

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

Terry McDaniel & Company
2630 Exposition Blvd, Suite 300
Austin, TX 78703
www.tmcdanco.com

This brochure provides information about the qualifications and business practices of Terry McDaniel & Company. If you have any questions about the contents of this brochure, please contact Terry McDaniel at (512) 495-9500 and/or email at terry.mcdaniel@tmcdanco.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Terry McDaniel & Company is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes (Summary of changes since the last annual update.)

We have had two material changes in our business from our last annual update filed with the SEC March 24, 2011.

Item 4: A change in AUM as of 12/31/2011

Item 13: The firm no longer furnishes a statement of realized gains and losses that occurred in that calendar year since the Custodian is now required to furnish this information.

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“Brochure Supplements” also attached:

1. Part 2B of Form ADV: Brochure Supplement for Terry P. McDaniel
2. Part 2B of Form ADV: Brochure Supplement for Ken Turlington
3. Part 2B of Form ADV: Brochure Supplement for Jeffrey S. Lucado
4. Part 2B of Form ADV: Brochure Supplement for John McDaniel
5. Part 2B of Form ADV: Brochure Supplement for Kent Winegar

Item 4 **Advisory Business**

Terry McDaniel & Company is an investment counseling firm. We are organized as a Sub-S Corporation of which the sole member is Terry McDaniel.

Our primary business is the management of stock and bond portfolios for a wide variety of clients. These clients include individuals, retirement plans, trusts, estates and charitable organizations. We structure each portfolio separately depending on the investment return, risk and other requirements of each client. The overall context of the client's situation, including income, total assets, insurance coverage, tax and family matters, is important to us in the structuring of each portfolio. We invest in the stocks of individual companies and bonds of individual issuers, including the U.S. Government. We sometimes invest in mutual funds for smaller portfolios where individual securities are impractical. We do not charge fees on mutual fund investments.

Our assets under management as of 12/31/11 are:

Discretionary	\$515,948,543.00
Non-discretionary	\$127,157,251.00

Item 5 **Fees and Compensation**

The firm offers investment advisory services for a percentage of assets under management. The current fee schedule is as follows:

First \$ 2 million.....	1.0% per year
Next \$ 23 million.....	0.75% per year
Next \$ 75 million.....	0.50% per year
Above \$100 million.....	0.25% per year

Under the terms of the firm's standard form investment advisory agreement, the compensation of the firm is payable quarterly in advance. Clients may elect to be billed directly or give authorization to have fees deducted from accounts electronically. In the event of termination during a quarter, any compensation paid in advance shall be refunded to the client in the amount equal to the quarterly fee prorated from the date of termination. The client may terminate the investment advisory agreement, without penalty, any time within 5 days of signing the agreement. Thereafter, the agreement may be terminated upon 30 days written notice by either party. Fees are negotiable in certain instances.

In addition to fees paid directly to the firm for investment supervisory services, clients may also be assessed fees by custodians or other parties to their assets. This may result in multiple fees being assessed on the same assets. As one but not the only example, money market funds or closed-end investment companies may constitute a portion of portfolios. In those cases, clients may incur management fees or other charges by managers of those assets while at the same time being charged fees by the firm on those same assets.

Item 6 **Performance-Based Fees and Side-By-Side Management - (Does not apply)**

Item 7 **Types of Clients**

The firm generally provides investment advisory services to a wide variety of clients. These clients include individuals, retirement plans, trusts, estates and charitable organizations. The minimum dollar amount of assets required for the establishment and maintenance of an investment advisory account is \$1,000,000. There are circumstances under which this minimum may be waived.

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

The firm maintains a staff of investment securities analysts who conduct research into the stocks and bonds used in portfolios. The firm requires that each of these analysts hold a Chartered Financial Analyst credential issued by the CFA Institute, or that the analyst be enrolled in the CFA program working toward that credential. The CFA program, requiring a series of three examinations on analytical matters generally taken over three years, is recognized world-wide as a high standard in the investment industry.

Our analysis of stock investments is a “bottom-up” approach relying heavily on study of the subject company’s financial statements, products and services, markets, competition, management, regulatory matters and prospects. Each analyst is also responsible for on-site visits to companies.

Our analysis of bond investments emphasizes high credit worthiness and liquidity.

Each portfolio is invested in a combination of stocks and bonds meeting the standards of our analysis. The allocation between stocks and bonds, and any cash reserves that might be appropriate at a particular time, is determined after face-to-face consultation with the client and satisfaction that investment return and risk requirements are met.

Regardless of the care taken in investment research and selection, investing comes with a risk of loss regardless of how conservative the strategy may be. The client should be prepared to bear this risk.

Item 9 **Disciplinary Information - (Does not apply.)**

Item 10 **Other Financial Industry Activities and Affiliations - (Does not apply.)**

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

From time to time employees of the firm may engage in securities transactions for their own personal accounts. These trades are enacted by them personally. In order to avoid any actions that would be in conflict with clients' interests, employees of the firm are required to obtain prior written approval for securities transactions. Employees are prohibited from executing a securities transaction on any day during which a client has a pending trade order in that same security until that order is executed or withdrawn. Employees are prohibited from engaging in short-term trading activities.

As a safeguard in avoiding conflicts of interest, employees are required to submit to the firm's compliance officer a quarterly report of all personal securities transactions for all immediate family members living in an employee's household. They are also required to disclose all personal securities holdings on an annual basis.

Item 12 Brokerage Practices

From time to time, the firm purchases bonds for clients from sources other than those having custody of client assets, requiring delivery of such bonds into the client's account for which the custodian may charge a fee, termed a "trade away" fee. For example, Charles Schwab & Co., which acts as custodian for accounts, charges a \$25.00 "trade away" fee, per transaction, for receipt of bonds purchased from other sources. This fee, charged by Charles Schwab and Co., and any other fee by any other custodian, is taken into account by the firm and is, with regard to any specific trade done through a source other than the custodian of the clients' accounts, considered consistent with the responsibility of the firm to supply the best execution at the lowest cost consistent with financial integrity and acceptable service.

Clients may, if they wish, choose their own broker. If the client has no broker preference, the firm directs brokerage to those firms supplying the best execution at the lowest cost consistent with financial integrity and acceptable service. The firm does not believe such discretionary brokerage results in clients paying commissions higher than those obtainable from other brokers. If the client designates the broker or brokers to be used, the firm's ability to achieve best execution and/or lower cost may be diminished and the client may incur higher transaction costs.

The firm does not ordinarily combine or "bunch" orders from different accounts when placing trades with brokers. This may result in a client paying higher commission costs than if trades were combined. This trading method, a result of the firm's policy, where feasible and consistent with best price and best execution considerations, of consulting with each client before trading in the account, also will ordinarily result in clients receiving different prices for transactions in the same security due to the random timing of trade placement.

Item 13 **Review of Accounts**

A formal review is performed quarterly of each client account. Interim reviews are performed upon the advisory client's request or upon the occurrence of any event considered by the firm to have materially affected a holding or an advisory client's financial or personal circumstances.

Client accounts are reviewed by two reviewers, the president and a portfolio manager. No reviewer is responsible for more than 50 accounts and each account is reviewed in light of the firm's investment policy as well as the objectives and circumstances of the client.

At the end of each calendar quarter, the firm conducts an appraisal of each client's portfolio(s) and mails to the client. Trade confirmations and monthly statements are furnished by the account custodian.

Any member of the firm involved in determining or giving investment advice to clients possesses an undergraduate degree and two years business experience. The firm has adopted a Code of Ethics to ensure the priority of the interests of our clients. A copy of the firm's Code of Ethics is available upon request. The member also holds the designation of Chartered Financial Analyst (CFA) issued by the CFA Institute or is enrolled and pursuing that Charter.

Item 14 **Client Referrals and Other Compensation - (Does not apply.)**

Item 15 **Custody - (Does not apply.)**

Item 16 **Investment Discretion**

Prior to June 30, 2008 the firm offered clients a non-discretionary option. This option required the firm to consult with the client prior to effecting changes in the portfolio. After June 30, 2008 the non-discretionary option is no longer available, the firm now offers only the discretionary option.

Item 17 **Voting Client Securities**

Terry McDaniel & Company does not vote proxies for clients. Proxies will be delivered to clients through their custodians. Clients bear responsibility for voting proxies.

Item 18 **Financial Information - (Does not apply.)**

Part 2B of Form ADV: Brochure Supplement for Terry P. McDaniel

Item 1 **Cover Page**

A. Terry P. McDaniel
Terry McDaniel & Company
2630 Exposition Blvd., Suite 300
Austin, TX 78703
(512) 495-9500

Supplement Date: 3/23/2012

B. This brochure supplement provides information about Terry P. McDaniel that supplements the Terry McDaniel & Company brochure. You should have received a copy of that brochure. Please contact Terry P. McDaniel if you did not receive Terry McDaniel & Company's brochure or if you have any questions about the contents of this supplement.

Additional information about Terry P. McDaniel is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Name:	Terry P. McDaniel
Year of Birth:	1939
Formal Education:	Texas A&M University, B.A., 1961
Business Background:	1985 to present – Terry McDaniel & Company
Position Held:	President

Item 3 **Disciplinary Information - (Does not apply.)**

Item 4 Other Business Activities - (Does not apply.)

Item 5 **Additional Compensation - (Does not apply.)**

Item 6 Supervision

Mr. McDaniel is the President and responsible for all client advice reviews.

Item 7 Requirements for State-Registered Advisers - (Does not apply.)

Part 2B of Form ADV: Brochure Supplement for Ken Turlington

Item 1 **Cover Page**

- A. Ken Turlington Supplement Date: 3/23/2012
Terry McDaniel & Company
2630 Exposition Blvd., Suite 300
Austin, TX 78703
(512) 495-9500
- B. This brochure supplement provides information about Ken Turlington that supplements the Terry McDaniel & Company brochure. You should have received a copy of that brochure. Please contact Terry McDaniel if you did not receive Terry McDaniel & Company's brochure or if you have any questions about the contents of this supplement.

Additional information about Ken Turlington is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 **Educational Background and Business Experience**

Name:	Ken Turlington
Year of Birth:	1962
Formal Education:	Duke University B.A., 1984
Business Background:	1999 to present – Terry McDaniel & Company
Position Held:	Director of Research, Portfolio Manager

Item 3 **Disciplinary Information - (Does not apply.)**

Item 4 **Other Business Activities - (Does not apply.)**

Item 5 **Additional Compensation - (Does not apply.)**

Item 6 **Supervision**

Mr. Turlington's advice to clients is reviewed by Mr. Terry McDaniel (512) 495-9500, President.

Item 7 **Requirements for State-Registered Advisers - (Does not apply.)**

Part 2B of Form ADV: Brochure Supplement for Jeffrey S. Lucado

Item 1 Cover Page

- A. Jeff S. Lucado Supplement Date: 3/23/2012
Terry McDaniel & Company
2630 Exposition Blvd., Suite 300
Austin, TX 78703
(512) 495-9500
- B. This brochure supplement provides information about Jeffrey S. Lucado that supplements the Terry McDaniel & Company brochure. You should have received a copy of that brochure. Please contact Terry McDaniel if you did not receive Terry McDaniel & Company's brochure or if you have any questions about the contents of this supplement.

Additional information about Jeffrey S. Lucado is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Name: Jeffrey S. Lucado
Year of Birth: 1958
Formal Education: University of Texas, B.B.A. 1981, M.B.A. 1983
Business Background: 1992 to present – Terry McDaniel & Company,
Position Held: Senior Analyst, Portfolio Manager

Item 3 Disciplinary Information - (Does not apply.)

Item 4 Other Business Activities - (Does not apply.)

Item 5 Additional Compensation - (Does not apply.)

Item 6 Supervision

Mr. Lucado's advice to clients is reviewed by Mr. Terry McDaniel (512) 495-9500, President.

Item 7 Requirements for State-Registered Advisers - (Does not apply.)

Part 2B of Form ADV: Brochure Supplement for John McDaniel

Item 1 **Cover Page**

A. John McDaniel
Terry McDaniel & Company
2630 Exposition Blvd., Suite 300
Austin, TX 78703
(512) 495-9500

Supplement Date: 3/23/2012

B. This brochure supplement provides information about John McDaniel that supplements the Terry McDaniel & Company brochure. You should have received a copy of that brochure. Please contact Terry McDaniel if you did not receive Terry McDaniel & Company's brochure or if you have any questions about the contents of this supplement.

Additional information about John McDaniel is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Name:	John McDaniel
Year of Birth:	1971
Formal Education:	Austin College, B.A., 1995 Lowry Mays School of Business at Texas A&M, M.B.A., 2000
Business Background:	1998 to present – Terry McDaniel & Company
Position Held:	Senior Analyst

Item 3 Disciplinary Information - (Does not apply.)

Item 4 Other Business Activities - (Does not apply.)

Item 5 Additional Compensation - (Does not apply.)

Item 6 Supervision

Mr. McDaniel's advice to clients is reviewed by Mr. Terry McDaniel (512-495-9500), President.

Item 7 **Requirements for State-Registered Advisers - (Does not apply.)**

Part 2B of Form ADV: Brochure Supplement for John McDaniel

Item 1 Cover Page

- A. John McDaniel
 Terry McDaniel & Company
 2630 Exposition Blvd., Suite 300
 Austin, TX 78703
 (512) 495-9500
- Supplement Date: 3/24/2012
- B. This brochure supplement provides information about John McDaniel that supplements the Terry McDaniel & Company brochure. You should have received a copy of that brochure. Please contact Terry McDaniel if you did not receive Terry McDaniel & Company's brochure or if you have any questions about the contents of this supplement.

Additional information about John McDaniel is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Name:	John McDaniel
Year of Birth:	1971
Formal Education:	Austin College, B.A., 1995 Lowry Mays School of Business at Texas A&M, M.B.A., 2000
Business Background:	1998 to present – Terry McDaniel & Company
Position Held:	Senior Analyst

Item 3 Disciplinary Information - (Does not apply.)

Item 4 Other Business Activities - (Does not apply.)

Item 5 Additional Compensation - (Does not apply.)

Item 6 Supervision

Mr. McDaniel's advice to clients is reviewed by Mr. Terry McDaniel (512-495-9500), President.

Item 7 Requirements for State-Registered Advisers - (Does not apply.)

Part 2B of Form ADV: Brochure Supplement for Kent Winegar

Item 1 **Cover Page**

A. Kent Winegar
Terry McDaniel & Company
2630 Exposition Blvd., Suite 300
Austin, TX 78703
(512) 495-9500

Supplement Date: 3/23/2012

B. This brochure supplement provides information about Kent Winegar that supplements the Terry McDaniel & Company brochure. You should have received a copy of that brochure. Please contact Terry McDaniel if you did not receive Terry McDaniel & Company's brochure or if you have any questions about the contents of this supplement.

Additional information about Kent Winegar is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Name:	Kent Winegar
Year of Birth:	1976
Formal Education:	Columbia University, B.S., 1999 UC-Berkeley, M.S., 2000 University of Texas McCombs School of Business, MBA, 2006
Business Background:	2006 to present – Terry McDaniel & Company
Position Held:	Analyst

Item 3 **Disciplinary Information - (Does not apply.)**

Item 4 **Other Business Activities - (Does not apply.)**

Item 5 **Additional Compensation - (Does not apply.)**

Item 6 Supervision

Mr. Winegar's advice to clients is reviewed by Mr. Terry McDaniel (512) 495-9500, President.

Item 7 **Requirements for State-Registered Advisers - (Does not apply.)**

Terry McDaniel & Company
INVESTMENT COUNSEL

Privacy Notice

At Terry McDaniel & Company your privacy is our utmost priority and our relationship with you is our most important asset. We strive to maintain your trust and confidence by protecting to the best of our ability your personal information, which you have entrusted to us. We know that our clients value their privacy; therefore, we will not disclose your personal information to anyone unless you have given your authorization, it is required by law or is necessary to provide you with our services. **We have not and will not sell your personal information to anyone.**

To provide you with investment counseling services, we collect and maintain the following types of information:

- Information provided by you to open an account (such as your address and telephone number);
- Information furnished by you that is needed in order to provide investment advice (such as financial information);
- Information that we generate to service your account (such as trade tickets and account portfolios);
- Information that we receive from third parties with respect to your account (such as trade confirmations from brokerage firms).

In providing investment-counseling services to you, we do disclose your personal information in very limited instances, which include:

- Disclosures to companies under strict confidentiality agreements that perform services on our behalf (such as our technology consultants who maintain our computer systems);
- Disclosures to companies as authorized by you or permitted by law, including those necessary to service your account (such as account information provided to brokers and custodians).

In fulfilling our privacy commitment to you, we have instituted the following practices to safeguard your personal information that we maintain:

- Adopted policies and procedures that safeguard personal information of current and former clients.
- Require third parties that perform services for us to agree by contract to keep your personal information strictly confidential.
- Track all forms of personal information to assure of proper disposal. Client files are never discarded unless shredded, electronic files stored on hard drives are erased before the drive is discarded.

Notice of Availability of Disclosure Statement

Rule 204-3 of the Investment Advisers Act of 1940 requires each investment adviser registered under such act to deliver or offer to deliver upon written request to any of its advisory clients a copy of information found in its annual disclosure statement filed with the Securities and Exchange Commission. You may without charges obtain this copy by written request to us or view it online at www.adviserinfo.sec.gov.

March 23, 2012

Terry McDaniel & Company
2630 Exposition Blvd., Suite 300
Austin, Texas 78703