

# **Orion Capital Management, Inc.**

**750 Green Bay Road  
Winnetka, IL 60093**

**Telephone: (847) 441-0410  
Fax: (847) 441-0420**

**[www.orion-capital.com](http://www.orion-capital.com)**

**March 26, 2012**

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Orion Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (847) 441-0410. 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 Orion Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Orion Capital Management, Inc. is 106734.

Orion Capital Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.



## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Orion Capital Management Inc will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.



## Item 3 Table of Contents

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 8
Item 6 Performance-Based Fees and Side-By-Side Management	Page 9
Item 7 Types of Clients	Page 9
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 9
Item 9 Disciplinary Information	Page 12
Item 10 Other Financial Industry Activities and Affiliations	Page 12
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 12
Item 12 Brokerage Practices	Page 13
Item 13 Review of Accounts	Page 15
Item 14 Client Referrals and Other Compensation	Page 15
Item 15 Custody	Page 17
Item 16 Investment Discretion	Page 17
Item 17 Voting Client Securities	Page 17
Item 18 Financial Information	Page 17
Item 19 Requirements for State Registered Advisers	Page 17
Item 20 Additional Information	Page 18



## Item 4 Advisory Business

Orion Capital Management, Inc. is an SEC-registered investment adviser primarily based in Winnetka, Illinois. We also maintain a branch office in Naples, Florida. We are organized as a corporation under the laws of the State of Illinois. We have been providing investment advisory services since 1991. James W. Kyle is our principal owner.

As used in this brochure, the words "we," "our" and "us" refer to Orion Capital Management, Inc. and the words "you," "your" and "client" refer to you as either a client or prospective client of our firm. In addition, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We provide our clients with an extensive range of investment advisory services through our investment management programs, including discretionary Portfolio Management, Orion Managed Bond Account, Sub-Advisory Services, Advisory Consulting Services, and Pension Consulting Services. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

### **Portfolio Management**

We provide discretionary asset management and investment advisory services in accordance with your individual investment objectives. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing us with your restrictions and guidelines in writing.

In limited circumstances, we may offer non-discretionary portfolio management services. If you enter into a non-discretionary arrangement with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

The process begins with an initial interview during which pertinent information about your needs, investment objectives, and tolerance for risk is collected. Once such information has been analyzed, a portfolio investment plan will be developed, designed to achieve your documented financial goals and objectives. We then use the investment plan to construct a portfolio of *Structured Asset Classes*\*, stressing asset allocation. Once the portfolio is constructed, we provide continuous supervision and periodic rebalancing of the portfolio as asset class values fluctuate and your individual circumstances may require.

Our investment approach/strategy is primarily based on a relationship with Dimensional Fund Advisors ("DFA"), through which we offer you access to special low cost institutional-level products. Unlike traditional asset management, which focuses on predicting individual stock price movements, we look at the performance of a portfolio of financial assets based on the combination of its components - risk and return. We impose a strict discipline of maintaining assigned portfolio allocations in order to capture full market returns in contrast to an attempt to "beat the market." As previously stated, we will periodically rebalance each portfolio to bring asset class allocations back in line with the original target balance. Over the long term, our clients should benefit from owning a core portfolio of *Structured Asset Classes*\* rather than traditional mutual funds or privately managed stock accounts. This assumption is based on the lower risks associated with



diversification and the structural benefits associated with such investments. Our core investment strategy is geared towards long-term investments, and client portfolios are designed for the more conservative investor.

*\*Structured Asset Classes* stress asset allocation, and generally consist of stocks, bonds, and mutual funds. They differ from indexes because they capture the pure performance and characteristics of an asset class instead of simply emulating the returns of a particular benchmark. Academic studies conclude that asset allocation is the primary determinate of portfolio returns. In addition, a properly diversified portfolio is known to reduce overall portfolio risk.

Our annual fee for portfolio management services is billed quarterly in arrears based on the market value of your assets on the last day of the quarter. On an annualized basis, our fee for portfolio management is generally equal to 1.00% of assets under management. At our discretion, we may require a minimum annual fee of \$2,000. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a billing period. In special circumstances, fees may be negotiated.

### **Orion Managed Bond Account**

As an investor, if you who prefer individual bonds in your overall investment portfolio instead of using the broad diversified strategies available in mutual fund portfolios, we offer the Orion Managed Bond Account ("Bond Account"). When held to maturity, individual bonds typically return all principle due to the bondholder thus reducing concerns regarding short-term pricing volatility while providing a regular income stream. The objective of the Bond Account is to provide an appealing income stream to you relative to current market conditions. Initially, we will seek to determine your investment objectives and tolerance for risk. We will then select bonds that reflect your financial needs and preferences. We typically create portfolios using municipal bonds and company corporate bond issues.

We employ an institutional approach to our bond trading strategy. We do not attempt to forecast interest rate trends. Instead, we focus on uncovering current values relative to the 10-year US Treasury Bond in order to provide a current income stream to our clients. We shop our network of institutional bond traders and provide bonds to our clients at our cost without the customary retail markup or commission costs.

We offer these services to accounts as small as \$200,000, but we cannot provide the diversification available in a broad-based mutual fund bond portfolio in smaller accounts. However, in larger accounts we are able to provide sophisticated strategies such as bond laddering and staggered maturities. While we are not active traders, our ability to find bonds priced at appealing levels creates investment opportunities that might not be available to retail investors. Pursuant to a grant of discretionary authority, we will adjust your portfolio as new opportunities unfold. Occasionally, it may be desirable to move you "in" or "out" on the yield curve. At times, we will make changes in a portfolio as a function of an increase or decrease in credit quality. All client trades are executed without retail markups or commission costs to the client.

The annual fee of 0.5% (50 basis points) for the Managed Bond Accounts is billed quarterly in arrears based on the market value of the assets on the last day of the quarter. At our discretion, we may require a minimum annual fee of \$2,000. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a billing period. In special circumstances, fees may be negotiated.

### **Payment of Our Advisory Fee**

Either we will send you an invoice for the payment of our advisory fee, or your account custodian as paying agent for our firm will deduct our fee directly from your account. Our fee will be deducted from your account only when you have given our firm, and your account custodian, written authorization permitting the fees to be paid directly from your account. Further, your account



custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

### **Termination of Advisory Agreement**

Our agreement for services will continue in effect until terminated by either party. Either party may terminate the agreement by providing written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees based on the number of days in the quarter for which you are a client. Refunds are not applicable as fees are payable in arrears.

### **Sub-Advisory Services Offered to Other Registered Investment Advisers**

We may act as a sub-adviser to other registered investment advisers (the "Principal Adviser") who wish to engage us to manage the bond holdings in their clients' portfolios. Both our firm and the Principal Adviser may be granted dual trading authority. We will have discretionary authority over a portion of the assets to buy and sell bonds based on the client's individual needs. Typically, the Principal Adviser will have discretionary trading authority over the client's account and will be responsible for supervising the management of the account. Accordingly, the Principal Adviser will monitor the bond activity conducted on behalf of the account by our firm. Fees will be deducted from the account(s) held at an unaffiliated, qualified custodian. Our firm and the Principal Adviser will share in the fee collected. This fee sharing arrangement does not increase the client's advisory fee.

### **Sub-Advisory Services Offered to Registered Investment Companies (Mutual Funds)**

We serve as a sub-adviser to Monetta Intermediate Bond Fund (the "Bond Fund"), a no-load mutual fund affiliated with Monetta Financial Services, Inc. ("Monetta"), the investment adviser to the fund. We provide investment advice to Monetta under a sub-advisory agreement. We research bonds, review and monitor the market environment, and execute transactions for the Bond Fund on a discretionary basis. Monetta supervises the management of the Bond Fund and is responsible for ensuring that we are providing advice consistent with the Bond Fund's investment objectives. As sub-adviser to the Bond Fund, we receive a fee from Monetta computed and accrued usually on a monthly basis and paid the same at an annual rate of 0.25% of the Bond Fund's net sales values or net asset value. This may also depend further on the extent of service provided and the particular agreement executed between Monetta and our firm. We may recommend investments in the Bond Fund for our client accounts. Therefore, as a client of our firm, you are advised that we will receive compensation from the Bond Fund and that a conflict of interest exists when investing your assets in the Bond Fund. We will only make such investments where we believe it is consistent with our fiduciary duty and your investment objectives. We will earn fees from Monetta and you for investments made in the Bond Fund. For tax-qualified accounts with assets invested in the Bond Fund, the advisory fee on such assets will be offset by the amount of the management fee paid to us by Monetta.

### **Advisory Consulting Services**

We also provide fee based advisory consulting services, which are separate and distinct from the Portfolio Management services disclosed above. Clients choosing this service will have access to an Investment Adviser Representative of our firm for purposes of addressing investment and/or financial related questions and/or concerns. Additionally, you will have access to certain institutional platforms, not otherwise available to individual clients, through your relationship with our firm, such as TD Ameritrade Institutional, Division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA, and/or Dimensional Fund Advisors ("DFA"). Where we enter into institutional arrangements with other service providers, you may also have access to these providers as a result of your arrangement with our firm.

Generally, our compensation is based on a percentage of your assets or a fixed fee negotiated in advance. In all such cases, applicable fees, fee-paying arrangements, and the terms of the engagement will be clearly set forth in the executed letter of engagement.



Advisory consulting services are generally based on an annual term; however, we do not consider these services to be continuous in nature. As such, we will provide investment advice solely at your request, and we have no proactive obligation to monitor your account for suitability of investments, rebalancing, or otherwise.

In addition, we do not hold ourselves out as a financial planner, but may offer financial planning related services incidental to the asset management services disclosed above, or as part of an advisory consulting engagement. We are not compensated separately for financial planning related services.

### **Pension Consulting Services**

We provide pension-consulting services to employee benefit plans. In general, these services may include an existing plan review, assistance in the development of a retirement plan, evaluation of retirement plan vendors, asset allocation advice, discretionary portfolio management services, communication and education services to plan participants, investment performance monitoring, and/or ongoing consulting. All client accounts are regulated under the Employee Retirement Income Securities Act ("ERISA"). Refer to the *Fees and Compensation* section below for additional disclosures on this topic.

We are compensated based on a fixed fee, hourly fee, or percentage of plan assets under our management. The fees and fee payment arrangements will vary depending on the services provided. The type of fee, amount of the fee, and fee payment arrangement is negotiated on a case-by-case basis with each client, and is determined based upon a number of factors including, but not limited to, the amount of work involved and the complexity of the services requested. The final fee and fee payment arrangements will be clearly set forth in the signed agreement for services.

Where the plan engages us as investment manager to manage plan assets on a discretionary basis, our fee is typically 1.0% of the plan assets under management. However, other fees and terms may be negotiated with the plan sponsor and/or other fiduciaries.

We do not serve as plan administrator or record keeper, but we will recommend third party service providers to plans as needed. We are not compensated for recommending such third parties and we do not share in any fee paid to such third parties.

Either party may terminate the agreement by providing 30-days' written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Accuracy of Client Information**

In providing any contracted services, we are not required to verify information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change for the purpose of reviewing, evaluating, and/or revising our previous recommendations and/or services.

### **Types of Investments**

We primarily offer advice on mutual funds and fixed income securities (bonds) to our clients. We may also provide advice on equity securities, commercial paper, certificates of deposit, and exchange traded funds. Additionally, we may recommend other types of investments since each client has different needs and different tolerances for risk. We may also advise you on any type of investment held in your portfolio at the inception of our advisory relationship, or on specific types of investments at your request.



You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of February 29, 2012, we manage \$139,000,000 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

Refer to the *Advisory Business* section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

Associated Persons may receive benefits such as assistance with conferences and educational meetings from product sponsors. Additionally, Associated Persons may receive various support, educational, and research services through their broker/dealer. Such services and support are used to benefit all clients regardless of the services obtained by any specific client.

On occasion, although not a material consideration when determining whether to recommend any particular investment to our clients, other third party service providers and/or insurance companies may also provide non-cash benefits to our firm and/or our Associated Persons. These benefits may include but are not limited to waivers or reductions of conference registration fees; meals; entertainment; and promotional premium items that have nominal value.

### **Additional Fees and Expenses**

You will pay an additional transaction fee in relation to investment products purchased through DFA. Although you are assessed a transaction fee, DFA's special funds are not available to the public, and their fees are minimal when compared to other fund companies. Refer to the *Advisory Business* section above for additional disclosures on this topic.

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

In limited circumstances, and solely at our client's request, we may trade client accounts on margin. Each client must sign a separate margin agreement *before* margin is extended to that client account. Our fees for advice (as disclosed above) do not include the value of the securities purchased on margin. Nonetheless, the use of margin may result in interest charges in addition to all other fees and expenses associated with the security involved.

### **Compensation for the Sale of Securities or Other Investment Products**

Although, George M. Palmer, Jr., investment adviser representative of our firm, is a registered representative (agent) with Quasar Distributors, LLC (Quasar), an unaffiliated securities broker/dealer, he does not sell or recommend securities or insurance products offered by Quasar. He is registered with Quasar in a non-sales capacity. Therefore, he does not earn commission-based compensation in connection with his association with Quasar or in connection with transactions for your accounts.



## Item 6 Performance-Based Fees and Side-By-Side Management

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged based on a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

The Orion Managed Bond Account requires a minimum initial investment of \$200,000 to open an advisory account. Otherwise, we do not impose a minimum account size requirement to open and maintain an account for management services. However, we suggest an account size of at least \$200,000, which is better suited for our broadly diversified investment strategy, as described above at the *Advisory Business* section. And, at our discretion, we may require a minimum annual fee of \$2,000 to open and maintain an advisory account.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- **Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

### Risks Associated with Methods of Analysis

**Fundamental Analysis** - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical Analysis** - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.



## **Investment Strategies and Tax Disclosures**

We employ a bond laddering and staggered maturities approach in implementing our investment strategy for the Orion Managed Bond Account. This portfolio management strategy involves purchasing multiple bonds, each with varying maturity dates in order to spread risks over a long-term.

We also utilize the Fama and French multi-factor approach in constructing client portfolios. Additionally, we utilize third party portfolio modeling software, where values are randomly generated for uncertain variables repeatedly to simulate a model. We will also utilize current research and analysis provided by DFA on various mutual funds and asset classes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We may use a covered call strategy in which an investor writes a call option contract while at the same time owning an equivalent number of shares of the underlying stock. If this stock is purchased simultaneously with writing the call contract, the strategy is commonly referred to as a "buy-write." If the shares are already held from a previous purchase, it is commonly referred to as an "overwrite." In either case, the stock is generally held in the same brokerage account from which the investor writes the call, and fully collateralizes, or "covers," the obligation conveyed by writing a call option contract. This strategy is the most basic and most widely used strategy combining the flexibility of listed options with stock ownership. Though the covered call can be utilized in any market condition, it is most often employed when the investor, while bullish on the underlying stock, feels that its market value will experience little range over the lifetime of the call contract. The investor desires to either generate additional income (over dividends) from shares of the underlying stock, and/or provide a limited amount of protection against a decline in underlying stock value. While this strategy can offer limited protection from a decline in price of the underlying stock and limited profit participation with an increase in stock price, it generates income because the investor keeps the premium received from writing the call. At the same time, the investor can appreciate all benefits of underlying stock ownership, such as dividends and voting rights, unless he is assigned an exercise notice on the written call and is obligated to sell his shares. The covered call is widely regarded as a conservative strategy because it decreases the risk of stock ownership. Maximum profit will occur if the price of the underlying stock you own is at or above the call option's strike price, at either its expiration or when you might be assigned an exercise notice for the call before it expires. The risk of real financial loss with this strategy comes from the shares of stock held by the investor. This loss can become substantial if the stock price continues to decline in price as the written call expires. At the call's expiration, loss can be calculated as the original purchase price of the stock less its current market price, less the premium received from initial sale of the call. Any loss accrued from a decline in stock price is offset by the premium you received from the initial sale of the call option. As long as the underlying shares of stock are not sold, this would be an unrealized loss. Assignment on a written call is always possible. An investor holding shares with a low cost basis should consult his tax advisor about the tax ramifications of writing calls on such shares.

Short-term trading (selling securities within a year of purchase) is not a fundamental part of our core investment strategy, but we may use this strategy occasionally when we determine that it is suitable based on your stated investment objectives and tolerances for risk.

Our strategies and investments may have unique and significant tax implications. We may take tax efficiency into consideration in the management of your assets. Nonetheless, regardless of your account size or any other factors, we recommend that you consult with a tax professional prior to and throughout the investing of your assets.



Moreover, as a result of revised IRS regulations, custodians will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as tax law requires that the cost basis method remain unchanged after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. You understand that our investment recommendations for your account are subject to various market, currency, economic, political, and business risks, and that those investment decisions will not always be profitable. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section above, we primarily recommend mutual funds and fixed income securities (bonds). Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment.

Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. Nonetheless, you should be advised of the following risks when investing in these types of securities:

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Mutual funds are funds that are operated by an investment company that raises money from shareholders and invests it in stocks, bonds, and/or other types of securities. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. The mutual funds charge a separate management fee for their services. The returns on mutual funds can be reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. Investors should carefully assess their tolerance for risk before they decide which fund is suitable for their account.



## Item 9 Disciplinary Information

Orion Capital Management, Inc. has been registered and providing investment advisory services since 1991. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

### Registrations with Broker-Dealer

Although, George M. Palmer, Jr., investment adviser representative of our firm, is a registered representative (agent) with Quasar Distributors, LLC (Quasar), an unaffiliated securities broker/dealer, he does not sell or recommend securities or insurance products offered by Quasar. He is registered with Quasar in a non-sales capacity. Therefore, he does not earn commission-based compensation in connection with his association with Quasar or in connection with transactions for your accounts.

### Certified Public Accountant

Mark G. Lownds, Advisory Representative, is also a Partner and Certified Public Accountant at Frank G. Lownds & Company, an accounting firm located in Palatine, Illinois. Clients of our firm may also be clients of Mr. Lownds in his separate capacity as a certified public accountant. The services provided and compensation received by Mr. Lownds for accounting related activities are separate and distinct from any fees paid for advisory services provided through our firm. Mr. Lownds spends the majority of his professional time in his capacity as a certified public accountant. Refer to the *Client Referrals and Other Compensation* section below for additional disclosure on Mr. Lownds' relationship with our firm.

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

We have adopted a Code of Ethics that sets the standard of conduct expected to comply with applicable securities laws. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. We adhere strictly to these guidelines. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor any of our Associated Persons shall have priority over your account in the purchase or sale of securities. We have also adopted a written Code of Ethics designed to prevent and detect personal trading activities that may interfere or be in conflict with client interests, as discussed above in this section.



These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

## Item 12 Brokerage Practices

We will generally recommend that securities be purchased through the facilities of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. However, in limited circumstances, other custodians may be recommended. We participate in the TD Ameritrade Institutional referral program. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers, services that include custody of securities, trade execution, clearance, and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the program. In addition to the benefits disclosed below, we may receive benefits such as assistance with conferences and educational meetings from product sponsors.

In selecting a broker dealer, we will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services. In recognition of the value of research services and additional brokerage products and services TD Ameritrade provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Refer to *Client Referrals and Other Compensation* below for additional disclosures on this topic.

As disclosed above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to clients for custodial and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our Associated Persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our Client accounts. These products or services may assist us in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our Firm or our Associated Persons through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our Associated Persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.



Additionally, we may receive succession planning, practice valuation and Equity management services from third-party vendors through our Firm's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, we may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with our Firm and there is no employee or agency relationship between TD Ameritrade and our Firm. TD Ameritrade has established the TD Ameritrade Institutional Equity Management program as a means of assisting independent unaffiliated advisory firms, such as ours, to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise our Firm and has no responsibility for our management of client portfolios or our other advice or services to clients.

Our Firm's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. We may encourage our clients to custody their assets at TD Ameritrade and our client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, we may have an incentive to recommend to clients that the assets under management by our Firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Our participation in the TD Ameritrade Institutional Equity Management Program does not relieve our Firm of the duty to seek best execution of trades for our clients' accounts.

#### **Soft Dollar Benefits**

We do not have any soft dollar arrangements.

#### **Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through TD Ameritrade. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

Although, George M. Palmer, Jr., investment adviser representative of our firm, is a registered representative (agent) with Quasar Distributors, LLC (Quasar), an unaffiliated securities broker/dealer, he does not sell or recommend securities or insurance products offered by Quasar. He is registered with Quasar in a non-sales capacity. Therefore, he does not earn commission-based compensation in connection with his association with Quasar or in connection with transactions for your accounts. We do not require or recommend that you direct brokerage through Quasar or Mr. Palmer through his association with Quasar.

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent us from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

#### **Block Trades**

We do not combine multiple orders for equity shares of the same securities purchased for advisory accounts we manage (commonly referred to as "block trading") because we invest in and primarily recommend investments in mutual funds that are traded at net asset value. However, in the case of individual bonds, we may combine smaller pieces into larger pieces for purposes of buying and selling in order to get better pricing for our clients.



## **Trade Errors**

In limited circumstances, we may make an error in submitting a trade on your behalf. In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a loss, we will reimburse you or otherwise ensure that your account is made whole. Where the trading error results in a gain, if the error is discovered before the trade is allocated to the client account, it will be corrected in the broker-dealer/custodian or our trade error account. If the error is discovered after allocation, you have the option of retaining the gain or refusing the gain if, for example, the gain creates an unfavorable tax situation.

## **Item 13 Review of Accounts**

We monitor client portfolios as part of an ongoing process while regular account reviews are conducted at least annually. As part of the review, we will update your financial objectives based on your financial position, changes in current economic conditions, and current tax laws. At all times, you are encouraged to discuss your needs, goals, and objectives with our firm, and to keep us informed of any changes in this financial information. Additional reviews may be conducted at your request, or based on various circumstances, including, but not limited to, large contributions and/or withdrawals, the increase or decrease of asset class positions, and changes in economic conditions or tax laws. James W. Kyle, President, Michael R. Denten, Director of Research, or another Associated Person will conduct all reviews.

You will receive transaction confirmation notices on all executed trades and regular summary account statements, at least quarterly, directly from your account custodian. We will also provide you with performance reports. In providing reports, we utilize the services of Tamarac Advisor X financial aggregation software that receives data downloads directly from our client's custodians and aggregates account information from multiple custodians. Tamarac Advisor X then calculates performance and quarterly billing for our client accounts. Through this service, we are able to provide our clients with monthly performance reports electronically that focus on account performance relative to your specific investment objectives. We provide direct access to account information, monthly statements, and performance through a link on our website. Upon your request, we will mail a copy of your quarterly performance reports to you. We also provide annual reports to our clients that may aid in tax preparation. Clients are provided with user access through a secure log in that allows them to access daily account information and updates directly.

We encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, please call our main office number located on the cover page of this brochure.

## **Item 14 Client Referrals and Other Compensation**

### **Compensation for Client Referrals**

We directly compensate non-employee (outside) consultants, individuals, and/or entities and Employees (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or



lower fees may be available through other firms. Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements.

We have entered into contractual arrangements with Mark Lownds, an advisory representative of our firm, under which we pay Mr. Lownds compensation for the establishment of new business/client relationships. The compensation to Mr. Lownds is equal to 25% of the advisory fee collected. Incentive based compensation paid to Mr. Lownds is predicated on the prospect entering into an advisory agreement with our firm. Under these arrangements, the client does not pay higher fees than OCM's normal/typical advisory fees.

### **AdvisorDirect**

We will receive client referrals from ("TD Ameritrade") through our participation in TD Ameritrade AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of, and unaffiliated with our firm; we do not have an employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisers. TD Ameritrade does not supervise our firm and has no responsibility for our management of your portfolios or our other advice or services. We pay TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that you pay to our firm ("Solicitation Fee"). We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by our firm from any of a referred client's family members, including a spouse, child, or any other immediate family member who resides with the referred client and who hire our firm on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TD Ameritrade to you. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgment Form.

Our participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisers that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, we may have an incentive to recommend to our clients that their assets under management with our firm be held in custody with TD Ameritrade and to place transactions for their accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require us to do so. Our participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

### **Dimensional Fund Advisors**

OCM may also receive educational material, marketing material, and access to instructional products through its relationship with DFA. OCM also participates in a referral program sponsored by DFA. However, no additional fees or compensation will be paid to DFA for client referrals. Moreover, clients referred to OCM by DFA are in no way obligated to utilize the services of either OCM or DFA.

### **Commission-Based Compensation**

Although, George M. Palmer, Jr., investment adviser representative of our firm, is a registered representative (agent) with Quasar Distributors, LLC (Quasar), an unaffiliated securities broker/dealer, he does not sell or recommend securities or insurance products offered by Quasar.



He is registered with Quasar in a non-sales capacity. Therefore, he does not earn commission-based compensation in connection with his association with Quasar or in connection with transactions for your accounts.

## **Item 15 Custody**

We do not take custody of your funds or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. We may have the authority to deduct our advisory fees from your account, but only if you previously consented to such deduction in writing.

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent qualified custodian. You will receive account statements from the independent qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement. If you engage us to provide Investment Advisory Services on a discretionary basis, we have the authority to determine the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may request that we do not invest in specific securities for your accounts. Refer to the *Advisory Business* section above for more information on our discretionary management services.

## **Item 17 Voting Client Securities**

Without exception, we will not vote proxies on behalf of your advisory accounts.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## **Item 19 Requirements for State Registered Advisers**

We are an SEC registered investment adviser. We are not registered with any State Securities Authority.



## Item 20 Additional Information

### Privacy Notice

In 1999 Congress passed an act that required the Securities and Exchange Commission and other regulators to adopt rules relating to the privacy of nonpublic information of consumers and customers who are individuals. In response, these regulators have adopted several regulations requiring investment advisers, including Orion Capital Management, Inc., to develop privacy policies with respect to nonpublic information of our customers who are individuals and to communicate those policies to you on an annual basis. If you have any questions on this policy, please contact James W. Kyle at (847) 441-0410.

### Principles

The relationship between Orion Capital Management, Inc. and our clients is among our most important assets. We strive to maintain your trust and confidence in us. We are committed to protecting your personal information to the best of our ability. We believe that you value your privacy, so we will not disclose your personal information unless it is required by law, is at your direction, or necessary to provide you with financial services. We will *never* sell your personal information to anyone.

### Information We Collect, Receive, Maintain and Communicate

In the course of doing business with you, we may collect nonpublic information about you from, among other things, the following sources:

- Information we receive from you on applications or other forms, such as your social security number, personal financial information, and birth date;
- Information about your transactions with us, such as your account balance, assets, and past transactions; and
- Information we collect from you through your account inquiries by mail, e-mail, or telephone.

### Security Standards

We maintain physical, electronic, and procedural safeguards to ensure the integrity and confidentiality of your nonpublic personal information in the manner described above.

These include:

- Adopting policies and procedures that put in place physical, electronic, and other safeguards to keep your personal information safe.
- Limiting access to personal information to those employees who need it to perform their job duties.
- Requiring third parties who perform services for us to agree to keep your information strictly confidential.