

Form ADV Part 2 Brochure
Prepared 1/2012

Firm:

Taylor, Cottrill LLC
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New London, NH 03257
603-526-7400
603-526-4842 (fax)
www.taylorcottrill.com

Contact:

Martha Cottrill, Chief Compliance Officer

This brochure provides information about the qualifications and business practices of Taylor, Cottrill LLC. If you have any questions about the contents of this brochure, please contact us at 603-526-7400 or info@taylorcottrill.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.

Summary of Material Changes

“Brokerage Practices” (pgs. 7-9) has been expanded to include the potential for trading fixed income away from clients’ custodian of record.

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Advisory Business

- A. Taylor, Cottrill LLC was founded in August of 2007. It is incorporated as a limited liability company with two members, Edmund R. Taylor and Martha E. Cottrill.
- B. Taylor, Cottrill LLC manages diversified portfolios of liquid assets for individuals, institutions, and retirement plans. We use exchange-listed securities, securities traded over-the-counter, American Depositary Receipts of foreign issuers, corporate debt securities, commercial paper, Certificates of Deposit, Municipal bonds, U.S. government securities, mutual fund shares, exchange-traded funds, and call option contracts. Our primary approach to evaluating investments is the process of reviewing basic valuation data (such as earnings per share, book value, cash flow, etc), or “fundamental research.” To accomplish fundamental research, we may use financial newspapers and magazines, direct inspection of corporate activities, research materials prepared by others, corporate rating services, the company’s annual reports, prospectuses, filings with the Securities and Exchange Commission, and/or any additional sources of public information in which we can have reasonable confidence. Charts and technical analysis may also be used in our research. In constructing portfolios and evaluating investments, we also take into consideration the current and prospective macroeconomic environment, including the level of business activity in the U.S. and around the world, currency and interest rate trends, and monetary, fiscal, and political considerations. Securities may be sold at *any* point after their purchase. Depending on market conditions, holding periods may vary considerably. After-tax returns are taken into consideration for taxable accounts. We generally do *not* use short sales or margin transactions, but we do not prohibit them. Under certain circumstances, we may sell covered call options for certain clients.
- C. Each portfolio is constructed individually for each client to reflect our understanding of their financial situation, their comfort level with risk, and their need for growth and/or income. We also consider each client’s time horizon, liquidity needs, legal and tax circumstances, and unique conditions. We will consider accepting any particular restrictions on investment in certain securities or types of securities on a best-efforts basis for an individual client if we feel the restrictions are reasonable and can be executed without compromising our ability to meet the client’s investment objectives. These can be discussed with your portfolio manager at any point in our relationship.
- D. We do not participate in any wrap fee programs.
- E. We manage approximately \$194 million in discretionary client assets as of 12/31/2011. We do not accept non-discretionary accounts.

Fees and Compensation

- A. We are compensated through fees assessed on the assets we are assigned to manage, starting at 1% annually on a client’s assets up to \$2.5 million and 0.75% annually on assets over \$2.5 million. Clients are normally billed quarterly and in advance, using the quarter-ending market value. Clients with related accounts may have their assets combined for minimum account size and/or breakpoint calculations. Fees may be negotiated depending on the level of assets to be managed and the services required.
- B. Fees may be deducted from client assets or we may send an invoice for fees incurred, whichever is more convenient for the client. As described above, clients are billed quarterly.

- C. Additional costs may include custody fees for clients that choose that type of custodian, and product expenses when Taylor, Cottrill chooses to use an instrument such as a mutual fund or an exchange-traded fund. Clients will also incur brokerage and other transactions costs when we buy or sell an investment on their behalf. Please review “Brokerage Practices,” below.
- D. At each quarter-end, we use the quarter-end market value to calculate the management fee for the following three months and issue an invoice either to the client custodian or to the client directly for payment. In the former case, we send a copy marked “do not pay” to the client. Management contracts may be terminated by either party at any time. If a contract is terminated prior to quarter-end, Taylor Cottrill LLC will return any unearned fees that have been paid. Clients are expected to pay any unpaid, accrued fees. Our calculation of the proration of fees will be based on the number of calendar days in the quarter and unless another agreement is reached, we will assume our contract is terminated on the day that we receive written notification.
- E. Employees of Taylor, Cottrill LLC may not accept compensation for the sale of any security or investment product.

Performance Based Fees and Side-By-Side Management

Taylor, Cottrill LLC does not accept performance-based fee arrangements.

Types of Clients

We currently provide investment advice to individuals, pension and profit sharing plans, trusts, estates & charitable organizations, and corporations or business entities. Banks and thrift institutions and investment companies could be clients in the future.

Taylor, Cottrill LLC seeks a mutually-beneficial relationship with clients. We have determined that our minimum assignment is \$500,000 in managed assets or \$5,000 in annual fees. Accounts may be combined to meet the minimum asset requirement. The fee minimum may be waived. The acceptance or retention of a client below the minimum level will be determined by a number factors including, but not limited to, the client’s total assets potentially available for management, the client’s choice of custodian, the client’s expected level of service, and pre-existing account relationships.

Methods of Analysis, Investment Strategies, and Risk of Loss

- A. Our primary method of analysis is the evaluation of a company’s fundamental financial data and prospects. Sources of information will include financial newspapers and magazines, public filings such as 10-K’s, 10-Q’s and annual reports, press releases, research materials provided by others, corporate rating services, and inspection of corporate activities. Although diversification among asset classes and individual holdings can reduce risk, *clients should be prepared to experience losses.*
- B. Our preference is to make long-term purchases on behalf of our clients. Market conditions sometimes require short-term purchases (less than 1 year holding period) and trading (less than

a 30-day holding period). Infrequently, and depending on client and market circumstances, we may use short sales, margin transactions, and covered call strategies.

Disciplinary Information

Neither our firm nor our employees have been subject to legal or disciplinary events.

Other Financial Industry Activities and Affiliations

- A. Neither the firm nor any of its employees are registered as a broker-dealer. There are no registration applications pending.
- B. Neither the firm nor any of its employees are registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing entities. There are no registration applications pending.
- C. Neither the firm nor any of its employees have relationships or arrangements that are material to our advisory business or to our clients with any of the following entities:
 - Broker-dealer, municipal securities dealer, or government securities dealer or broker
 - Investment company or other pooled investment vehicle
 - Other investment adviser or financial planner
 - Futures commission merchant, commodity pool operator, or commodity trading advisor
 - Banking or thrift institution
 - Accountant or accounting firm
 - Lawyer or law firm
 - Insurance company or agency
 - Pension consultant
 - Real estate broker or dealer
 - Sponsor or syndicator of limited partnerships
- D. We do not recommend or select other investment advisers for our clients or have other business relationships with other investment advisors that might create a conflict of interest.

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

- A. Taylor, Cottrill LLC has adopted the Code of Ethics that has been developed by the CFA Institute. We would be pleased to provide a copy of the Code of Ethics to any clients or prospective clients upon request.
- B. Employees may, from time to time, buy and sell for themselves the same securities they recommend to clients. This has the potential to create a conflict of interest between employees and clients. To prevent this, employees are encouraged to avoid any apparent conflict of interest with clients when buying and selling in their own account. Employees are discouraged from trading in a security that the firm has bought or sold for an individual client on the same day, and employees are prohibited from trading in a security on the same day that a buy or sell decision is initiated for the client base as a whole. All employees are required to provide copies of brokerage statements to the Chief Compliance Officer and to affirm quarterly that their personal trades have not created a conflict of interest with clients. The CCO reviews brokerage

statements and trade blotters periodically to verify these attestations. Employees may be required to pre-clear their personal trades with the CCO if questionable practices arise. Willful and repeated violations of the firm's Code of Ethics may result in penalties up to and including termination.

- C. Taylor, Cottrill LLC accepts investment management contracts with employees and employee relatives and will treat these accounts equally with other clients. This presents a potential conflict of interest in that portfolio managers could favor employee and related accounts over other client accounts. The Chief Compliance Officer reviews related account trading and compares it to other client trades for evidence of favoritism. The Chief Compliance Officer also reviews firm wide portfolio and asset class returns for evidence of favoritism. Giving preference to any client over another could be considered a violation of our Code of Ethics and could result in penalties up to and including termination.

Brokerage Practices

- A. While banks charge a fee for custody services, most broker-dealers do not. The broker-dealer is compensated for custodial services by charging you commissions and/or fees on trades that it executes and settles in your account.

Equity trades executed with your custodial broker-dealer will incur a commission charge only. If an equity trade is executed with a broker-dealer other than your custodian, you will be charged a commission from the executing broker *and* an additional flat dollar amount to settle the trade. In order to minimize overall client trading costs and maximize trading efficiency, therefore, we normally instruct the custodian broker to execute equity trades for the client accounts held there. In 2011, all client equity transactions were executed through the broker-dealer that holds the client's securities, with the following exception: Transactions in DVP (Delivery versus payment) accounts held at banks were executed through Charles Schwab & Co. or through the bank's trading department.

When fixed income securities are bought and sold, bond dealers impose a markup (or down) to the price of the bond, rather than a commission. In liquid bond markets (such as the U.S. Treasury market) these mark-ups are minimal and inventories are comparable regardless of custodian. When market conditions require that we invest in less-liquid fixed income securities, however, the securities available and the prices offered may differ modestly between custodians. We may also use third-party bond brokers if they offer securities that are not available at your custodian, or if the prices are measurably more favorable than those available through your custodian's fixed income services. Individual fixed income investment opportunities may be limited, however, and portfolio managers have discretion in allocating these opportunities.

We review our trading activity annually to evaluate trade execution. The Chief Compliance Officer also reviews firm wide portfolio and asset class returns periodically for evidence of favoritism. Giving preference to any client over another could be considered a violation of our Code of Ethics and could result in penalties up to and including termination.

Each client may select their own custodian. If there is no present relationship, Taylor, Cottrill LLC may suggest one or more alternatives. The factors that Taylor Cottrill considers in selecting or

recommending custodians and therefore the majority of broker-dealers for client transactions and determining the reasonableness of their compensation (i.e. commissions) include:

- ◆ The combination of transaction execution services and custody services (generally without a separate fee for custody)
- ◆ Capability to execute, clear, and settle trades
- ◆ Capability to facilitate transfers and payments to and from your account
- ◆ Breadth of available investment products
- ◆ Availability of investment research and tools that assist us in making investment decisions
- ◆ Quality of services
- ◆ Competitiveness of the price of those services
- ◆ Reputation, financial strength and stability
- ◆ Prior service to us and other clients
- ◆ Additional services that may be valued by the client
- ◆ Availability of other products and services that benefit us as described below (see “Products and Services Available to us from Custodians”, below)

If Taylor, Cottrill LLC found it cost-effective to execute trades with a broker-dealer other than the custody provider, these same factors would be brought to bear in the selection of broker-dealers.

Products & Services Available to us from Custodians: Although Taylor, Cottrill LLC does not enter into soft dollar contracts for research, the custodians we recommend provide clients like us with access to institutional brokerage services including trading, custody, reporting and related services, that may not be available to the typical retail customer. Some of those services help us to manage and administer client accounts while other may help us to grow and manage our business. Support services are generally available on an unsolicited basis and at no charge to us so long as we maintain a reasonable level of client assets with the custodian. If our collective client assets fall beneath a minimum level, Taylor, Cottrill LLC may be required to pay a service fee. The following is a more detailed description of some of these services:

Services that benefit you: Recommended institutional custodians may provide access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the institutional platform include some to which we may not otherwise have access or that would require a significantly higher minimum investment by our clients. These services may benefit you.

Services that may not directly benefit you: Institutional custodians may make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering clients’ accounts. They include investment research (both the custodian’s own and that of third parties) and we may use that research to benefit all of our clients, including accounts not held at that custodian. Institutional custodians also make available software and other technology that:

- Provide access to client data (such as duplicate trade confirmations and account statements)

- Facilitate trade execution and allocate aggregated trade orders for multiple accounts
- Provide pricing and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping, and client reporting.

Services that may benefit only Taylor, Cottrill LLC: Institutional custodians also offer other services intended to help us manage and further develop our business enterprise. These include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business matters
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Institutional custodians may provide these services themselves, or they may arrange for third-party vendors to provide these services to us. Institutional custodians may discount or waive fees for some of these services, or pay all or a portion of the vendor's fees. Institutional custodians may also provide us with other benefits such as occasional business entertainment of our personnel.

The availability of these services from institutional custodians benefits us because we do not have to produce or purchase them so long as our clients collectively maintain at least the minimum required balances with the custodian. Those minimums may give us an incentive to recommend that you maintain your account with a certain custodian based on our interest in receiving services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. We believe, however, that our selection of institutional custodians is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of services and not the services that benefit only us. We have over \$175 million in assets under management and we do not believe that collectively maintaining minimum balances with any of our recommended custodians in order to avoid the payment of quarterly service fees presents a material conflict of interest.

1. *Soft Dollars:* Taylor, Cottrill LLC does not enter into soft dollar contracts.
2. *Brokerage for Client Referrals:* Taylor, Cottrill LLC does not allocate brokerage in exchange for client referrals. Our normal practice is to execute all client trades through their custodian of record (see above)
3. *Directed Brokerage:* Directed brokerage is the practice of a client *requiring* Taylor, Cottrill LLC to execute transactions with a particular broker. Taylor, Cottrill LLC accepts directed brokerage instructions. Clients should be aware that they may not receive best execution and that Taylor, Cottrill LLC will not negotiate commissions on behalf of the client. As a result, the client may incur brokerage charges that are higher than those incurred by other clients.

- B. Trade aggregation: Investment decisions are made individually for each client. From time to time, securities may be purchased or sold for more than one client at the same time and we may

aggregate orders. There is no assurance that this aggregation of orders will benefit all clients equally. When trades are aggregated, clients receive the average price and each account will be deemed to have purchased or sold their proportionate share of the securities involved at that average price. Aggregate trades are always preceded by a pre-execution aggregation statement. When fixed income trades are aggregated, it may not be in any client's best interest to apportion pro-rata shares of the executed trade (it may result in fractional bond allocations). If an order must be allocated on a basis other than pro-rata, all participating clients shall receive fair and equitable treatment.

Review of Accounts

- A. Accounts are reviewed at least quarterly by an employee with professional qualifications such as a college degree, the CFA or the CFP designation, or the equivalent experience in finance and investments. Currently, the firm's two principals perform these duties.

Martha Cottrill, LLC member

Born: 12/20/1962

Education and Qualifications:

B.A. Political Economics, Johns Hopkins University, phi beta kappa
Chartered Financial Analyst designation, 1992

Employment History

2007-current:	Taylor, Cottrill LLC	New London, NH
1987-2007:	Boston Private Value Investors	Concord, NH
	<i>(various, including Managing Director and Chief Operating Officer)</i>	
1984-1986:	Morgan Stanley	New York, NY
	<i>(MIS trainee)</i>	

Edmund R. Taylor, LLC member

Born: 12/29/1946

Education and Qualifications:

B.B.A. Adelphi University
Chartered Financial Analyst Designation, 1974

Employment History

2007-current:	Taylor, Cottrill LLC	New London, NH
1997-2007:	Ledyard National Bank	Hanover, NH
	<i>(various including Chief Investment Officer)</i>	
1983-1994:	Taylor Investments	New London, NH
	<i>(founder and president)</i>	
1975-1983:	First Vermont Bank	Brattleboro, VT
	<i>(Chief Investment Officer)</i>	
1969-1975:	Merrill Lynch	New York, NY
	<i>(senior analyst)</i>	

- B. Portfolio managers often have personalized methods for reviewing accounts, but at a minimum in addition to the quarter-end review, each account's asset allocation is compared to targets

once per quarter. Individual holdings are generally also reviewed in more detail when firm-wide buy or sell decisions are made.

- C. In addition to statements and trade confirmations from their custodians, Taylor, Cottrill LLC provides a monthly newsletter and a written quarterly report on their portfolio. The quarterly report includes market commentary and comments particular to the client's portfolio (where applicable). It also includes a series of portfolio reports that may include (but are not limited to) an asset allocation summary, a list of individual positions, an overview of purchases and sales during the quarter, realized gains and losses, performance calculations, and a copy of our invoice.

Client Referrals and other Compensation:

Taylor, Cottrill LLC may enter into contractual arrangements with third party firms for the purpose of soliciting additional clients. Clients thus solicited will not pay higher than the normal Taylor, Cottrill LLC management fees. These firms shall agree to hold in confidence and not to disclose or use for its own benefit any confidential information of Taylor, Cottrill LLC. Solicitors shall be required to provide signed solicitor disclosure agreements before Taylor, Cottrill LLC shall accept these clients.

Current third party firms receiving compensation from Taylor, Cottrill LLC for referring clients include: Fiscal Dynamics
 314 Farmington Ave.
 Farmington, CT 06032

Custody:

Taylor, Cottrill LLC does not offer custody services. Your assets must be maintained in an account at a "qualified custodian," generally a broker dealer or a bank. Each client may select their own qualified custodian. If there is no present relationship, Taylor Cottrill LLC may suggest one or more alternatives. We are independently-owned and not affiliated with any of the custodians we may suggest. These custodians will hold your assets in a brokerage account and buy or sell securities when we instruct them to do so. While we may recommend custodians, you will decide which custodian to use and will enter into an account agreement directly with them. We may assist you in opening the account but we cannot do this for you. Your custodian will send you monthly statements. We urge you to review these regularly and to compare them to the statements you will receive from us.

Investment Discretion:

When clients sign an investment management contract with Taylor, Cottrill LLC's, they appoint Taylor, Cottrill LLC as an agent and attorney-in-fact with power to buy, sell, and otherwise effect transactions in the contracted account. After execution of a contract, no additional prior authorization from the client is required before Taylor, Cottrill LLC executes transactions on his behalf.

Voting Client Securities:

To avoid any potential conflict of interest, Taylor, Cottrill LLC recommends clients vote their own proxies. Taylor, Cottrill LLC will, however, accept authority to vote proxies on client securities and clients must understand that our policy is generally to vote with management. Any deviation from this policy would be the result of our judgment that a vote against management recommendations would be in shareholders' best interests. Clients may request a copy of our proxy voting policies and procedures, or a report of our voting track record on their holdings from Chad Richardson, Director of Operations.

Financial Information:

We do not a). Require or solicit prepayment of fees more than six months in advance, b). Have custody of client funds or securities, nor c). Have we been the subject of a bankruptcy petition at any time during the past ten years, therefore we are not required to provide a balance sheet for the most recent fiscal year.

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Prepared 3/2011

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Contact:

Martha Cottrill, Chief Compliance Officer

This brochure provides information about the qualifications of supervised personnel providing investment guidance and interacting regularly with clients of Taylor, Cottrill LLC. If you have any questions about the contents of this brochure, please contact us at 603-526-7400 or info@taylorcottrill.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.

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2	William B. Hamilton, Jr., Senior Financial Strategist

Educational Background:

Williams College B.A., American Civilization 1970

Washington & Lee School of Law, J.D. 1975

Business Experience:

- Various trust banking positions 1975-1980
- Dartmouth National Bank; Hanover, NH 1981-1989
Senior Vice President & Senior Trust Officer; Led trust function and business development.
Oversaw growth of assets from \$80 million to \$400 million
- New London Trust Company; New London, NH 1989-1997
President, Trust Division; founded Trust Department at New London Trust Company. Led trust
function and business development. Oversaw growth of assets from \$20 million to \$1 billion
- Ledyard National Bank; Hanover, NH 1998-2007
President, Trust Division; Led trust function and business development. Oversaw growth of
assets from \$130 million to \$700 million
- Northern Trust; Tucson, AZ 2007-2008
Vice President, Senior Wealth Strategist; business development
- Taylor, Cottrill LLC; New London, NH 2008 to present
Senior Financial Strategist; responsibilities include business development and client service

Disciplinary Information:

No

Other Business Activities:

No

Additional compensation:

No

Supervision:

Upon employment, all Taylor, Cottrill employees are required to confirm their receipt and understanding of the Taylor, Cottrill Code of Ethics and Compliance Manual and any Compliance Manual updates.

Mr. Hamilton's investment responsibilities entail working closely with prospective and current clients to develop an understanding of their investment objectives and risk/return parameters. This information is conveyed in verbal and written communications to the owners of the firm (Martha Cottrill and Ed Taylor) who are then responsible for implementing investment objectives through portfolio management. Investment objectives and an overview of the execution plans are conveyed to the client in a written document at the outset of a relationship and periodically reiterated in quarterly written reports. Ms. Cottrill and Mr. Taylor are responsible for supervising Mr. Hamilton and may be reached at the location noted on the cover page of this document.