

Item 1. Cover Page

Part 2A of Form ADV Firm Brochure

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This brochure provides information about the qualifications and business practices of Twombly Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at marnie@twomblyassetmanagement.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State Securities Commission. Registration with the SEC or any State regulatory authority does not imply a certain level of skill or expertise.

Additional information about Twombly Asset Management, LLC, is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Initial publication date is March 31, 2011.

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Item 4. Advisory Business

A. General Information

Twombly Asset Management, LLC ("TAM"), is an investment advisor providing discretionary asset management services to its clients. TAM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies as itemized in Item 8 of this Brochure. In addition, TAM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of such securities, the executing broker, and the commission rates to be paid to effect such transactions, as more fully described in Item 12 of this Brochure.

B. Portfolio Management

TAM's investment strategy is to seek absolute returns through the deployment of a diversified, all-capitalization, multi-strategy portfolio of equity and fixed income securities. The strategy may be augmented by a tactical allocation of securities based upon current economic data. Security selection and allocation decisions are developed to meet the client's specific risk tolerance as well as investment objectives, guidelines and constraints agreed to by the client and TAM, while taking into consideration the client's long-range expectations. TAM invests in securities of companies from a diversified group of industries that have strong fundamentals and exhibit favorable technical and momentum trends of strong earnings, dividend and revenue growth, low debt to equity, low cost of production and related factors. TAM's investment strategy follows a value discipline when selecting equities and as such seeks to invest in securities of undervalued companies in anticipated growth sectors.

C. TAM's Client-Centric Investment Philosophy

Client relationships are managed on the basis of the individual client's financial situation and investment objectives and in accordance with any reasonable restrictions the client imposes on the management of his or her account.

D. Wrap Fee Programs

TAM does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

E. Assets Under Management

TAM currently has \$ 39,748,918 in discretionary client assets under supervision and \$0 in non-discretionary assets under supervision.

Item 5. Fees and Compensation

A. Investment Advisory Fees

TAM's advisory fees are based solely on the fee schedule contained in the investment advisory agreement between the client and the firm. These advisory fees are asset based and are payable monthly in advance. Fees will be prorated if the investment advisory relationship commences or is terminated at a time other than at the beginning of a calendar quarter. Fees will be refunded on a pro rata basis. A client investment advisory agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

A.1. Asset Management Fees

TAM's fee schedule is itemized below and is computed on the basis of the market value of the client's portfolio, payable in advance, and computed on the last business day of the preceding month. The monthly fee is charged at one-twelfth the annual rate specified below. The initial monthly fee is payable at the beginning of the first full month after inception date and is computed on the market value of such assets on the last day of the inception month.. TAM may modify the fee at any time upon thirty (30) days written notice to the client. Fees are negotiable.

<u>Assets Under Management</u>	<u>Equity and Balanced*</u>	<u>Fixed Income Only*</u>
Less than \$100,000	1.8.0%	.30%
\$100,001 - \$500,000	1.3%	.30%
\$500,001 - \$2,000,000	.80%	.30%
\$2,000,001 - \$5,000,000	.55%	.30%
Above \$5,000,000	Negotiable	Negotiable

*Fees are negotiable.

TAM generally requires a minimum account value of \$250,000 or aggregate household value of \$1,000,000. Clients with household portfolio values less than \$250,000 may find comparable services at more favorable pricing elsewhere. TAM, in its sole discretion, may waive the required minimum. The fee does not include the fees and expenses of exchange traded funds as well as exchange fees of foreign securities.

The client authorizes the custodian of client's securities to automatically deduct TAM's advisory fee payable to the advisor from the assets in the account when due, with such payments to be reflected on the next custodian's account statement sent to the client. If insufficient cash is available to pay such fees, sufficient securities will be liquidated to pay for the unpaid balance.

Generally, fees will be charged in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar month, based upon the

market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous month, as mutually agreed upon by the client and TAM.

A pro rata refund will be made for clients who terminate services otherwise than at month's end. The client may terminate an individually managed account by giving ten (10) days' written notice.

B. Payment of Fees

TAM will not take custody or possession of client's funds or securities at any time except to the extent that the firm may deduct fees directly from the client's account. TAM's fees will be billed directly to and paid from the client's account by the custodian of the client's securities.

TAM will deduct its advisory fees directly from the client's account provided that

- the client provides the qualified custodian written authorization;
- the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

TAM's fees will be disbursed to the firm by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The qualified custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

C. Other Fees

The fees charged by TAM do not include fees charged by any exchange traded fund, mutual fund, pooled investment vehicle, or any broker-dealer or custodian selected by the client. The management fees for pooled investment vehicles are disclosed in their confidential offering memoranda and applicable subscription documents; in the case of an exchange traded fund or mutual fund, fees and charges are disclosed in the respective fund's prospectus. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using TAM's services may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Fees charged by mutual funds, exchange traded funds and privately pooled investment vehicles are separate and apart from the advisory fees charged by TAM. Similarly, the fees charged by the firm do not include any fees charged by a broker-dealer or custodian retained by a client to implement TAM's advice or to otherwise hold the client's portfolio securities.

D. Prepayment of Fees

TAM requires the pre-payment of its advisory fees. Advisory fees are always subject to the investment advisory agreement between the client and TAM. Asset-based fees are payable monthly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. There will be no fee adjustments for contributions to and distributions from a client's portfolio.

A client investment advisory agreement may be canceled at any time by the client, or by TAM with ten (10) days prior written notice to the client. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

E. Financial Advisor Compensation

TAM's financial advisors are compensated solely through a salary and bonus structure. TAM is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products.

Item 6. Performance-Based Fees

TAM does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what it believes to be in their best interests.

Item 7. Types of Clients

TAM offers personalized investment management services to high-net-worth individuals and related trusts, charitable organizations, pension and profit sharing plans, corporations and other business entities. Although TAM provides investment services to the various types of clients mentioned, the services are conditioned upon meeting the following certain minimum criteria established by the firm.

TAM generally requires a minimum account value of \$250,000 or aggregate household value of \$1,000,000. Clients with household portfolio values less than \$250,000 may find comparable services at more favorable pricing elsewhere. TAM may, in its sole discretion, waive the required minimum.

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

TAM is responsible for identifying and implementing analytical methodologies used in formulating investment recommendations to clients. The methods of research may include fundamental analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. TAM may retain independent third parties to work in conjunction with its executive management team to provide input and guidance for the investment direction communicated by the firm. TAM may utilize third-party software to assist in formulating investment recommendations to clients.

A. Methods of Analysis and Investment Strategies

TAM's investment strategy is to seek absolute returns through the deployment of a diversified, all-capitalization, multi-strategy portfolio of equity and fixed income securities. The strategy may be augmented by a tactical allocation of securities based upon current economic data. Security selection and allocation decisions are developed to meet the client's specific risk tolerance as well as investment objectives, guidelines and constraints agreed to by the client and TAM, while taking into consideration the client's long-range expectations. TAM invests in securities of companies from a diversified group of industries that have strong fundamentals and exhibit favorable technical and momentum trends of strong earnings, dividend and revenue growth, low debt to equity, low cost of production and related factors. TAM's investment strategy follows a value discipline when selecting equities and as such seeks to invest in securities of undervalued companies in anticipated growth sectors.

TAM will utilize exchange traded funds for the fixed income allocation unless the client has sufficient liquid assets, thereby making the purchase of the actual fixed income instrument viable. Fixed income allocations may involve U.S. Treasury securities, investment-grade corporate bonds, municipal bonds and, in certain situations, high-yield bonds.

A.1. Material Risks of Investment Instruments

TAM typically invests in equity securities, corporate and bank-sponsored debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and other securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange traded funds
- Exchange traded notes
- Corporate debt securities, commercial paper and certificates of deposit

- Municipal securities
- U.S. government securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations
- Options on securities

A.1.a. Equity Securities

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

A.1.b. Warrants and Rights

TAM may invest in warrants and rights. Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

A.1.c. Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

A.1.d. Exchange Traded Funds (“ETFs”)

TAM may invest in exchange traded funds (which may, in turn, invest in equities, bonds and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs[®], streetTRACKS[®], DIAMONDSSM, NASDAQ 100 Index Tracking StockSM (“QQQsSM”), iShares[®] and VIPERs[®]. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company’s advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF’s underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

A.1.e. Exchange Traded Notes (“ETNs”)

TAM may invest in ETNs, which are structured debt securities. ETNs’ liabilities are unsecured general obligations of the issuer. Most ETNs are designed to track a particular market segment or index. ETNs have expenses associated with their operation. When a fund invests in an ETN, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETN’s expenses. The risks of owning an ETN generally reflect the risks of owning the underlying securities the ETN is designed to track, although lack of liquidity in an ETN could result in its being more volatile than the underlying portfolio of securities. In addition, because of ETN expenses, compared to owning the underlying securities directly it may be more costly to own an ETN. The value of an ETN security should also be expected to fluctuate with the credit rating of the issuer.

A.1.f. Corporate Debt, Commercial Paper and Certificates of Deposit

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company’s ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have

maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

A.1.g. Municipal Securities

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

A.1.h. U.S. Government Securities

TAM may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

A.1.i. Government and Agency Mortgage-Backed Securities

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

A.1.j. Corporate Debt Obligations

TAM may invest in corporate debt obligations. Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. TAM may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

A.1.k. Mortgage-Backed Securities

TAM may invest in mortgage-backed securities, including pass-through securities and collateralized obligations. Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, TAM may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

A.1.l. Collateralized Obligations

TAM may invest in collateralized mortgage obligations ("CMOs") that are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

TAM may also invest in collateralized debt obligations ("CDOs"), which include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

A.1.m. Options on Securities

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

B. Investment Strategy and Method of Analysis of Material Risks

B.1. Short-Term Trading

TAM does not engage in high-frequency trading. However, it reserves the right to employ such a strategy given current market conditions for the companies in which it invests. In the event of short-term trading, clients are advised that it can create substantial transaction costs as well as taxes that in the aggregate could negatively impact portfolio performance.

B.2. Option Strategies

Holders of call options give the holder the right to acquire underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. TAM as part of its investment strategy may employ any of the following:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

B.2.a. Covered Call Writing

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client's portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

B.2.b. Long Call Option Purchases

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

B.2.c. Long Put Option Purchases

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, then the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

B.2.d. Option Spreading

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; clients may contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

B.2.e. Short Call Option Strategy

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

B.2.f. Short Put Option Strategy

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens,

the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

B.2.g. Equity Collar

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified "cap rate." A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified "floor rate." A collar involving stock is called an "equity collar." In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

B.2.h. Long Straddle

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

C. Concentration Risk

Although TAM employs a broad diversification strategy, there may be times when one industry, sector or company is more heavily weighted than others. In such cases there is the possibility that negative performance of the heavily weighted security will have a greater impact on the overall performance of the portfolio. Clients who have broadly diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

Item 9: Disciplinary Information

A. Criminal or Civil Actions

There is nothing to report on this item.

B. Administrative Enforcement Proceedings

There is nothing to report on this item.

C. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report on this item.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealer Affiliation

TAM neither has an affiliate broker-dealer nor is in process of registering an affiliate as a broker-dealer.

B. Commodity, FCM, CPO or CTA Affiliation

Neither TAM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and do not have an application to register pending.

C. Relationships Material to Advisory Business

In addition to the information described in Item 12, certain managers, members and registered employees of TAM are licensed insurance agents. With respect to the provision of financial planning services, TAM professionals may recommend insurance products offered by certain insurance carriers with whom the firm has agreements and receive commissions for doing so.

Clients are advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products offered through such insurance carriers. Clients are also advised that TAM strives to put its clients' interests first and foremost. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with TAM's employing broker-dealer.

D. Recommendation of Other Advisers

TAM does not receive any remuneration from advisers, investment managers, outside consultants or other service providers including custodians that it recommends to clients.

Item 11. Code of Ethics

A. Code of Ethics Policy

Members and employees of TAM may purchase or hold securities that are recommended for purchase or sale by clients. Personal security transactions by persons associated with the firm are subject to TAM's Code of Ethics, which includes various reporting, disclosure and approval requirements in order to prevent actual or potential conflicts of interest with transactions recommended to clients. Compliance with the Code of Ethics is a condition of employment. These requirements include the following:

- No employee or member may transact purchases or sales for his or her account, or for immediate family members' accounts, or for any other account in which the employee or employee's immediate family has an economic interest, which might reasonably be expected to materially affect the prices of securities for which transactions have been recommended or might be made for or recommended to clients in the near future.
- No employee or member may participate in initial public offerings.
- All trades must be pre-approved by a senior portfolio manager and must be executed within two trading days of approval.
- Client accounts in which an employee has an interest are to be treated under the same guidelines as all other client accounts.
- Quarterly, the firm requires a summary of trading activity.
- Annually, the firm requires a list of holdings. Transactions and holdings in government securities, bank certificates of deposit, and shares of open-end mutual funds are excluded from the reporting requirements.

TAM will forward clients a copy of its Code of Ethics upon written request.

B. Material Financial Interests

TAM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, TAM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

C. Proprietary Investing

TAM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with the firm's Code of Ethics policy. They may also effect securities transactions for their own accounts that differ from those recommended or effected for other TAM clients. TAM will make a reasonable attempt to trade securities in client accounts prior to trading the securities in its employee or employee-related

accounts. It is TAM's policy to place the clients' interests above those of the firm and its employees.

Item 12. Brokerage Practices

A. Factors Used to Select Broker-Dealers for Client Transactions

TAM may, if the client requests, recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, or with U.S. Trust, Bank of America or others to maintain custody of clients' assets and to effect trades for their accounts (herein collectively referred to as "custodian"). Although TAM may recommend or require that clients establish brokerage accounts with Schwab, TAM is independently owned and operated and not affiliated with Schwab.

Schwab does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into Schwab accounts.

In certain instances and subject to approval by the firm, TAM will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by TAM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

A.1. Institutional Trading and Custody Services

Schwab provides TAM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab. These services are not contingent upon TAM committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

A.2. Other Products and Services

Schwab also makes available to TAM other products and services that benefit TAM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of TAM's accounts, including accounts

not maintained at Schwab. Schwab also makes available to TAM its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of TAM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

Schwab also offers other services intended to help TAM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to TAM. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to TAM. Schwab may also provide other benefits, such as educational events or occasional business entertainment of TAM personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, TAM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

A.3. Independent Third Parties

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to TAM. Schwab may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to TAM.

B. Trading Practices

B.1. Best Execution

TAM may, if the client requests, recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, or with U.S. Trust, Bank of America or others to maintain custody of clients' assets and to effect trades for their accounts (herein collectively referred to as "custodian"). Such accounts will be prime broker

eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. The custodian charges a "trade away" fee, which is charged against the client's account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients will consult their current custodian for their policies and fees.

TAM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of such securities, the executing broker and the commission rates to be paid to effect such transactions. TAM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. TAM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- The ability to borrow securities for short sale
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

B.2. Directed Brokerage

B.2.a. TAM Recommendations

TAM, if requested by a client, may (among others) recommend Schwab, U.S. Trust, or Bank of America as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

B.2.b. Client-Directed Brokerage

Occasionally, clients may direct TAM to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage TAM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. TAM loses the ability to aggregate trades with other TAM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

B.3. Security Allocation

Since TAM may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by TAM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. TAM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. TAM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

TAM's advice to certain clients and entities and the action of TAM for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of TAM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of the firm to or on behalf of other clients.

B.4. Order Aggregation

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may or may not also be aggregated with filled orders. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if TAM believes that a larger size block trade would lead to best overall price for the security being transacted.

B.5. Allocation of Trades

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the order is allocated to client accounts on a pro-rata basis. TAM believes that, over time, this method of allocating trades is fair and reasonable to clients.

TAM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of its clients.

B.6. Soft Dollar Arrangements

TAM does not utilize soft dollar arrangements for direct brokerage transactions to executing brokers for research and brokerage services. TAM does not have any formal soft dollar arrangements requiring a soft dollar budget.

B.7. Brokerage for Client Referrals

TAM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

Item 13. Review of Accounts

A. Periodic Review

Client accounts under the supervision of TAM are continually reviewed by the portfolio manager servicing the client relationship. Such professionals are subject to the general authority of TAM's Managing Member. The Managing Member or his designee(s) must review and approve the opening of each new advisory relationship and oversee reviews of client accounts. The Managing Member or his designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

B. Ad Hoc Reviews

TAM may perform *ad hoc* reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how TAM formulates investment advice.

C. Content and Frequency of Performance Reports

All investment advisory clients receive customized performance reports of their accounts as well as comparative performance of underlying benchmark market indices and of their benchmark composite index. Investment advisory clients also receive standard account statements from the custodian of their accounts on a monthly basis, but no less frequently than annually. Financial planning clients do not normally receive investment reports. There are no post-plan reviews unless engaged to do so by the client.

Item 14. Client Referrals and Other Compensation

TAM does not enter into agreements with solicitors who will refer prospective advisory clients to investment advisors in return for a portion of the ongoing investment advisory fee.

Item 15. Custody

Clients will receive at least quarterly account statements directly from their qualified custodian containing a description of all activity, cash balances and portfolio holdings in their accounts. TAM urges that clients compare the account balance(s) shown on their TAM gain/loss reports to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

Item 16. Investment Discretion

Clients are required to grant a limited power of attorney to TAM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, TAM will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

Item 17. Voting Client Securities

TAM, as an SEC-registered investment advisor, often has voting power with respect to securities in client accounts. In such cases, TAM owes certain fiduciary duties with respect to the voting of proxies. These fiduciary duties include (i) the duty of care, which requires TAM to monitor corporate events and to vote the proxies; and (ii) the duty of loyalty, which requires TAM to vote proxies in a manner consistent with the best interests of the client and to put the client's interests before TAM's own interests. In keeping with its fiduciary duties, TAM has adopted a Proxy Voting Policy, which sets forth the firm's policies and procedures designed to ensure that TAM votes each client's securities in the best interests of the client.

TAM will be authorized to take action and render any advice with respect to the voting of proxies for securities held in the client's account. TAM will make an independent valuation for each applicable company held in the client's account in accordance with its fiduciary obligations as detailed in this policy. Clients may contact TAM for information about how the firm voted with respect to any of the securities held in their accounts.

Except as required by applicable law, TAM will not be obligated to render advice or take any action on behalf of a client with respect to assets presently or formerly held in the client's account that become the subject of any legal proceedings, including bankruptcies.

As a general rule, TAM will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with TAM's Proxy Voting Policy, unless a client specifically instructs TAM in writing to vote such client's securities otherwise. When making proxy voting decisions, TAM may seek advice or assistance from third-party consultants, such as proxy voting services or legal counsel.

A copy of TAM's Proxy Voting Policy will be provided upon receipt of a written request to the firm's Managing Member.

Item 18. Financial Disclosures

TAM does not require the prepayment of fees of \$1,200 or more, six months or more in advance.

TAM does not have any financial issues that would impair its ability to provide services to clients.