

# Form ADV Part 2

Salt Mines Advisors

# Item 1: Cover Page

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**January 22, 2022**

**This brochure provides information about the qualifications and business practices of Salt Mines Advisors. If you have any questions about the contents of this brochure, please contact us at +1 772.429.1401 or [info@saltminesadvisors.com](mailto:info@saltminesadvisors.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 does not imply a certain level of skill or training.**

## Item 2: Material Changes

This is the first version of the Firm Brochure and there are no material changes to disclose.

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# Item 4: Advisory Business

## **A. Description of Firm**

Salt Mines Advisors (“SMA” or “The Firm”) was established in July, 2021. The firm specializes in providing investment advice to start-up founders, early-stage business owners, start-up employees, investors seeking exposure to early-stage start-up investments and investments in the private market and traditional portfolio management services. SMA assists these stakeholders in selecting early-stage investments and venture capital investments, consultation on stock option compensation for employees, business planning, cash flow management, and investing for business owners, stock issuance and placement for funding-seeking start-up companies. Some of the investment instruments SMA advises its clientele on include, among other thing, private stock issuances, publicly traded investments, limited partnership interests, and stock options.

The firm was founded by and is 100% owned by Terence Channon. Mr. Channon is the firm’s only employee currently. Mr. Channon has experience as a public company CEO (Atlantic Synergy, 2000-2004); start-up employees and executive leader of a venture-backed start-up that achieved multiple rounds of capital raising and an exit (Bridgevine, 2004-2014); founder of a start-up studio (SaltMines Group, 2014-2017); and small business owner (NewLead, LLC, 2017-present). Mr. Channon holds a B.A. degree from Stetson University and a M.B.A. degree from the University of Maryland. Mr. Channon holds a FINRA Series 65 license, the NACD Certified Director credential, and the SHRM-CP credential.

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

### **1. Private Investment Consulting**

SMA assists appropriate investments with the identification, selection, and investment in private investments, including, but not limited to, angel investments in start-ups, angel investment funds, and venture capital funds. SMA works with its clients to determine suitability of these types of investments, evaluation of potential funds (including management & carried interest fees), and reporting requirements. Typical engagements are billed to the client on fee-for-service or assets under management basis, depending on the suitability for the client. The objective is to help investors understand the investment theses of the funds, the fee structure, and determine of investments of this nature are suitable for the client’s overall financial goals.

### **2. Investment Management**

SMA offers clients investment management services focusing on instruments, including common stocks, debt, preferred stocks, alternative investments, and derivatives. Generally, fees are assessed on an asset under management basis. Client input on types of investment, risk tolerance, financial goals, values, and other factors are explored as part of the service and securities are recommended by SMA for client consideration and execution.

### 3. Business Consulting

SMA offers business consulting services to business owners as part of an overall personal financial plan. SMA assists prospective business owners with pre-launch planning and advisory, including business registration requirements, business structure, capital requirements, and other general business planning. For existing businesses, SMA assists business owners with financing strategies, cash flow management, succession planning, exit planning and other business issues related to the business owner's personal financial situation. The purpose of this service is to help business owners understand the nuances, risks, and requirements of operating a business as a part of a personal financial planning strategy. Fees are assessed on an agreed upon per hour, retainer, or per project basis depending on the client's situation and needs.

### 4. Stock Options Compensation Consulting

SMA consults with early-stage employees of start-ups on accepting stock options as part of an overall compensation package from an employer. SMA assists the employee with negotiation, understanding the capital structure of the issuer as a determinant in receiving compensation, exercise of stock options, and general financial planning as it relates to accepting some or all of compensation in the form of issuer securities. The purpose of this service is to help clients understand the implications of accepting stock options, potential tax consequences and other relevant items relating to a personal financial plan. Fees are assessed on an agreed upon per hour, retainer, or per project basis depending on the client's situation and needs.

### 5. Stock Issuance Consulting

SMA consults with business owners and founders, particularly enterprises seeking outside capital, on stock issuance items, including, but not limited to appropriate issuance amounts, stock options issuance, capitalization planning, and fundraising options and support. The purpose of this service is to help our clients understand the personal financial implications of reducing ownership stakes through outside financing, understand the implications for various scenarios, and other issues faced by these clients. Fees are assessed on an agreed upon per hour, retainer, or per project basis depending on the client's situation and needs.

### 6. Other Consulting Services

Other Consulting Services include financial advice and/or analysis of a specific client objective or situation, as defined and agreed on by the client and SMA in advance.

## C. Tailoring Services to Clients

SMA tailors its service on a client-by-client basis. SMA works with clients to understand business needs, financial objectives, risk tolerance, long-term personal and business financial goals and other relevant items. SMA engages in detailed exploration of its clients to understand client values, financial situation, risk tolerance, and objectives. All items are inventoried and considered when making investment and business recommendations to the client and are documented as part of the client file.

**D. Wrap-Fee Program**

SMA does not provide portfolio management services to any wrap fee programs, as that term is defined the instructions to Form ADV Part 2

**E. Assets Under Management**

As of January 22, 2022, SMA has \$0 of assets under management.

# Item 5: Fees & Compensation

## **A. Advisory Fees**

SMA clients will enter into an agreement to access Firm services at agreed upon fees and compensation. The agreement will be provided to the client in writing and must be successfully reviewed and executed by the client prior to SMA formally engaging the client and assessing fees. The client's fee schedule will be clearly defined in the statement of work and client services agreement. Published fees may be negotiable and adjusted by SMA if adjustment of the fees is deemed suitable for the client situation.

Fee types include:

1. **Retainer**

Clients pay a retainer (monthly or quarterly) in an amount agreed to in advance of the service period and documented in the client services agreement. Anticipated retainer fees may range from \$250-\$3,000 per month based on client needs and services to be rendered. Deviation from this range may be possible.

2. **Hourly Rate**

Hourly fees are charges at a rate of \$250 per hour. Hourly fees are typically billed in arrears at the conclusion of an agreed upon time-period. An advance deposit may be required and deviation from this range may be possible.

3. **Per Project**

Clients pay an agreed upon fee for services to be provided as outlined in the statement of work section of the client services agreement. Fees are paid at the conclusion of the engagement. Anticipated project fees may range from \$500-\$5,000 based on client needs and services to be rendered. Deviation from this range may be possible.

4. **Assets Under Management**

Clients pay a monthly or quarterly annualized fee based on assets under management (AUM) based on the fair market value of investments. The fee is assessed at the rate of 1%.

## **B. Billing Method**

Depending on the client services agreement with the client, fees may be debited from a client account, paid by check, credit card, or other means as agreed to between SMA and the client. Clients receive invoices for services rendered and any automatic billing or debit is agreed upon in advance by the client.

## **C. Other Fees**



Clients may be subject to additional fees imposed by 3<sup>rd</sup> parties. These fees may include account administration fees, taxes, fund carry fees and other transaction costs. SMA will make every reasonable effort to inform and disclose these fees to clients in advance of executing an agreement or a transaction. SMA will also assist client in evaluating the fairness and appropriateness of such fees assessed by 3<sup>rd</sup> parties. Fees will commonly be billed directly by 3<sup>rd</sup> parties to the client but may also be passed through to SMA depending on the terms of the agreement with the client.

#### **D. Termination of Services**

Clients who pay fees in advance will receive a refund for unearned fees upon termination. Either the client or SMA may terminate the Firm's services without penalty at any time.

#### **E. Compensation For Sale or Securities**

SMA may accept compensation for the sale of securities or other investment products. These fees may include placement or scout fees from private investment funds. Any fees of this nature will be disclosed to the client in advance and require approval from the client. As of July 26, 2021, SMA does not have any active agreements with other parties to receive compensation or any active plans to pursue compensation from these channels. Any changes to these statements will be promptly filed as an amendment to this registration statement and become effective before engaging in these activities.

## Item 6: Performance-Based Fees & Side-By-Side Management

SMA does not charge performance-based fees based on appreciation of the funds of an advisory client. SMA does not engage in side-by-side management of accounts that are charged a performance-based fee. SMA may recommend or facilitate client investment into securities or partnerships that contain a performance-based element. All fees, disclosures, and potential conflicts of interest will be disclosed to the client prior to SMA issuing the recommendation.

## Item 7: Types of Clients

SMA primarily to individual investors, business owners, trusts, families, business partnerships and other business entities.

SMA does not require minimum thresholds for assets for establishing or maintaining accounts or engaging SMA for services. Minimum income, network, or sophistication thresholds (e.g., 'accredited investors' or 'qualified investors') may need to be established and maintained for clients to participate in certain investments deemed suitable only for investors that meet such thresholds.

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

## **A. Methods of Analysis**

In formulating investment advice, SMA evaluates many items. These include macroeconomic conditions, such as interest rates and the money supply, which help to anticipate the future performance of the economy. SMA also studies items relevant to investing in start-ups, including trends in capital deployed in start-up companies, exit rates, fee structures of funds that contribute to overall potential for return to the investor, net of fees, and start-up frameworks (e.g., the Lean Start-Up Methodology). Political factors are also considered. Clients should be aware that investing in securities, particularly securities of privately held companies and partnership interests involves high risk of partial or total loss.

## **B. Investment Strategies**

The primary investment strategy used to implement any investment advice given is mitigation of risk. The purpose is to put the client in the best possible chance to earn required rates of return per the client's financial objectives while minimizing risk. Various factors, including the client's desired rate of return, aversion to risk, time horizon, tax situation and other items are considered when deploying investment advice.

## **C. Risk of Loss**

Investing in securities, particularly private securities where information is less readily available compared to publicly traded domestic and foreign securities, involves significant risk of loss. A client should be prepared to experience a total loss of his or her investment and such disclosures are made to the client prior to implementing any given investment advice. Some risks include.

### *Interest-Rate Risk*

Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. Fluctuation rates can also impact the source of capital available, particularly for private investments, and result in financial difficulties for these organizations that are unable to access capital at acceptable terms.

### *Market Risk*

The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.

*Inflation Risk*

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

*Currency Risk*

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Political and Legislative Risks*

Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States.

*Reinvestment Risk*

This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate).

*Business Risk*

These risks are associated with a particular industry or a particular company within an industry. Early-stage start-up enterprises are especially susceptible to business risk.

*Liquidity Risk*

Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

*Financial Risk*

Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

*Transaction Fee Risk*

Certain investments, such as private investment funds, may assess additional fees, such as AUM fees or carried interest fees. These fees may increase the risk of clients being able to generate satisfactory returns and some fees may be assessed by funds or entities upfront and reduce the potential for returns. Best efforts will be made to anticipate & inform clients of these fees in advance of executing a transaction.

*Supplemental Fee Risk*

Some transactions may require the client to engage services from third parties, such as accountants or attorneys, to execute. The additional expenditure to execute or participate in certain transactions may require clients to expend additional capital and increase the risk of the overall investment and increase the total capital cost to the client. Best efforts will be made to anticipate & inform clients of these fees in advance of executing a transaction.

Additional risks may also apply to specific situations and programs offered by SMA. Some of these program specific risks are described as follows:

**Private Investment Consulting** - Private companies and funds are not subject to various disclosure and reporting requirements of publicly traded companies. Information about the performance of the investment, the underlying enterprise, or the enterprise's financial situation may be difficult to obtain. And there are no requirements for companies to provide information above what is required by appropriate laws. SMA can make requests for such information, but there can be no assurances such information is required to be delivered.

**Business Consulting** – Financial planning for small business owners comes with great uncertainty. Advice rendered may not yield desired business or professional results. A failure to execute the advice as planned may have adverse impacts on the business. SMA aims to reduce this risk through application of established business and financial planning frameworks, industry knowledge, and accountability. However, any advice given can not be guaranteed to have desired impacts or a positive impact and may be subject to negative returns.

**Stock Options Compensation Consulting** – Stock options, particularly of private companies, are subject to dilution risk. A stock option award may be devalued by additional stock issuances and without the knowledge of the stock option holder. The valuation of the underlying business may also be subject to swings in its valuation and without notice and cause material impairment to the stock options. Many stock options in private companies represent derivatives in illiquid or untradeable securities and execution of options may incur significant capital investments, federal and state income taxation and transaction fees – and may not become liquid for long periods of time and may never become liquid and represent a total loss.

**Stock Issuance Consulting** – Issuing shares of a company come with significant risk to the founding and established shareholders. These risks include potentially relinquishing control of the organization to other investors which can dictate decisions about the company, including employment status, compensation to officers and strategic direction – all which can be detrimental to clients' financial performance and stability. Issuing of shares is generally irrevocable and issuances or awards of stock may be issued to parties for below market value or no ultimate value may be received or generated for issuance of such securities.

**Sole Member LLC Risk** – As indicated in this Brochure and as of the date of this filing, SMA is organized as a single member LLC with a signal designated representative, Mr. Terence Channon. While Mr. Channon is subject to full regulatory oversight per appropriate laws and regulations. Mr. Channon functions as his own supervisor and is the sole member of the firm's executive team and board of directors.

## Item 9: Disciplinary Information

Salt Mines Advisors, LLC has not been subject to any criminal or civil investigations, charges, or actions.

Our firm's owner, Terence Channon, has not been convicted of any felony or investment-related misdemeanors. Mr. Channon is not the named subject of any pending criminal proceeding, has not been found to have been involved in an investment-related statute or regulation, and has not been the subject of any restrictive order related to investment management.

Neither Mr. Channon or Salt Mines Advisors has been subject to any administrative proceeding issued by the SEC, a self-regulatory organization, or state securities offices.

## Item 10: Other Financial Industry Activities & Affiliations

Neither SMA, nor any member of its management is registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor. The Firm does not have any affiliation with any related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships. SMA does not receive compensation directly or indirectly from other advisers that creates a material conflict of interest, nor does it have other business relationships with advisers that would create a material conflict of interest.



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

## **A. Code of Ethics Summary**

SMA has adopted a code of ethics for the purpose of guiding the Firm's and its personnel's action related to making investment advice, proposing placement of funds, recommending 3<sup>rd</sup> party service providers and vendors, and other relevant business issues. The Firm owes a duty of loyalty, fairness and good faith towards its clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code of Ethics covers a range of topics that may include: general ethical principles, receipt and giving of gifts, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV and supervisory procedures. We will provide a copy of the Code of Ethics to any client or prospective client upon request.

## **B. Participation or Interest in Client Transactions and Personal Trading**

It is SMA's policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to an advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Based upon a client's stated objectives, SMA may, under certain circumstances, recommend the purchase or sale of securities in which the Firm or its affiliates have an interest. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client and are explicitly disclosed to and acknowledged by the client in advance of execution of any investment advice. Additionally, as part of SMA'S fiduciary duty to clients, the Firm and its associated persons will endeavor at all times to put the interests of the clients first, and at all times are required to adhere to the Firm's Code of Ethics.

SMA and its team members may have positions in securities that we also recommend to clients. SMA's recommendations to clients may differ from client to client, based on each client's unique circumstances. The Firm may also recommend purchase of a security for one client while recommending the sale of that security for another. However, as a fiduciary SMA aims to act for the benefit of clients and place clients' interests before its own. Client transactions have priority over transactions in securities and other investments of which our principals and staff may own.

# Item 12: Brokerage Practices

## **A. Selection Criteria**

In situations where SMA may need to recommend a broker-dealer or transaction agent to facilitate the implementation of investment advice provided by SMA, SMA considers many factors including the financial conditions, availability of reporting, disclosure of prior transactions, industry reputation and knowledge.

## **B. Research & Other Soft Dollar Benefits**

SMA does not have any arrangements to receive soft dollar benefits in connection with client securities transactions.

## **C. Brokerage for Client Referrals**

SMA does not have any arrangements to receive client referrals from any broker-dealer or third party.

## **D. Directed Brokerage**

SMA does not require clients to execute transactions through a specified broker-dealer.

## **E. Aggregation of Orders**

In the event multiple clients wish to invest in the same security during the same investment opportunity window, SMA will leverage this aggregate opportunity to aim to receive more favorable pricing and treatment of the purchases that will likely result in an economic benefit to the client. SMA will not get preference to particular customers in the event an aggregate price or transaction cannot be achieved, but will instead recommend an impartial allocation to each client based on best available price as a whole.

# Item 13: Review of Accounts

## **A. Review of Accounts**

SMA reviews all relevant client accounts, financial plans and related items at least on a monthly basis and on an as-needed basis per client special requests. SMA may also conduct ad hoc reviews at various time intervals outside scheduled review times as part of internal controls or response to external events that may have a material impact on the client's situation. Reviews are conducted by Terence Channon.

## **B. Review Triggers**

Specialized triggers for review may include client deposits or withdrawals, or requests for such, changes in SMA's offering, changes in the client's situation, or material situations related to the client's financial plan and performance.

## **C. Regular Reports**

SMA provides quarterly reports including holdings, performance, and relevance to client objectives. Reports are provided digitally through a client portal.

## Item 14: Client Referrals & Other Compensation

Generally, SMA does not pay referral fees to independent persons or other solicitors to introduce clients to SMA. If this policy were to change, an amendment to the registration statement would promptly be filed and deemed effective prior to engaging in any referral fee arrangements.

## Item 15: Custody

Pursuant to Rule 206(4)-2 of the Advisers Act, because the Firm may have the authority and ability to debit its fees directly from clients' accounts, SMA is deemed to have "constructive custody" of accounts in which advisory fees are deducted. In some cases, SMA may also be deemed to have constructive custody over accounts in which a "Standing Letter of Authorization" (SLOA) to direct funds to a third party has been added to the account. Our policy is to not have custody of client assets beyond the "constructive custody" arising from debiting fees or accepting a third-party SLOA that meets all the conditions in SEC No-Action Letter 2/21/17. To mitigate any potential conflicts of interests, all client assets will be maintained with an independent qualified custodian. Furthermore, clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the quarterly statements provided SMA.

# Item 16: Investment Discretion

## **Discretionary Authority Limitations**

In situations where it is in client's best interest and the relationship is documented in this manner, some services offered by SMA are done on a discretionary basis. In exercising its discretionary authority, sma has the ability to determine the type and amount of securities to be transacted and whether a client's purchase or sale should be combined with those of other clients and traded as a "block." Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon, as outlined in the client's Investment Policy Statement.

## **Limited Power of Attorney**

Per the Client Services Agreement where SMA will have discretionary authority, clients authorize SMA to exercise discretionary authority with respect to all transactions involving the client's account. Pursuant to such agreement, SMA is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account. This limited power of attorney authorizes the Firm to give instructions to third parties for servicing client's account.

## Item 17: Voting Client Securities

SMA's policy and practice is to not vote proxies on behalf of its clients and therefore, the Firm shall have no obligation to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's SMA's account, unless the client has provided written consent for SMA to serve as the proxy.

## Item 18: Financial Information

SMA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. SMA does not have any financial commitments that may impair its ability to meet contractual and/or fiduciary obligations to clients. The Firm has not been the subject of a bankruptcy proceeding.



# Item 19: Requirements for State-Registered Advisers

## **A. Principal Executive Officers**

The firm was founded by and is 100% owned by Terence Channon. Mr. Channon is the firm's only employee currently. Mr. Channon has experience as a public company CEO (Atlantic Synergy, 2000-2004); start-up employees and executive leader of a venture-backed start-up that achieved multiple rounds of capital raising and an exit (Bridgevine, 2004-2014); founder of a start-up studio (SaltMines Group, 2014-2017); and small business owner (NewLead, LLC, 2017-present). Mr. Channon holds a B.A. degree from Stetson University and a M.B.A. degree from the University of Maryland. Mr. Channon holds a FINRA Series 65 license, the NACD Certified Director credential, and the SHRM-CP credential.

## **B. Other Business Activities**

SMA is engaged only in the business of giving investment and business advice. Mr. Channon is also a principal of NewLead, LLC, a technology services firm that operates independently of SMA and where Mr. Channon spends about 30% of his time

## **C. Performance-Based Fees**

In the event SMA is involved in any arrangement with a client involving performance-based fees, those fees will be negotiated on a case-by-case basis and approved in writing by the client prior to commencing the engagement.

## **D. Involvement in Events**

Neither SMA nor Mr. Channon is or has been involved in any events where SMA or Mr. Channon were found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following: (a) an investment or an investment-related business or activity; (b) fraud, false statement(s), or omissions; (c) theft, embezzlement, or other wrongful taking of property; (d) bribery, forgery, counterfeiting, or extortion; or (e) dishonest, unfair, or unethical practices. 2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following: (a) an investment or an investment-related business or activity; (b) fraud, false statement(s), or omissions; (c) theft, embezzlement, or other wrongful taking of property; (d) bribery, forgery, counterfeiting, or extortion; or (e) dishonest, unfair, or unethical practices

## **Relationships to Issuers of Securities**

SMA or Mr. Channon do not have any active relationships with issuers of securities that are material to the Firm Brochure disclosures.