interest because selling those securities (instead of leveraging those securities to access an SBL) would decrease Registrant's investment advisory fee.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Insurance Agent.** William A. Martone is a licensed insurance agent in his individual capacity, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced above, clients can therefore engage Mr. Martone to effect insurance transactions on a commission basis.

**Conflict of Interest:** The recommendation by William A. Martone or any of Registrant's representatives that a client purchase an insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from William A. Martone. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to

establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment advisory accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment advisory services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and

conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from *Schwab* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement creates.**

2. The Registrant does not receive referrals from broker-dealers.

3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment advisory services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal, William A. Martone. All investment supervisory clients are encouraged to discuss with Registrant his/her/their/its investment objectives needs and goals and to keep the Registrant informed of any changes regarding same. All clients are encouraged to meet, at least annually, with the Registrant to review investment objectives and account performance.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive a quarterly report from the Registrant summarizing account activity and performance.

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

- A. As referenced in Item 12.1 above, the Registrant may receive economic benefits from *Schwab*, including support services and/or products without cost or at a discount. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest any such arrangement creates.**

If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Registrant also participates in a referral program sponsored by Paladin Registry, wherein Registrant pays a flat monthly fees for qualified prospective client information. To the extent that a qualified lead becomes a client, they will not pay any additional fee to the Registrant in relation to this program. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure, along with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Registrant and the solicitor, including the compensation to be received by the solicitor from Registrant.

#### **Item 15 Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive a quarterly report from the Registrant summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with recent account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

**The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

**Item 16 Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, in writing, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

**Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$500, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

**Item 19 Requirements for State-Registered Advisors**

- A. William A. Martone is the Registrant's principal executive officer and management person. For more information about Mr. Martone, please see Registrant's ADV Part 2B, Brochure Supplement.

- B. The Registrant is not actively engaged in any other business, other than as set forth herein.
- C. Neither the Registrant nor its representatives accept performance-based fees.
- D. Neither the Registrant nor its representatives have been the subject of any disciplinary actions.
- E. Neither the Registrant nor its representatives have any relationship or arrangement with any issuer of securities.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**

## Item 1 Cover Page

A.

### **William A. Martone**

Martone Capital Management, Inc.

ADV Part 2B, Brochure Supplement  
Dated: March 5, 2022

Contact: William A. Martone, Chief Compliance Officer  
7 Skyline Drive, Suite 350  
Hawthorne, N.Y. 10532  
[www.martonecapital.com](http://www.martonecapital.com)

B.

**This brochure supplement provides information about William A. Martone that supplements the Martone Capital Management, Inc. brochure; you should have received a copy of that brochure. Please contact William A. Martone, Chief Compliance Officer if you did *not* receive Martone Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about William A. Martone is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 Education Background and Business Experience

William A. Martone was born in 1949. Mr. Martone graduated from Pace University in 1971, with a degree in Business Administration. He has served as President of Martone Capital Management, Inc. since April 1995. He has also been employed by the Pohs Institute, as an Instructor of Life and Health Insurance Licensing since March 2000. Mr. Martone was employed by A.G. Edwards & Sons, Inc., as a registered representative from March 2002 through May 2006.

Mr. Martone has held the designation of Chartered Financial Consultant (ChFC<sup>®</sup>) since October 1983. The ChFC<sup>®</sup> designation has been a mark of excellence for almost thirty years and currently requires nine college-level courses, the most of any financial planning credential. Average study time to earn the ChFC<sup>®</sup> exceeds 450 hours. Required courses cover extensive education and application training in financial planning, income taxation, investments, and estate and retirement planning. Additional electives are chosen from such topics as macroeconomics, financial decisions

for retirement, and executive compensation. ChFC<sup>®</sup> designees must meet experience requirements and adhere to continuing education and ethical standards. The credential is awarded by The American College, a non-profit educator founded in 1927 and the highest level of academic accreditation.

Mr. Martone became a Chartered Life Underwriter (CLU<sup>®</sup>) in October of 1978. Since 1927, the CLU<sup>®</sup> has been the respected risk management credential for advisors. Designees have completed eight or more college-level courses representing an average study time of 400 hours. Topics for required courses include insurance and financial planning, life insurance law, estate planning, and planning for business owners and professionals. Elective courses include such advanced topics as income taxes, group benefits, retirement planning, and health insurance. CLU<sup>®</sup> designees must meet experience and continuing education requirements and must adhere to a high ethical standard. The mark is awarded by The American College, a non-profit educator with the top level of academic accreditation.

### **Item 3 Disciplinary Information**

None.

### **Item 4 Other Business Activities**

- A. The supervised person is not actively engaged in any other investment-related businesses or occupations.
- B. **Licensed Insurance Agent.** Mr. Martone is a licensed insurance agent in his individual capacity, and may recommend the purchase of certain insurance-related products on a commission basis. Clients can therefore engage Mr. Martone to effect insurance transactions on a commission basis.

**Conflict of Interest:** The recommendation by Mr. Martone that a client purchase an insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from Mr. Martone. Clients are reminded that they may purchase insurance products recommended by the Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, William A. Martone, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

### **Item 5 Additional Compensation**

None.

## **Item 6 Supervision**

The Registrant provides investment advisory and supervisory services in accordance with current state regulatory requirements. The Registrant's Chief Compliance Officer, William A. Martone, is primarily responsible for overseeing the activities of the Registrant's supervised persons. Mr. Martone also monitors accounts and conducts account reviews on at least an annual basis. Should a client have any questions regarding the Registrant's supervision or compliance practices, please contact Mr. Martone at (914) 318-9440.

## **Item 7 State-Registered Investment Advisors**

- A. Mr. Martone has never been involved in an arbitration proceeding or a civil, self-regulatory, or administrative proceeding.