

# McHam Taylor & Co., Inc.

## Investment Adviser Brochure

December 16, 2010

781 East Main Street  
Spartanburg, S.C. 29302

864-582-7000  
800-582-1379 (Toll Free)  
864-582-5135 (Fax)

### Material Changes

Because this is the initial brochure of McHam Taylor & Co., no material changes from the last brochure exist.

**This brochure provides information about the qualifications and business practices of McHam Taylor & Co., Inc. If you have any questions about the contents of this brochure, please contact us at 864-582-7000. 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 McHam Taylor & Co., Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Table of Contents

<b><u>Description</u></b>	<b><u>Page</u></b>
Introduction	1
Advisory Business	1
Fees and Compensation	3
Performance-Based Fees and Side-by-Side Management	6
Types of Clients	6
Methods of Analysis, Investment Strategies, and Risk of Loss	6
Disciplinary Information	9
Other Financial Industry Activities and Affiliations	9
Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading	9
Brokerage Practices	10
Review of Accounts	13
Client Referrals and Other Compensation	13
Custody	13
Investment Discretion	14
Voting Client Securities	14
Financial Information	14

## **Introduction**

This is the initial brochure of McHam Taylor & Co., Inc. (the “Firm”). The Firm has recently submitted its initial application to the United States Securities and Exchange Commission (“SEC”) to be an investment adviser. Accordingly, this brochure is prepared based on the investment advisory services that the Firm proposes to provide and the policies and procedures that it proposes to adopt. The owner and investment adviser representatives of the Firm however are not new to the financial services industry. Gary S. McHam and David C. Taylor have significant experience in the financial services industry, including experience serving investment advisory clients.

## **Advisory Business**

The Firm provides financial and investment advisory services to families, individuals, businesses, trusts, endowments and foundations, and corporate retirement plans including, but not limited to, accounts subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) and Section 4975 of the Internal Revenue Code of 1986, as amended (together “Retirement Accounts”).

The Firm submitted its application to the SEC on or about December 16, 2010. Gary S. McHam is the principal owner and Chairman of the Firm. David C. Taylor is the President of the Firm. Through approximately March 31, 2011, Mr. McHam and Mr. Taylor will serve investment advisory clients as agents for another investment advisory firm. On or about April 1, 2011, Mr. McHam and Mr. Taylor will terminate that relationship and begin to serve investment advisory clients as investment adviser representatives of the Firm.

## **Types of Advisory Services**

The Firm provides services such as asset management, advisory services to retirement plans, and financial planning. In most cases, the Firm performs financial planning as part of asset management; however, the Firm may perform separate financial planning services, if requested by a client or potential client.

Other than advisory services provided to Retirement Accounts, the Firm offers two programs for the investment and management of a client’s assets: an Independent Clearing Account Program (the “ICA Program”) and a Wrap Program. Each program consists of multiple accounts or types of securities in which clients may invest assets, so each program allows clients the opportunity to diversify their securities holdings.

First, the Firm manages accounts in the ICA Program. The ICA Program includes accounts that are usually managed by the Firm on a non-discretionary basis using appropriate investment strategies and policies. In a non-discretionary account, the Firm must get the client's consent before buying or selling securities in the client's account. In the ICA Program, the Firm's investment adviser representatives may recommend that a client's assets be invested in individual equity and/or fixed income securities, mutual funds, exchange traded funds ("ETFs"), alternative investments, real estate investment trusts ("REITs"), closed-end funds, and options. In addition to these types of individual securities, the Firm may construct and manage a fixed-income portfolio for a client. A fixed-income portfolio may include any combination of individual bonds of municipal, other governmental, and corporate entities and mutual funds and ETFs that invest in fixed-income securities. The Firm generally recommends the following types of investments in an ICA Program account: stocks, bonds, mutual funds, or ETFs. The Firm seldom recommends alternative investments but may do so if a client requests such an investment and/or the Firm believes that an alternative investment recommendation is in the best interests of that client.

Second, the Firm offers a Wrap Program. In this Wrap Program, a client receives a wide range of services, including portfolio management, brokerage execution, clearing, custodial, and other administrative services, for a single fee. In a wrap account, clients may allocate their assets among a diversified range of managed portfolios, including portfolios of equities, fixed-income securities, options, and more conservative short-term fixed-income securities. Third-party managers, who are not related to the Firm, manage these portfolios.

The majority of the Firm's clients participate in the ICA Program or the Wrap Program; however, the Firm also provides advisory services to corporate retirement plans. In serving these Retirement Accounts, the Firm advises on the fund selection and monitoring of the investment choices available through each retirement plan and assists members of each retirement plan with basic retirement planning education.

#### Tailoring Advisory Services to the Individual Needs of Clients

The Firm tailors its advisory services, including its recommendations regarding securities, to the individual needs of its clients. In initial and ongoing consultations with each client, one of the Firm's investment adviser representatives inquires about and gathers information about each client concerning the client's financial situation, objectives, and other relevant considerations. The Firm's investment adviser representative then matches each client's needs, risk aversion, and long-term goals with his recommendations regarding securities. In this manner, the Firm seeks to make recommendations regarding securities that are suitable to each client. Clients may impose restrictions on investing in certain securities or types of securities.

## Managing Client Assets

As previously stated, the Firm will begin to manage clients' assets on or about April 1, 2011. At the time this brochure was prepared, the Firm did not manage any client assets. However, the Firm expects to manage assets in excess of \$80,000,000 on or shortly after April 1, 2011. The Firm expects that the majority of these assets will be managed on a non-discretionary basis. The Firm may manage assets on a discretionary basis if the need arises.

## **Fees and Compensation**

### Compensation for Investment Advisory Services

The Firm receives investment advisory fees for managing clients' assets in the ICA Program and the Wrap Program and for advising corporate retirement plans. These advisory fees are based on a percentage of assets under management, but in some cases these advisory fees may be based on a fixed fee. If a client asks the Firm to perform financial planning services that are separate from asset management, those advisory fees for financial planning would be based on a fixed fee.

In the ICA Program, the Firm receives an investment advisory fee based on a percentage of the value of assets managed. The maximum asset-based fee in the ICA Program is 1.25% of assets managed. The Firm's fee is negotiable, and the Firm may agree to receive a fixed fee for its service instead of a fee based on a percentage of assets managed. The actual fee charged to a particular client is disclosed in the investment advisory contract entered into between the Firm and each client.

In the Wrap Program, the client pays a single fee that covers asset management, trade execution, custodial fees, and other administrative fees. These services are provided by the Firm, one or more broker-dealers, and a portfolio manager. The Firm receives a portion of the single fee paid by the client as its investment advisory fee. The wrap fee is based on the type of securities in the account(s) and the amount of assets in the account(s). The fee schedule is as follows:

In the Wrap Program, the client pays the following maximum annual fees on assets invested in equity, balanced, and convertible portfolios:

#### Accounts less than \$500,000

First \$200,000 is billed at 3.0%  
Next \$300,000 is billed at 2.5%

#### Accounts equal to or greater than \$500,000

First \$500,000 is billed at 2.5%  
Next \$500,000 is billed at 2.0%  
Next \$1,000,000 is billed at 1.60%

Next \$3,000,000 is billed at 1.40%  
Next \$5,000,000 is billed at 1.30%  
Greater than \$10,000,000 is negotiable

The client pays the following maximum annual fees on assets invested in fixed income portfolios:

First \$500,000 is billed at 1.25%  
Next \$500,000 is billed at 0.90%  
Next \$1,000,000 is billed at 0.80%  
Next \$8,000,000 is billed at 0.65%  
Greater than \$10,000,000 is negotiable

The Firm charges wrap accounts a minimum quarterly fee of \$375.

The portion of the single wrap fee that compensates the Firm is negotiable.

Existing clients of Mr. McHam and Mr. Taylor through their current affiliation with Raymond James related companies will have the opportunity to hire Mr. McHam and Mr. Taylor to provide investment advisory services through their new association with the Firm. Existing clients, who currently pay commissions based on trades, but not investment advisory fees, may incur additional fees if they hire Mr. McHam or Mr. Taylor through their new Firm because these clients will begin to pay one of the above-mentioned advisory fees. This increase in fees is particularly applicable to an existing client who does not make frequent trades in his account(s), because his current trading costs may be low.

The Firm also receives advisory fees for the advisory services that it provides to corporate retirement plans. The Firm receives an advisory fee of up to 1% of plan assets from the employer or sponsor of the retirement plan.

#### How Clients Pay Investment Advisory Fees

In the ICA Program, clients are billed quarterly for the investment advisory fee. This investment advisory fee is deducted directly from each client's account.

In the Wrap Program, clients are billed quarterly for the wrap fee. This wrap fee is deducted directly from each client's account. The Firm's investment advisory fee is included in this wrap fee.

Regarding corporate retirement plans, clients are billed monthly or quarterly. The Firm directly deducts its fee from plan assets or sends an invoice to the client to pay the fee depending on the sponsor or the retirement plan.

#### Other Types of Fees and Expenses Clients May Pay

One of the primary differences between accounts in the ICA program and accounts in the Wrap Program is the manner in which clients pay fees and expenses in addition to the Firm's investment advisory fee.

In the ICA Program, in addition to the investment advisory fee, clients will incur brokerage and other transaction costs and certain expenses. The additional costs and expenses are imposed by companies other than the Firm and may include, but may not be limited to, mutual fund and ETF management fees and expenses, brokerage fees paid to clear transactions, mark-ups/mark-downs on fixed income trades, and annual fees paid for custodial services. On account statements, clients will see separate entries for many of the individual fees.

In the Wrap Program, clients pay a single fee for a wide range of services, including portfolio management, brokerage execution, clearing, custodial, and other administrative services. On account statements, clients will see one entry for the single wrap fee.

In addition to the single fee paid in the Wrap Program, clients will incur other costs and fees. These additional costs and fees may include (1) certain dealer mark-ups/mark-downs and odd-lot differentials, transfer taxes, exchange fees mandated by the Securities Exchange Act of 1934, and any other charges imposed by law with regard to transactions in the account; (2) offering concessions and related fees for purchases of money market mutual funds and other public offerings of securities as more fully disclosed in the applicable prospectus; (3) any mutual fund or ETF management fees and/or expenses; and (4) certain legal transfer fees.

The Firm's brokerage practices are described below in the section titled "Brokerage Practices." In the Wrap Program, brokerage transactions and related costs are generally initiated by the third-party portfolio managers, not by the Firm.

#### Payment of Investment Advisory Fees In Advance

In the ICA program, clients pay the investment advisory fee quarterly in advance. When an account is opened, the advisory fee is billed for the remainder of the calendar quarter in which the account is opened. Subsequently, the quarterly advisory fee is based on the value of the assets in the account(s) on the last business day of the previous calendar quarter. If the investment advisory contract is terminated before the end of the calendar quarter in which an

advisory fee has been paid, the Firm will provide a refund of the unearned advisory fee to the client based on the number of days in the quarter in which the client's assets were not invested in the ICA Program.

In the Wrap Program, the wrap fee is paid quarterly in advance. When an account is opened, the wrap fee is billed for the remainder of the calendar quarter in which the account is opened. Subsequently, the quarterly wrap fee is based on the value of the assets in the account(s) on the last business day of the previous calendar quarter. If the investment advisory contract is terminated before the end of the calendar quarter in which a wrap fee has been paid, the Firm will provide a refund of the unearned wrap fee to the client based on the number of days in the quarter in which the client's assets were not invested in the Wrap Program.

#### No Other Compensation

Neither the Firm nor any of its officers or investment adviser representatives accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Neither the Firm nor any of its officers or investment adviser representatives accepts performance-based fees. They also do not manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee.

#### **Types of Clients**

The Firm provides investment advisory services to families, individuals, businesses, trusts, endowments and foundations, and corporate retirement plans.

The Firm requires a minimum account size of \$500,000; however, the Firm may reduce this minimum account size or combine related-party accounts to satisfy the minimum account size.

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

Investing in securities involves risk of loss that clients should be prepared to bear. The Firm attempts to reduce this risk of loss by recommending diversified portfolios of securities after analyzing the securities and related markets and using a long-term investment strategy.



In the ICA Program, the Firm's investment strategy is to recommend stocks, bonds, and other appropriately priced securities (such as mutual funds, ETFs, etc.) that suit each client's objectives and needs. However, the Firm may recommend that such investments be sold at any time if conditions warrant a sale. Such conditions may include, but are not limited to, the value of the security reaching the Firm's target price or the client unexpectedly needing to liquidate a holding to cover current expenses. Although clients' ICA Program accounts may be set up to permit borrowing on margin, the Firm does not typically recommend to clients the use of margin to leverage additional investment in their accounts.

For individual stock recommendations, the Firm attempts to identify companies whose stocks are undervalued and recommends that clients buy and hold these securities on a long-term basis. Identifying securities for purchase requires fundamental analysis to determine a reasonable entry price based on factors such as overall economic analysis, industry analysis, and company analysis. The Firm may use research provided by a third-party broker-dealer or other vendor. When the Firm finds reasonable entry prices, we contact the appropriate clients, explain the recommendation, and ask for permission to purchase the stock at the agreed upon entry price. The material risk involved in this investment strategy and method of analysis is that the stock is not undervalued when purchased based on unknown facts about the company or related industry or that the data used in the analysis was incomplete or inaccurate.

Before making recommendations to purchase or sell mutual funds or ETFs, the Firm uses both quantitative and qualitative analysis. Quantitatively, we seek to identify the appropriate benchmarks against which to evaluate fund managers; we use appropriate metrics for our numerical evaluations, such as Alpha, Beta, and Standard Deviation; and we evaluate each fund manager over a variety of time periods to provide the most comprehensive view of the manager's performance and levels of risk taken. Qualitatively, we seek to identify fund managers who have demonstrated the ability to deliver returns through various independent measures, such as their education and years of relevant experience, their support team, the source of their investment ideas, and/or their pay structure and incentives. If, at any point, we lose confidence in a fund manager either quantitatively or qualitatively, we will recommend that a client sell the fund managed by that fund manager and recommend a fund managed by another fund manager. The material risks are that the selected fund manager(s) uses inadequate methods of analysis and investment strategies, selects securities that decline in value, or uses incomplete or inaccurate data while researching securities that it buys or sells. Other material risks include (1) the Firm recommending a fund manager based on quantitative or qualitative data that is incomplete or inaccurate and (2) the Firm does not timely identify material changes to the quantitative or qualitative data that may indicate that the manager or the fund should be replaced in a client's account.

As noted above, the Firm doesn't often recommend, but may decide to recommend, a client purchase alternative investments, which may include private equity or hedge funds or structured products that include derivatives. These alternative investments include the following types of material risk: the investor may lose his investment; the investor may not be able to liquidate his investment when needed; alternative investments often use speculative investment practices, like the use of leverage; alternative investments often are less regulated than registered stocks, bonds, and mutual funds; alternative investments may be difficult to value; alternative investments may create tax liabilities for the investor without distributing the cash to pay that tax liability; alternative investments, like hedge funds, may pay higher fees to the fund's adviser than traditional investments; and the investment strategy of the alternative investment may fail or deteriorate.

Regarding the Firm's fixed income approach, assuming the credit worthiness of the issuer is not brought into serious question, we prefer to recommend that clients purchase high-quality individual bonds in a structured portfolio suitable to the client's specific needs and hold them until they mature or are called or pre-refunded. However, the Firm may recommend that such investments be sold at any time if conditions warrant a sale. In addition to individual bonds, the Firm may recommend that a client purchase bond mutual funds and ETFs to complement the individual holdings or may recommend that a client use only bond mutual funds or ETFs. The Firm recommends that fixed income portfolios be flexible to accommodate needed changes. The Firm may recommend changes to a fixed income portfolio to accommodate a client's income needs or to adjust for volatility in credit markets and interest rates. Before recommending a fixed income security, the Firm analyzes the overall economy, interest rates, and the health of the issuer of the fixed income security. The material risks involved in this investment strategy and method of analysis include the following: (1) the client has unexpected cash needs and must sell fixed income holdings at an inopportune time; (2) the issuer incurs financial difficulties which weakens its credit worthiness or its credit worthiness was initially determined to be stronger than it was; and (3) economic changes, including a material change in interest rates, adversely affect the value of the fixed-income securities that are held in the client's account.

In the Wrap Program, the Firm has a similar investment strategy. In wrap accounts, the Firm's investment strategy is to recommend appropriate investments managed by third-party portfolio managers and for clients to remain invested in each portfolio on a long-term basis.

In the Wrap Program, the selection of money managers is based on quantitative and qualitative analysis. We perform similar quantitative and qualitative analysis on portfolios and their managers in the Wrap Program as we described above for mutual funds and ETFs in the ICA Program. The material risks are that the applicable portfolio manager(s) uses inadequate methods of analysis and investment strategies, selects securities that decline in value, or uses incomplete or inaccurate data while researching securities that it buys or sells. Other material

risks include (1) the Firm recommending a portfolio manager based on quantitative or qualitative data that is incomplete or inaccurate and (2) the Firm does not timely identify material changes to the quantitative or qualitative data that may indicate that the manager or the portfolio should be replaced in a client's account.

The material risks involved in any method of analysis or investment strategy used by the Firm is that specific securities markets or securities markets in general unexpectedly decline or that the economy of the United States or other countries enter into a recession or fail. One or more of these events could occur if a company or a government-sponsored enterprise that poses a systemic risk to an economy fails.

### **Disciplinary Information**

The Firm, Mr. McHam, and Mr. Taylor have not been involved in any legal or disciplinary events that they believe are material to a client's or prospective client's evaluation of the Firm's advisory business or of the integrity of its management.

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

On the date of this brochure and through approximately March 31, 2011, Mr. McHam and Mr. Taylor will serve as broker-dealer agents with Raymond James Financial Services, Inc. and as investment adviser representatives of Raymond James Financial Services Advisors, Inc. On or about April 1, 2011, Mr. McHam and Mr. Taylor will terminate these relationships with Raymond James companies and begin to serve as investment adviser representatives of the Firm.

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

Before April 1, 2011, the Firm intends to adopt a Code of Ethics which establishes the Firm's commitment to always act in the best interests of its clients, to comply with all applicable federal and state securities laws, to monitor the personal trading in securities by the Firm's supervisory personnel, and to establish a reporting mechanism for possible violations of the Firm's Code of Ethics. The Firm will provide a client or prospective client a copy of the Code of Ethics upon request.

The Firm and its employees may purchase or sell for their personal accounts ("personal trades") the same securities and use the same portfolio managers as those recommended to clients. Such personal trades create a conflict of interest, because the Firm's employees could reap a financial benefit from personal trading by buying or selling a security for personal purposes before the Firm buys or sells a large block of that security. The Firm has adopted policies and procedures to address this conflict of interest as follows:

1. Client approval is sought in advance of personal trading. For individual securities recommended by the Firm, but not traded by portfolio managers, the Firm and its employees will cause trades to be executed for themselves only after each client for whom the security is to be recommended has been contacted or attempted to be contacted.
2. Firm employees may not trade in securities in advance of trades by clients in the same securities. However, the Firm may aggregate personal trades with clients' trades, but not ahead of clients' trades.
3. Approval by the Chief Compliance Officer is required for all employees prior to acquiring an interest in a limited offering/private placement or in an initial public offering.
4. The Firm monitors the personal trades and securities holdings of its employees. Each employee is required to submit quarterly reports of certain personal transactions as well as an annual report of certain personal securities holdings which are reviewed for compliance with the Firm's Code of Ethics.

### **Brokerage Practices**

The Firm recommends that clients establish brokerage accounts with Raymond James Financial Services, Inc. ("RJFS"), a member of FINRA. RJFS provides the Firm with access to RJFS' institutional trading and operations services, which typically are not available to RJFS' retail customers. These services are generally available, without cost, to financial advisory firms that maintain a minimum amount of client assets with RJFS. In certain situations, clients may ask the Firm to advise clients on assets not held in a RJFS brokerage account, but the client does not want the account to be transferred to RJFS. The Firm may elect to provide investment management services to these non-RJFS accounts and charge fees and/or expenses.

The Firm utilizes RJFS for custody of customer assets and execution of customer transactions. Raymond James & Associates, Inc.'s ("RJA"), a corporate affiliate of RJFS and member of the New York Stock Exchange and the Securities Investor Protection Corporation, acts as the clearing agent in the execution of securities transactions placed through RJFS. In the selection of broker-dealers, the Firm may consider all relevant factors, including the commission rate, the value of research provided, execution capability, speed, efficiency, confidentiality, familiarity with potential purchasers and sellers, financial responsibility, responsiveness, and other relevant factors. The Firm has retained and will compensate RJFS and/or RJA to provide various administrative services which include determining the fair market value of assets held in the account at least quarterly and producing a brokerage statement and performance reporting for clients detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

In accounts not held in a RJFS brokerage account, the Firm may not be able to execute transactions through RJA and may not be able to ensure best execution, because the client determines the clearing broker. In this case, the client is responsible for best execution.

#### Research and Other Soft Dollar Benefits

The Firm receives research and other products and services other than execution from RJFS or a third party in connection with the Firm's use of RJFS to execute securities transactions for clients (together "soft dollar benefits"). Services provided by RJFS to the Firm include research, including mutual fund research, third-party research, and RJA proprietary research; brokerage; custody; and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, RJFS makes available to the Firm software and other technologies that provide access to client account data, such as trade confirmations and account statements; facilitate trade execution; provide research, pricing information, quotation services (including Market Q), and other market data; assist with contact management; facilitate payment of fees to the firm from client accounts; assist with performance reporting; facilitate trade allocation; and assist with back-office support, record-keeping, and client reporting. RJFS also provides to the Firm access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, education and industry conferences, marketing and educational materials, technological and information technology support, and RJFS corporate discounts. The Firm uses these services to support all of its accounts, including accounts not maintained at RJFS, but not its Retirement Accounts.

RJFS also makes available to the Firm other services intended to help the Firm manage and further develop its business, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, RJFS may arrange and pay for these types of services to be provided by third parties.

The Firm receives no compensation from RJFS, other than the research and other products and services described above, for brokerage accounts opened at RJFS by the Firm's clients. However, RJFS may make referrals to the Firm as a courtesy or accommodation. The Firm gives to RJFS nothing of value, monetary or otherwise, in exchange for a client referral.

Receiving research and other products and services from a broker-dealer, including RJFS, creates a conflict of interest. Specific conflicts of interest related to receiving research and other products and services from RJFS may include the following:

- When the Firm uses client brokerage commissions (or markups or markdowns on fixed income securities) to obtain research and other products and services, the Firm receives

a benefit because it does not have to produce or pay for the research, products, or services.

- The Firm may have an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving the research or other products or services, rather than basing the recommendation on the interests of the Firm's clients in receiving most favorable execution of securities transactions.
- By recommending RJFS because of the soft dollar benefits to be received from RJFS, the Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits.

During the last fiscal year, the Firm received no products or services acquired because of client brokerage commissions (or markups or markdowns). However, during the last fiscal year, Mr. McHam and Mr. Taylor, while working as agents of Raymond James, received certain types of products and services because of client brokerage commissions (or markups or markdowns), including the following:

- Reports from Moody's and Standard & Poor's.
- Research from Raymond James.
- Research from Barclays.
- Financial planning software offered through Raymond James.

#### Brokerage for Client Referrals

The Firm has no formal relationship with RJFS or any broker-dealer for client referrals.

#### Directed Brokerage

The Firm does not routinely recommend, request, or require a client to direct the Firm to execute transactions through a specified broker-dealer.

#### Aggregation of Trades

In the ICA Program, the Firm may trade aggregate blocks of securities composed of assets from multiple clients' accounts. The Firm orders these block trades where possible and when advantageous to clients who have a need to buy or sell shares of the same security. Aggregation may enable the Firm to obtain a more favorable price or a better commission rate based upon the volume of a particular transaction. Transaction costs are generally shared equally and on a prorata basis between all accounts included in any such block trade. Each client that participates in a block trade will participate at the average share price. Block trading allows the Firm to execute equity trades in a more timely, equitable manner, and may reduce overall costs

to clients. Certain accounts may be excluded from a block trade due to tax considerations, client direction, or other factors making the account's participation ineligible or impractical.

Due to the nature of the Wrap Program, aggregation does not apply.

### **Review of Accounts**

One of the Firm's investment adviser representatives (i.e., its Chairman or President) will meet with each client on a periodic basis. Each client and the Firm will determine the approximate frequency of these meetings at the time the client and the Firm enter into an investment advisory contract. More frequent meetings may be held due to significant changes in a client's life, significant market fluctuations, economic events, or other factors.

Other than meeting with a client, the Firm's investment adviser representatives periodically review clients' accounts or financial plans. These investment adviser representatives perform these periodic reviews of client accounts at least quarterly. During this type of account review, an investment adviser representative looks at the performance of the account, the values of the individual holdings in the accounts, and the continuing suitability to and best interests of the specific client of each material investment in the account.

At least on a quarterly basis, RJFS sends a written account statement to each client. These account statements include the information listed under "Brokerage Practices" on page 10 of this brochure.

### **Client Referrals and Other Compensation**

No person, other than a client, provides compensation to the Firm for the Firm providing investment advice or other advisory services to the Firm's clients.

Additionally, neither the Firm nor any related party of the Firm directly or indirectly compensates any person, who is not an investment adviser representative of the Firm, for client referrals.

### **Custody**

The Firm does not have custody of the cash, bank accounts, or securities of its advisory clients. An independent qualified custodian will have custody of clients' securities and at least quarterly will provide account statements to the Firm's clients. Clients should carefully review those account statements. The Firm also urges its clients to compare the account statements that they receive from the qualified custodian with any statements that the clients may receive from the Firm.

## **Investment Discretion**

Client accounts in the ICA Program are generally managed on a non-discretionary basis (i.e., the Firm must get the client's consent before purchasing or selling securities in a client's account). However, the Firm may occasionally accept a discretionary account when a client may be unavailable for consultation (for example, when a client travels or is disabled). When the Firm accepts a discretionary account, the Firm will do the following:

- Enter into a new investment advisory contract with the client or amend the existing investment advisory contract that grants discretionary authority to the Firm.
- Ensure that the client signs any document required by the custodian regarding this grant of discretionary authority.
- Ensure that the appropriate authorizing document(s) is submitted to the custodian.

In client accounts in the Wrap Program, the Firm does not have discretionary authority over a client's account. Therefore, an investment adviser representative of the Firm will discuss with the client and obtain the client's approval before placing client assets in any security or fund managed by a third-party portfolio manager. However, by selecting one or more portfolios, the client grants discretionary authority to the third-party portfolio manager to buy or sell securities in the applicable portfolio.

## **Voting Client Securities**

The Firm will not accept authority to vote client securities. The custodian of the client's assets will send all proxies or other solicitations directly to the client; however, clients may contact the Firm with questions about a particular proxy or solicitation.

## **Financial Information**

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

No foreseeable financial condition exists that is reasonably likely to impair the Firm's ability to meet its contractual commitments to clients.