

# Disclosure Brochure

March 13, 2012

## **Processus Wealth & Capital Management, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Processus Wealth & Capital Management, LLC (hereinafter "PWCM"). If you have any questions about the contents of this brochure, please contact J. Chad Jordan at (615) 656-3745. 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 Processus Wealth & Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Processus Wealth & Capital Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since PWCM's initial filing dated March 20, 2011. PWCM has no material changes to report.

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## Item 4. Advisory Business

PWCM provides financial planning and investment management services. Prior to engaging PWCM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with PWCM setting forth the terms and conditions under which PWCM renders its services (collectively the “*Agreement*”).

PWCM has been in business as an SEC registered investment adviser since October 19, 2010. J. Chad Jordan and Grady C. Tabor are the principal owners of PWCM.

PWCM has \$53,310,119 of assets under management as of December 31, 2011, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of PWCM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of PWCM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on PWCM's behalf and is subject to PWCM's supervision or control.

### Financial Planning Services

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PWCM may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include retirement and pre-retirement cash flows, strategic asset allocation modeling, alternative outcome analysis, estate planning, and wealth transfer strategies. These services may be included as part of PWCM's wealth management services, described below.

In performing its services, PWCM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. PWCM may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if PWCM recommends its own services. The client is under no obligation to act upon any of the recommendations made by PWCM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including PWCM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of PWCM's recommendations. Clients are advised that it remains their responsibility to promptly notify PWCM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising PWCM's previous recommendations and/or services.

### Investment Management Services

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Clients can engage PWCM to manage all or a portion of their assets on a discretionary or non-discretionary basis.

## Processus Wealth & Capital Management, LLC Disclosure Brochure

PWCM primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), and individual debt and equity securities in accordance with the investment objectives of the client. PWCM may also provide advice about any type of investment held in clients' portfolios.

PWCM also may render investment management services to clients relative to other products that may not be held by the client's primary custodian. In so doing, PWCM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

PWCM tailors its advisory services to the individual needs of clients. PWCM consults with clients initially and on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. PWCM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify PWCM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon PWCM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in PWCM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Item 5. Fees and Compensation

PWCM offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

### Financial Planning Fees

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PWCM may charge a fixed fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$5,000 on a fixed fee basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages PWCM for additional investment advisory services, PWCM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning services.

Prior to engaging PWCM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with PWCM setting forth the terms and conditions of the engagement. Generally, PWCM requires one-half of the financial planning fee (estimated fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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PWCM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by PWCM. PWCM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. PWCM does not, however, receive any portion of these commissions, fees, and costs. PWCM's annual fee is prorated and charged monthly, in arrears, based upon the market value of the assets being managed by PWCM on the last day of the previous month. The annual fee varies (between 0.60% and 1.35%) depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$1,000,000	1.35%
Next \$2,000,000	1.15%
Next \$2,000,000	0.90%
Above \$5,000,000	0.60%

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), PWCM generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

PWCM may only implement its investment management recommendations after the client has arranged for and furnished PWCM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by PWCM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions*, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to PWCM's fee.

PWCM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize PWCM to debit the client's account for the amount of PWCM's fee and to directly remit that management fee to PWCM. Any *Financial Institutions* recommended by PWCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PWCM.

### **Fees for Management During Partial Months of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between PWCM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. PWCM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to PWCM's right to terminate an account. Additions may be in cash or securities provided that PWCM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to PWCM, subject to the usual and customary securities settlement procedures. However, PWCM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. PWCM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a month the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the month.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

PWCM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.



## Item 7. Types of Clients

PWCM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size and Minimum Fee**

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As a condition for starting and maintaining a relationship, PWCM generally imposes a minimum portfolio size of \$1,000,000. Also, PWCM generally imposes a minimum annual account fee of \$12,500. This minimum fee may have the effect of making PWCM's services impractical for clients with portfolios having less than \$1,000,000 under PWCM's management. PWCM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. PWCM only accepts clients with less than the minimum portfolio size if, in the sole opinion of PWCM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. PWCM may aggregate the portfolios of family members to meet the minimum portfolio size.

## Item 8. Method of Analysis, Investment Strategies and Risk of Loss

### Method of Analysis

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PWCM's primary method of analysis is fundamental.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. PWCM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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PWCM was founded on the core principal of providing objective and transparent financial planning and investment advice to high net worth individuals. PWCM believes the most important step in this process is getting to know the client. The initial step in the management process is to conduct a thorough analysis of the client's needs, goals, desires, and concerns in all their financial and family matters. PWCM uses this information to develop a comprehensive financial plan that serves as the road map in developing a customized investment policy statement ("IPS") and to determine the strategic asset allocation ("SAA"). PWCM then reviews the expected risk and expected return characteristics of the IPS and SAA with the client.

#### *Investment Policy Statement*

PWCM verifies the overall relationship needs and objectives and addresses any unique circumstances that a client may have that could impact the SAA and/or any security selection decisions. The IPS establishes the parameters of PWCM's Tactical Asset Allocation ("TAA") decisions, such as the minimum and maximum weighting in broad asset class categories such as cash, equities, and fixed income. PWCM also addresses the suitability of alternative investments such as hedge funds and commodities. Finally, the IPS establishes the frequency of PWCM's performance review meetings, income needs, capital needs, and identifies the appropriate benchmark for performance comparisons.

#### *Strategic Asset Allocation*

The SAA is established based on the client's needs. The SAA is a static allocation and is only revised when there is a change in the client's goals and objectives.

#### *Tactical Asset Allocation*

The TAA differs from the SAA in that PWCM makes allocations inside the parameters of the SAA based on asset class valuations, expectations of the business cycle, and interest rates. In various stages of the

business cycle and interest rate cycle, some asset classes tend to perform better than others. Thus, in the TAA, PWCM will overweight those asset classes, relative to the SAA that are expected to perform well and underweight those asset classes, relative to the SSA that PWCM expects to underperform.

### *Strategies and Security Selection*

PWCM invests in individual stocks, equity and fixed income mutual funds, as well as ETFs, in building client portfolios. PWCM's *Large Cap Core Strategy* is a portfolio of individual large cap equities while PWCM's *Large Cap Core Plus Strategy* utilizes a combination of mutual funds and ETFs in addition to the individual large cap equity positions. PWCM's *Managed Funds Strategy* uses only mutual funds and ETFs with no allocation to individual stocks.

### *Large Cap Core Strategy (Individual Stocks)*

The *Large Cap Core Strategy* focuses on companies with a minimum market capitalization of \$5 billion that exhibit strong growth characteristics and are leaders in their respective industry with a dominant market share position, strong growth rates, product/service innovation, operational efficiency, strong management teams, and strong balance sheets with cash flows that can support future growth. Companies that meet the above characteristics while selling at reasonable valuations based on price/earnings ("P/E"), relative P/E, P/E to earnings per share growth, price/book (P/B), Price to Earnings Before Interest, Taxes, and Depreciation ("EBITDA"), price/sales, and/or enterprise value to EBITDA are candidates for purchase. Generally, companies that experience a slowing of their growth characteristics and/or are trading at or above their expected valuation range are candidates for selling. To manage risk in this portfolio, PWCM limits sector allocations to a minimum of 50% of the S&P 500 sector and a maximum of 150% of the S&P 500 sector. The S&P 500 sectors that make up less than 5% of the S&P 500 may be excluded from the portfolio. Generally, individual stock weightings that exceed 5% of the individual stock portfolio will be reduced. The cash allocation target maximum is 10% but can be increased to 25% during periods of high volatility/uncertainty. PWCM may also utilize covered call writing and protective put strategies to manage volatility. The portfolio will have a growth style bias.

### *Mutual Funds and ETFs*

The mutual funds that are included in portfolios managed by PWCM are designed to give the portfolio a specific exposure to a particular asset class. PWCM chooses mutual funds by evaluating managerial consistency, levels of risk taken to achieve returns, manager tenure, and operating expense structure. Mutual funds that have a strong operations area, are client service oriented, are No-Load, Load-Waived, no 12b-1 fees, and that have omnibus relationships with PWCM's custodian are preferred. PWCM may use ETFs to gain exposure to broad asset classes and/or allocations to a specific economic sector. ETFs that are liquid, have a low tracking error, and low expense ratio are preferred.

## *Individual Bonds*

For clients with more than \$1 million allocation to fixed income, PWCM may utilize individual bonds as part of the fixed income allocation. PWCM prefers, however, fixed income mutual funds for increased diversification purposes, liquidity and reduced transaction costs which are a result of the institutional pricing mutual funds received when placing bond trades. The fixed income portion of client portfolios generally has a primary objective of meeting income needs with a secondary objective of total return. As a general rule, bonds below the equivalent of an “A” rating by Moody’s or S&P will not be purchased in individual accounts and bonds with an equivalent rating below a “BBB+” by Moody’s or S&P will be eliminated from portfolios. The minimum purchase size is \$25,000 face value and individual bond positions cannot exceed 5% of the total account value.

## *Non-Traditional Assets (NTAs)*

NTAs may also be included in portfolios; these are typically structured as a daily priced mutual funds, and are used as alternatives to the traditional equity and fixed income allocation for diversification purposes.

## *Prohibited Securities*

Leveraged ETFs, inverse ETFs, exchange trade notes, structured notes, structured financial products, options (excluding covered call writing and protective puts as part of the *Large Cap Core Strategy* only), and limited partnerships are not used in client portfolios.

## **Risks of Loss**

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund’s underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund’s stated daily per share net asset value (“NAV”), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund’s holdings. The trading prices of a mutual fund’s shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund’s shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Management Through Similarly Managed Accounts*

For certain clients, PWCM may manage portfolios by allocating portfolio assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “*investment strategy*”). In so doing, PWCM buys, sells, exchanges and/or transfers shares of mutual funds and/or securities based upon the *investment strategy*.

PWCM's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to PWCM's clients may be limited. PWCM allocates investment opportunities among its clients on a fair and equitable basis.

### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

The profitability of a significant portion of PWCM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that PWCM will be able to predict those price movements accurately.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

PWCM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. PWCM does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

PWCM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. PWCM does not have any required disclosures to this Item.



## Item 11. Code of Ethics

PWCM and persons associated with PWCM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with PWCM's policies and procedures.

PWCM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by PWCM or any of its associated persons. The *Code of Ethics* also requires that certain of PWCM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

As specifically permitted in PWCM's *Code of Ethics*, its *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of PWCM's clients. This means that where a PWCM *Access Person* is invested in a similarly managed account (investment strategy), the *Access Person* may participate equally in any transaction made for the benefit of clients invested in the same similarly managed account/investment strategy.

Otherwise, when PWCM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when PWCM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. 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.

Clients and prospective clients may contact PWCM to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, PWCM generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which PWCM considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables PWCM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by PWCM's clients comply with PWCM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where PWCM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. PWCM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

PWCM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct PWCM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and PWCM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by PWCM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PWCM may decline a client's request to direct brokerage if, in PWCM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless PWCM decides to purchase or sell the same securities for several clients at approximately the same time. PWCM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among PWCM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among PWCM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that PWCM determines to aggregate client orders for the purchase or sale of securities, including

securities in which PWCM's *Supervised Persons* may invest, PWCM generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. PWCM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that PWCM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, PWCM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist PWCM in its investment decision-making process. Such research generally will be used to service all of PWCM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because PWCM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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PWCM may receive from *Fidelity* without cost to PWCM, computer software and related systems support, which allow PWCM to better monitor client accounts maintained at *Fidelity*. PWCM may receive the software and related support without cost because PWCM renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit PWCM, but not its clients directly. In fulfilling its duties to its clients, PWCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that PWCM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence PWCM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, PWCM may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements;

access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### Item 13. Review of Accounts

For those clients to whom PWCM provides investment management services, PWCM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom PWCM provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of PWCM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with PWCM and to keep PWCM informed of any changes thereto. PWCM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom PWCM provides investment advisory services will also receive a report from PWCM that may include such relevant account and/or market-related information such as an inventory of account holdings and account on a periodic basis. Clients should compare the account statements they receive from their custodian with those they receive from PWCM.

Those clients to whom PWCM provides financial planning services will receive reports from PWCM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by PWCM.

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

PWCM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, PWCM is required to disclose any direct or indirect compensation that it provides for client referrals. PWCM does not have any required disclosures to this Item.

### Item 15. Custody

PWCM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize PWCM through such *Financial Institution* to debit the client's account for the amount of PWCM's fee and to directly remit that management fee to PWCM in accordance with applicable custody rules.

The *Financial Institutions* recommended by PWCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PWCM. In addition, as discussed in Item 13, PWCM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from PWCM.

### Item 16. Investment Discretion

PWCM may be given the authority to exercise discretion on behalf of clients. PWCM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. PWCM is given this authority through a power-of-attorney included in the agreement between PWCM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PWCM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.



### Item 17. Voting Client Securities

PWCM is required to disclose if it accepts authority to vote client securities. PWCM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 18. Financial Information**

PWCM does not require or solicit the prepayment of more than \$500 in fees six months or more in advance. In addition, PWCM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. PWCM has no disclosures pursuant to this Item.

## Item 19. Requirements for State Registered Investment Advisors

### Principal Executive Officers and Management Persons

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Below is the formal education and business background of each of PWCM's principal executive officers and management persons:

#### **J. CHAD JORDAN**

Born 1971

#### **Post-Secondary Education**

University of Alabama | BS, Finance | 1994

#### **Recent Business Background**

Processus Wealth & Capital Management, LLC | Co-Founder & Wealth Strategist | November 2010 - Present

UBS Financial Services, Inc. | Vice President | July 2008 – November 2010

SunTrust Bank | Group Vice President & Wealth Team Leader | January 2005 – June 2008

#### **GRADY TABOR**

Born 1966

#### **Post-Secondary Education**

University of Memphis | MS, Finance | 1997

University of Tennessee | BS, Finance | 1988

#### **Recent Business Background**

Processus Wealth & Capital Management, LLC | Co-Founder & Chief Investment Officer | November 2010 – Present

UBS Financial Services, Inc. | Senior Portfolio Manager | July 2008 – November 2010

SunTrust Bank | Senior Portfolio Manager | January 2005 – June 2008

None of the *Supervised Persons* of PWCM are compensated for advisory services with performance-based fees. In addition, neither PWCM nor its management persons have been the subject of the type of disciplinary event in the instructions to Item 19. Neither PWCM nor any of its *Supervised Persons* have a relationship or arrangement with any issuers of securities not disclosed in response to Item 10 (above).

## **Processus Wealth & Capital Management, LLC**

*a Registered Investment Adviser*

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Prepared by:



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