

Firm Brochure

TALBOT CAPITAL MANAGEMENT

200 E 11th Suite C

Pine Bluff, AR 71601

Tel: 870-535-6801

Fax: 870-534-3033

Website: www.talbotcapital.com

This brochure provides information about the qualifications and business practices of Talbot Capital Management. If you have any questions about the contents of this brochure, please contact us at: 870-535-6801. 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 Talbot Capital Management is available on the SEC's website at www.adviserinfo.sec.gov

March 31, 2011

Material Changes

Description

In July, 2010, the Securities and Exchange Commission amended the rule requiring investment advisers to provide certain information to prospective and existing clients.

A major goal of the amendment is to present the information in plain English. We have tried to do that.

As a fiduciary, we seek to avoid conflicts of interest with our clients. At a minimum, we disclose any material conflicts of interest that could affect our advisory relationship. This Brochure is intended to provide you with sufficiently specific facts so that you can make an informed decision about using our services as investment adviser.

This Brochure is prepared in accordance with the SEC's new rules.

Material Changes

We will notify you prior to next year's filing if there are any material changes, such as disciplinary information, which could affect our advisory relationship.

Full Brochure Available

If you would like to receive a complete, written copy of our Firm Brochure, please contact George Talbot at:

Telephone: (870) 535-6801

Email: george@talbotcapital.com.

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Advisory Business

Firm Description

TALBOT CAPITAL MANAGEMENT (TCM) was founded in 1989.

We provide personalized, confidential investment management and counseling services to individuals (including IRA accounts), pension and profit sharing plans (including 401K plans), trusts, charitable organizations, endowment funds and foundations.

TCM is a fee-only investment management firm. We do not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. We may suggest a custodial firm to you but we don't require the use of any particular custodian. We are neither affiliated with nor do we represent any other firm. Please see the Brokerage Practices section of this report for more on this subject. We are neither affiliated with nor do we represent any other firm.

We do not act as a custodian of your assets. An investment advisory agreement is signed with TCM and a custody account is opened for you at a brokerage firm or bank in your name. Through a limited power of attorney, you authorize us to implement transactions and conduct business in your account on your behalf.

We meet with you to discuss your expectations and investment objectives, and to offer our experience and objectivity in the assessment of investment opportunities and expectations.

We implement plans, manage your portfolio, provide regular written reports and meet with you to review your account.

Principal Owners

George B. Talbot, Jr. is the sole owner of Talbot Capital Management.

Types of Advisory Services

We provide investment management and investment counseling services. We build an individualized portfolio of securities and/or mutual funds and we supervise and manage it to achieve our mutually agreed upon investment objective. You may instruct us to manage your money with a directed, but mutually agreed-upon, objective, or you may request our advice and counsel in establishing a realistic investment plan to meet your needs.

On December 31, 2010, TCM managed \$37,700,000 in assets for 75 clients. Many of these clients had multiple portfolios. With one exception (valued at \$409,000), all were managed on a discretionary basis.

Tailored Relationships

Investment goals and objectives are tailored for you and are documented in our files for your account. You may impose restrictions on investing in certain securities or types of securities.

Investment Advisory Agreement

You sign an Investment Advisory Agreement with us. This Agreement states the terms under which your investments will be managed, such as the services offered, the use of brokers, reporting, and fees.

Asset Management

Stocks, mutual funds, money market instruments (such as certificates of deposit), corporate bonds, tax-free bonds and U.S. Government securities are managed. TCM does not generally manage options, futures contracts or insurance-related investments.

Termination of Agreement

You may terminate the Investment Advisory Agreement at any time by notifying us in writing, and we may terminate it by notifying you in writing.

Fees and Compensation

Description

(A) Our fee is based on the value of your account and is charged quarterly.

Asset valuation up to \$1,000,000	0.8% annually (0.2% quarterly)
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Asset valuation over \$1,000,000	0.4% annually (0.1% quarterly)
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We also offer consulting services on an hourly basis at a rate of \$90 per hour, or on a fixed fee basis at a mutually agreed upon rate.

These fees are negotiable.

Current client relationships may exist where the fees are lower than the schedule above. We may waive our fee or charge a lesser fee in some circumstances (e.g., historical relationship, type of assets, family member, anticipated future additional assets, dollar amount of assets to be managed, related accounts, negotiations with clients, etc.).

(B) Investment management fees are billed quarterly in advance, meaning that the quarterly fee is collected at the beginning of the calendar quarter.

Fees are usually deducted from a client account. As a client, you are mailed a copy of the bill prior to or simultaneously with the charge to your account. The

management fee calculation is a separate page and is included as part of your quarterly report.

If you wish, we will bill you directly for the fee and it will not be deducted from your account.

(C) The custodian for your account may charge transaction fees on purchases or sales of certain securities. These charges are in addition to our fees. Please see the Brokerage Practices section of this Brochure.

(D) Mutual funds generally charge a management fee for their services. This fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to our fees.

(E) If your account is terminated before the end of a billing period, we refund the unearned fee. For example, if the quarterly fee was \$300 and the account is terminated midway through the period, the refund would be \$150.

(F) We do not accept compensation for the sale of securities or other investment products. Please see the Brokerage Practices section of this brochure for a description of services offered by brokers and custodians.

Performance-Based Fees and Side-By-Side Management

Description

Performance-based fees are fees based on a share of capital gains or capital appreciation.

In contrast, our fees, as described above, are based (a) on assets under management, (b) on an hourly basis, or (c) on a fixed-fee basis.

Managers of performance-based fee accounts along with asset-based fee accounts, that is “side-by-side,” may have an incentive to favor the performance based fee accounts in certain circumstances.

We do not charge performance-based fees, and therefore this potential conflict of interest does exist for us.

Types of Clients

Description

We generally provide investment advice to individuals (including IRA accounts), pension and profit-sharing plans, trusts, estates, charitable organizations, foundations and endowment funds.

Account Minimums

The minimum account size is \$100,000 of assets under management, which equates to an annual fee of \$800.00. TCM may waive this minimum at its discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Fundamental analysis is the primary method of security analysis we use. Technical analysis (price charts and related factors) are sometimes reviewed but seldom relied upon for the ultimate buy, sell or hold decision.

Our main sources of research are Morningstar and various products and services offered on Charles Schwab's "Advisor Center" website. Schwab offers access to their own research, as well as research from Argus, Standard & Poor's, Credit Suisse, J. P. Morgan, Ned Davis and others.

Sources of information also include financial newspapers and magazines, inspections of corporate activities, information available over the internet, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Investment Strategies

The primary investment strategy we use is often called a core/satellite approach.

We use index funds or asset-class funds as the core, or foundation, of a portfolio. Index funds are mutual funds which track a particular index, such as the S&P 500 Index. Asset-class funds are mutual funds aimed at tracking a particular class of securities, such as small-capitalization domestic stocks or large-capitalization international value stocks.

We add actively-managed funds and individual stocks where there appear to be opportunities to enhance performance. Actively-managed funds are mutual funds intended to boost performance through market timing or superior stock selection.

Portfolios are globally diversified in an effort to reduce risk.

We define an investment strategy for your portfolio in meetings with you. The strategy is not written in stone and is subject to ongoing review and discussion.

Risk of Loss

All investment programs have certain risks that are borne by the investor and we try to keep these risks foremost in managing your portfolio. As an investor in stocks and/or bonds, you face the following investment risks:

- **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.
- **Market Risk:** The price of a security, bond, or mutual fund 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. For example, political, economic and social conditions may trigger market events.
- **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.
- **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). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric utility company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases risk, since a company must meet its obligations in good times and bad.

Disciplinary Information

Legal and Disciplinary

There are no past or pending legal or disciplinary events relating to our firm or the integrity of our management.

Other Financial Industry Activities and Affiliations

Affiliations

We are not affiliated with any other financial organization, such as a broker-dealer, another investment adviser, a law firm, an accounting firm or an insurance company.

We often recommend the use of Charles Schwab & Co. for your custodian, but we do not require that. Please see the Brokerage Practices section below.

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

Code of Ethics

We are committed to a Code of Ethics that is available for your review.

In our Code of Ethics we set out our ethical values in managing your money and our firm. We disclose any conflicts of interest which might reasonably be expected to affect our objectivity in managing investments on your behalf.

Please see the section below headed Professional Certifications for a brief description of our standards.

Participation or Interest in Client Transactions

TCM and its employees may buy or sell some of the same securities that are also held by clients. Employees may not trade their own securities ahead of client trades.

Personal Trading

Our Chief Compliance Officer is George Talbot. He reviews all employee trades each quarter.

Brokerage Practices

Selecting Brokerage Firms

- We may recommend a custodian for your account. If we do, our recommendation is based on our judgment of the integrity of the firm, order execution capabilities, reasonable commission rates, research offerings and overall service and responsiveness. We may have an incentive to recommend a custodian based on our interest in receiving these services, some of which may not directly impact your portfolio.
- You may direct the use of a particular broker or custodian.

- In some cases the commission you are charged may be higher than the rate obtainable from a competing custodian. This may create a potential conflict of interest and cause you to pay a higher rate than may be obtained somewhere else.
- While we believe commissions are extremely important, we don't think they are the whole story. We also value integrity, responsiveness and overall service.
- In the end, we look at expenses such as commissions and mutual fund management fees as money leaving your account and we try to minimize these expenses as much as possible. Our fees are based on account values, and expenses such as these reduce the account value and are a drag on performance.

Products and Services from Charles Schwab

Charles Schwab and Co. serves as custodian for the majority of accounts. In addition to basic custodial services, Schwab provides services such as access to investment research, practice management resources, compliance resources and invitations to webinars and seminars. We do not have to pay for most of these benefits; they are offered in return for client brokerage commissions. We believe the benefits received by you as an individual client are proportionate to the commissions charged by Schwab.

In the past year, we have received the following products and services from Charles Schwab:

1. Access to institutional trading services which are not typically available to Schwab retail investors
2. Software and other technology that:
 - A. Provides access to client account data (such as trade confirmations and account statements)
 - B. Facilitates the execution of trades (online and telephone) and order aggregation (block trades)
 - C. Research, pricing and other market data
 - D., Facilitates payment of client fees from its clients' accounts
 - E. Assistance with back-office functions such as client reporting and recordkeeping
3. Other services which may help TCM manage and develop its business:

- A. Compliance, legal and business consulting
- B. Publications and conferences on practice management
- C. Access to specialized types of investments, such as hedge funds and alternative investments
- D. Discounts from third-party providers, such as Morningstar and Dell
- E. Educational events and/or occasional business entertainment of TCM personnel

In recommending a custodian we may take into account the availability of some or all of the above products and services as part of the total mix of factors to be considered.

Best Execution

We periodically review the execution of trades and document the results. We look at such factors as commission rates, speed of execution, and execution price relative to previous and subsequent transactions.

Soft Dollars

Beyond what is described above under “Selecting Brokerage Firms” we do use the commissions and other expenses charged to your account for any products, services or other benefits.

Client Direction of a Particular Broker

In the absence of your direction we will place orders for your account at our discretion.

If you do direct the use of a particular broker we will execute orders on your behalf at rates determined by you and the broker, or at the broker’s standard rates.

As described below under “Order Aggregation” we sometimes enter block trades for more efficient order management. For example, a large stock or bond order can sometimes be executed at a better price than a small one. Additionally, a block trade allows us to enter one order for several accounts as opposed to entering one order for each account.

Order Aggregation

We sometimes combine accounts and execute a block trade. No client is favored over any other in the allocation of the executed order. All clients who participate in the order receive the average executed price.

Review of Accounts

Periodic Reviews

Accounts are reviewed quarterly by George Talbot.

Review Triggers

Other than routine quarterly reviews, triggers such as a change in fundamentals or valuation of a security, a change in client needs, or a significant change in the market may prompt a review.

Regular Reports

All clients receive written quarterly reports. The reports include a portfolio appraisal and other relevant information on the status and activity in the account.

Client Referrals and Other Compensation

We have been fortunate to receive client referrals over the years. The referrals came from current clients, attorneys, accountants and personal friends. We do not compensate referring parties for these referrals.

Custody

Account Statements

The custodian for your account will provide statements directly to you at your address of record at least quarterly. Many custodians offer you the option of receiving your statement online, in which case no written copy would be mailed.

You are urged to compare your custodial account statements received to the statements we provide.

Investment Discretion

Discretionary Authority for Trading

We accept discretionary authority to manage your account. This means that you give us the authority to determine, without obtaining your prior consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

Discretionary trading authority facilitates trading, since a decision by us to buy or sell a security for a number of accounts can be promptly and efficiently transacted without an intervening telephone call or meeting.

You may direct the purchase or sale of specific securities or groups of securities in your account. For example, some clients do not want to own tobacco stocks. We ask that these specific directives be in written form.

If you wish for us to consider a specific investment for your discretionary account, we are glad to do so.

A discretionary account is set up under a limited power of attorney giving us the authority to manage the portfolio.

Voting Client Securities

Proxy Votes

Unless you want to do it, we vote proxies for securities held in your account.

Our overriding policy is to vote in what we judge to be your best interests.

Most of the time, we vote in favor of management's recommendations; however, sometimes there are votes on mergers, reorganizations, anti-takeover proposals and other unusual issues where we believe it might be in your best interests not to follow the management recommendation.

There could be occasions (for example, where TCM or one of our employees own the same security you do) where a conflict of interest may arise between our interests and yours. In these situations, we try to identify the conflict of interest and disclose it to you.

We retain records about our proxy votes and these records are available to you at your request. The records contain the following information:

- A copy of our proxy voting policies and procedures
- A copy of each proxy voting statement
- A record of each vote cast
- A copy of any document, or electronic access to the document, that helped us reach a decision
- A copy of each written client request for voting information and a copy of any written response to a client request

Financial Information

Financial Condition

A balance sheet is not provided since we do not serve as a custodian for client funds or securities, and do not require prepayment of fees of more than \$1,200 per client and six months or more in advance.

We believe our financial condition is healthy and will not deter us from meeting our commitments to you.

Business Continuity Plan

General

Risks to our ability to manage your account and provide ongoing service may arise from a natural disaster (such as a tornado or flood), or a man-made disaster (such as an internet outage or loss of power).

We have a plan in place to mitigate the effect of a disaster and to get back to normal as soon as possible. We plan to contact all clients within five days of a disaster that dictates moving our office or changing telephone and/or other contact information.

Your account is in your name at your custodian institution and you can access it there at your discretion.

As our client, you are reliant on the health and capacity of one key person, George Talbot, to perform his job. We have a part-time employee whose job is primarily administrative. So, we are small and that is a risk to you as a client.

In a worst case situation, such as the death or incapacity of George Talbot, you will be notified without delay. Staff at Talbot Capital Management or at your custodian firm will be available to assist you with your account.

Information Security

Information Security

Electronic files are backed up daily and archived offsite. Our offices and files are locked in our absence. Passwords and internet security devices are necessary to access client information on our computers. We are confident that the backup and security policies of the custodians we work with are fully adequate.

Privacy Notice

We collect financial and personal information from you in order to provide investment management and advisory services. We protect this information in a manner that is safe, secure, and professional.

Our Privacy Policy is provided when you open an account and a copy is also provided to you on an annual basis.

Background Information on George Talbot

Professional Certifications

George Talbot has earned certification as a Chartered Financial Analyst (CFA). The CFA charter is a globally respected, graduate-level investment credential established in 1962 and awarded by the CFA Institute – the largest global association of investment professionals.

CFA certification requires that a candidate and member:

- Pass three sequential, six-hour examinations;
- Have at least four years of qualified professional investment experience;
- Maintain membership in the CFA Institute;
- Commit to abide by, and annually reaffirm, adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter holders to:

- Place their client's interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level).

Regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements.

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession.

To learn more about the CFA charter, visit www.cfainstitute.org.

Educational Background and Business Experience

George B. Talbot, Jr.

Educational Background:

- Educational Institutions:
 - Vanderbilt University, 1966 (B.A. degree in English Literature)

Business Experience:

- August 1967 – April 1973: Dabbs Sullivan, Trulock & Co. (Order clerk, OTC securities trader, Registered Representative)
- April 1973 – March 1974: Stephens Inc. (Registered Representative)
- March 1974 – August 1989: Simmons First National Bank (Vice President and Trust Investment Officer)
- August 1989 – Present: Talbot Capital Management (President)

Disciplinary Information: Neither George Talbot nor Talbot Capital Management has been subject of any disciplinary actions by any regulatory or legal body.

Other Business Activities: None

Additional Compensation: None

Supervision:

Talbot Capital Management is a one-man firm, owned and operated by George Talbot. He is solely responsible for the investment advice given to clients or implemented on their behalf.

George Talbot can be reached at 870-535-6801 or by e-mail at george@talbotcapital.com