

Introduction

Valdés & Moreno, Inc. is registered as a broker-dealer with the SEC and MSRB and a member of FINRA and SIPC. First, know that brokerage and investment advisory services and fees differ and that it is important for the retail investor to understand the differences. Please understand that our firm provides brokerage services and not investment advisory services. An important distinction is that we charge a commission or markup 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, which also provides educational materials about broker-dealers, investment advisors, and investing.

What investment services and advice can you provide me?

Our firm offers brokerage services and primarily deals in individual stocks and fixed-income securities, not mutual funds, or ETFs. Our specialty is 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.

Given my financial situation, should I choose a brokerage service? Why or why not?

You should choose a brokerage model over an investment advisory model of doing business if you are concerned about investment fees and expenses. 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 or investment management fee, whatsoever. Bluntly speaking, if you want or prefer something different in your investment and/or brokerage services that causes you to pay more fees, we are not a good fit for you. We pride ourselves as a low-cost provider.

How will you choose investments to recommend to me?

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, including your licenses, education and other qualifications? What do these qualifications mean?

The person you will talk to at our firm has either 49, 18, or 16 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. This means that you will be taken of by a highly knowledgeable and capable industry specialist.

What fees will I 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 one 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, which 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, we will mark them up typically 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 our customers. Our interests are aligned and our reputation is at stake. A commission or markup is charged on each and every trade. Therefore, the more trades in your account, the more profitable your account is to the firm. 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 appreciably erode your investment return over time. **You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.**

Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

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 plus you pay a \$5.00 handling charge.

What are your legal obligations to me when providing recommendations? How else does your firm make money and what conflicts of interest do you have?

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. As noted above, we do charge a commission on stock trades. We suppose that could incentivize us to overtrade your account, but that would not be in your best interests. It should be noted it is possible that conflicts, unknown at this time, could develop in the normal course of our business that would necessitate this Form CRS be updated.

When we provide you with a recommendation, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations we provide you. Here are some examples to help you understand what this means.

Please see discussion above or ask us for a deeper dive if you don't fully understand the concept of principal trading. As to other common brokerage incentives, the firm does not sell any proprietary products, receive any third-party payments, or have any revenue sharing arrangements.

How might your conflicts of interest affect me, and how will you address them.

The amount of markup we put in a trade absolutely affects your rate of return. The higher the markup, the lower the rate of return. Markups are set and reviewed by senior management. Ask us and we will tell you our rationale behind each trade.

How do your financial professionals make money?

The financial 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 any special order-handling rules. On stock trades, there could be the temptation to churn your account, but that would not be in your best interests.

Do you or you or your financial professionals have legal or disciplinary history? YES

The firm and its founder/owner, Marco Listrom, have taken regulatory bullets not for wronging our customers, but for our customers. Each infraction speaks to who we are and about our culture. **Please go to brokercheck.com** for a free report. **Also**, free and simple tools are available to research firms and financial professionals at Investor.gov/CRS. Mr. Listrom will gladly speak to you about any concerns you may have.

As a financial professional, do you have any disciplinary history? For what type of conduct?

Asked and answered as immediately above. The type of conduct was for protecting the firm's customers in certain situations. Please ask how.

Who is my primary contact person? Is he or she a representative of an investment advisor or a broker-dealer?

Who can I talk to if I have concerns about how this person is treating me?

Your primary contact person at the firm is the person assigned. He/she is a registered representative of a broker-dealer. If you have concerns about how this person is treating you, please contact Marco Listrom at 816-221-6700.

Additional Information

Likewise, if you would like up-to-date information about the firm or a copy of this **Customer Relationship**

Summary please contact Marco Listrom at 816-221-6700.

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