

# Taiber, Kosmala & Associates, LLC

## Part 2A of Form ADV

### The Brochure

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Chicago, IL 60604  
[www.taiberkosmala.com](http://www.taiberkosmala.com)

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This brochure provides information about the qualifications and business practices of Taiber, Kosmala & Associates, LLC (“TKA”). If you have any questions about the contents of this brochure, please contact us at 312-300-4781. 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 TKA is also available on the SEC’s website at:  
[www.sec.gov](http://www.sec.gov).

## Material Changes

Effective October 1, 2013, the firm has moved its offices from 135 S. LaSalle St., Suite 2825, Chicago, IL 60603, to 141 W. Jackson Blvd., Suite 3540, Chicago, IL 60604.

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## Advisory Business

TKA provides investment advice through consultations to corporate pension, profit sharing, thrift and savings plans, endowment funds, high net worth individuals, corporations, and foundations. TKA offers these services through a combination of the services described below. Clients may elect to use any or all of these services.

### Investment Policy and Strategy

TKA will assist the client in assessing financial objectives, investment goals and risk tolerance. Based upon this information, TKA will begin the asset allocation process. TKA will facilitate asset-liability modeling or asset allocation studies to establish investment guidelines. Once the client has accepted the asset allocation, TKA will develop a written Investment Policy Statement ("IPS"). The IPS will provide investment guidelines, objectives, and policies designed to help achieve the client's goals. TKA will review this policy and strategy on a regular basis, with formal review, conducted annually at a minimum.

Advisory and consulting services are tailored to meet each client's risks and/or return parameters. Clients may impose restrictions on various types of asset classes, investment

strategies, or specific securities within an asset class.

### **Investment Manager Search**

TKA will identify investment managers or funds to provide asset management services for the asset classes identified in the client's asset allocation strategy. TKA will guide the client through the process of selecting one or more managers by helping the client develop specific criteria for the managers of each asset class, by preparing a list of potential managers and by helping the client interview prospective managers. TKA will also assist in custody searches for the client.

### **Ongoing Performance Evaluation**

TKA will evaluate the performance of selected managers and will provide reports analyzing the investment performance and characteristics of managers in terms of rates of return relative to appropriate benchmarks and peer groups, adherence to guidelines, and risk adjusted return metrics.

The engagement, termination, and allocation of assets to various independent managers are client decisions. The investment results realized by clients will be affected by numerous factors including, but not limited to, investment styles, portfolio allocation, securities selection, trading activities, and manager discretion - all of which are beyond the scope of TKA's services. TKA is not responsible for investment and trading activities or decisions of managers. Accordingly, TKA makes no warranties regarding the performance of managers and is not responsible for performance (gains and losses) results or activities of managers or client portfolio allocation decisions.

TKA was founded in 2012 and is jointly owned by Joseph Taiber and Philip Kosmala.

## **Fees and Compensation**

### Combined Services:

Investment Policy and Strategy, Investment Manager Search and Ongoing Performance Evaluation services may be combined for an annual fee ranging from 0.05% to 1.00% of the client's advised assets. An exact fee will be determined for each client based on the size, nature and complexity of the client's account. Fees will be billed quarterly, in advance or arrears, based on the market value of the advised assets, or other such stated fee arrangement. New accounts will be billed on a pro-rata basis.

Investment Policy and Strategy: This service is available for a fee generally ranging from \$10,000 to \$30,000. An exact fee will be determined for each client based on the size, nature and complexity of the client's account. Fees will be due and payable upon completion of the project.

Investment Manager Search: This service is available for a fee ranging generally from \$10,000

to \$30,000 per manager search. An exact fee will be determined for each client based on the size, nature and complexity of the client's account. Fees will be due and payable upon completion of the project.

#### **GENERAL INFORMATION ON FEES:**

In certain circumstances, all fees and account minimums may be negotiable. The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

In addition to TKA's consulting fees, clients bear investment manager expenses, trading costs, fund administration, and custodial fees.

Because third-party managers charge asset-based fees for assets under their management, TKA clients pay management fees more than once on the same assets if TKA is providing investment policy and strategy, investment advisory or other services.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. 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 business days after entering into the agreement.

All fees paid to TKA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and an occasionally a marketing/distribution fee. A client could invest in a mutual fund directly, without the services of TKA. In that case, the client would not receive the services provided by TKA which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

## **Performance Based Fees and Side-by-Side Management**

TKA does not charge any performance based fees to clients.

## **Types of Clients**

TKA primarily provides customized investment management services to individuals and associated trusts, foundations, endowments, banks or thrift institutions, pension and profit sharing plans, and other corporations or business entities.

A minimum account of \$5,000,000 and a minimum annual fee of \$25,000 are typically required for investment supervisory services; however, in certain circumstances the minimum sums may be negotiable.

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

The objective of our asset allocation theory and models is to assist clients in achieving superior returns given their risk tolerance level. The combination of proprietary research, academic theory and market research helps to guide our asset allocation decisions. TKA may also utilize a variety of computer-simulated models in proposing asset allocations for clients.

TKA's manager research efforts often blend quantitative screens with an emphasis on our senior professional's product knowledge and the dynamic interaction between investment process and investment cycles. TKA's due diligence of third-party managers typically includes, but is not limited to, the following:

- Assets under management and growth in assets under management
- Ownership structure
- Investment thesis repeatability of investment process
- Industry reputation
- Depth of research staff
- Market cap analysis
- Portfolio duration and structure analysis
- Expenses
- Turnover & trading costs
- Composite construction methodology

TKA may use third-party databases such as Zephyr, Morningstar, and Evestment Alliance as primary tools for initial screening, quantitative, and comparative research of third party mutual funds, exchange-traded funds, and managers. TKA utilizes databases of various managers, and regularly reviews the portfolio performance and holdings of recommended managers in comparison to their peers.

### Risk of Loss

All investing involves a risk of loss that clients should be prepared to bear. The identification of securities and other assets believed to be undervalued is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired by third-party managers. TKA cannot give any guarantee that it will achieve a client's investment objectives or that clients will receive a return of its investment. Below is a summary of potentially material risks for each significant TKA investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

- Lack or Control – TKA will not have a role in the management of clients' third-party managed accounts and it will likely not have the opportunity to evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return to clients will primarily depend upon investment and management decisions of third-party managers and returns could be adversely affected by the unfavorable performance of such managers.

## **Disciplinary Information**

TKA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

As mentioned earlier, TKA provides its consulting services to numerous types of clients which may include financial organizations.

To mitigate actual and potential conflicts of interest, TKA will disallow any investment firm that purchases services from any employee from participating in any recommended list of investment firms prepared on behalf of TKA's clients. It is TKA's policy that no employee or any member of the employee's immediate family may sell any product or service to any investment firms that currently manage assets on behalf of TKA's clients.

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

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

TKA has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) No member or employee of TKA shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of TKA shall prefer his or her own interest to that of the advisory client.
- 2) TKA maintains a list of all securities holdings for itself, and anyone associated with its advice my practice with access to advisory recommendations.
- 3) TKA emphasizes the unrestricted right of the client to decline to implement any advice rendered by TKA.
- 4) TKA emphasizes the unrestricted right of the client to select and choose any broker or dealer he or she wishes.
- 5) TKA requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

### **CODE OF ETHICS**

TKA's Code of Ethics (the "Code") governs the business and employees of TKA. The Code provides principles and rules to be followed by members, officers and employees of TKA in the performance of their professional duties. The Code operates in conjunction with TKA's policies and procedures that govern employees.

The basic principle that governs the conduct of the applicant's business is loyalty to the interests of its clients. The Code provides that no TKA officer or employee, directly or indirectly, shall: (a) employ any device, scheme or artifice to defraud a client; (b) engage in any act, practice or course of conduct which operates or would operate as a fraud to deceive upon a client; or (c) engage in any manipulative practice with respect to a client. The Code requires that no officer or employee profit, directly or indirectly from his or her position with TKA to the detriment or at the expense of clients; and no officer or employee of TKA shall take for his or her own advantage any corporate opportunity for profit, which he or she learns about due to such person's position with TKA.

TKA's Code, among other things, prohibits officers and employees of TKA from engaging in securities purchase and sale transactions while in possession of material non-public information or in a transaction that is known to be opposite TKA clients, to be a misuse of non-public or TKA information regarding clients, portfolios and securities and making, soliciting and accepting (other than as a family member) gifts of more than modest value, preferential treatment or other considerations. Conflicts of interest must be disclosed to TKA's Chief Compliance Officer, who is responsible for enforcing the Code.

TKA's Code also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide TKA with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of the Code will be provided to any client or perspective client upon request.

TKA's current Chief Compliance Officer is Phillip Kosmala. Mr. Kosmala is also engaged in providing advisory services to TKA clients and his background and experience is summarized in Form 2B.

## **Brokerage Practices**

TKA does not have the discretionary authority to place trades on a client's behalf, to select the broker to be used or commissions to be paid for transactions placed by the independent managers, to hire or fire an independent manager selected by the client, or to allocate client assets between independent managers.

TKA may recommend one or more institutional custodians to clients. These recommendations are based on TKA's experience with the custodian, the custodian's ability to provide specialized services required by the client, and the custodian's industry reputation for providing quality service.

TKA does not suggest specific brokers to be used by the independent money managers for the execution of trades in client accounts. However, TKA does review with the client the possible benefits of using brokers who offer commission capture programs or discount brokerage services and may suggest that the client ask the selected independent manager(s) to use brokers who offer such programs when doing so is consistent with the client's best interest and the

managers' duty of best execution.

Advisory clients are not responsible for the payment of trade errors committed by TKA in conjunction with the management of client accounts. Any gain resulting from a trade error will be retained by the advisory client, with the exception of clients that custody assets at Charles Schwab. Charles Schwab may retain gains resulting from trade errors.

Clients should review the disclosure documents of recommended managers for information on their investment discretion and brokerage selection practices.

TKA's business is focused on providing consulting advice on third-party managers; however, occasionally upon client request, TKA may execute stock trades (or ETFs) on behalf of clients. One of the specific duties of an investment adviser is a duty to seek the best price and execution of client securities transactions when the adviser is in a position to direct brokerage transactions. While not defined by statute or regulation, "best execution" generally means the execution of client trades at the best net price considering all relevant circumstances. It is TKA's policy to always seek best execution for client securities transactions. TKA may suggest broker-dealers, subject to best execution, to clients to utilize for trade executions. However, as TKA does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid, clients must ultimately direct TKA as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that TKA will not have authority to negotiate commissions or obtain volume discounts, best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients. TKA never disseminates investment recommendations to multiple clients simultaneously, therefore we do not have occasion to aggregate trades. Further, since clients' direct brokerage, when a securities transaction is performed, TKA is not generally in a position to aggregate the purchase or sale of securities for client accounts.

## **Review of Accounts**

All accounts will be reviewed as contracted for at the start of the advisory relationship and periodically thereafter. All accounts are reviewed by TKA's CEO or an Investment Consultant.

Clients should review the disclosure documents of recommended managers for information on the managers' account review practices.

**Investment Policy and Strategy:** For a new client, TKA will typically prepare a formal statement of investment policies, guidelines and objectives. This may be reviewed annually upon client request.

**Investment Manager Search:** TKA will provide clients with quantitative and qualitative information on prospective candidates, which will be updated quarterly until the manager selection is complete.

**Ongoing Performance Evaluation, Reports on Managers, and Investment Supervisory Services:** TKA will provide clients with a quarterly report of manager performance.



Clients should review the disclosure documents of recommended managers for information on reports provided by the managers to clients.

TKA generally reports the value of client's investment portfolios to the client on a quarterly basis. The value of a client's investment portfolio also may be the basis of management fees to TKA.

TKA does not itself value the securities in a client's account. Rather, TKA relies upon values provided by the custodian, fund manager, fund auditor, and/or fund administrator. TKA understands that securities listed on exchanges are valued at their closing price as the last trading day of the calendar quarter as reported by the custodian or pricing service. The value of specified illiquid, foreign or private investments for which valuation information is not available through a custodian or an independent pricing service is generally provided by the fund's auditor, administrator, or the fund manager. In the event that TKA must internally "fair value" an investment, the Company will use its best efforts and all appropriate means to obtain all relevant information in order to determine a fair value. If it is deemed necessary or prudent, TKA may hire an independent third party to provide an appraisal of the investment.

## **Client Referrals and Other Compensation**

TKA does not compensate any unaffiliated solicitors for client referrals nor does it offer or receive sales awards or prizes for providing investment advice to clients.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but the Company can access certain clients' funds through our ability to debit advisory fees. In these cases, TKA is considered to have custody of client assets under Rule 206(4)-2 under the Advisers Act. Account custodians send statements directly to the account owners on at least a quarterly basis. TKA urges clients to carefully review these statements, and compare the statements to any account statements provided by TKA.

## **Investment Discretion**

TKA does not have the discretionary authority to place trades on a client's behalf (absent instruction from the client), to select the broker to be used or commissions to be paid for transactions placed by the independent managers, to hire or fire an independent manager selected by the client, or to allocate client assets between independent managers.

## **Voting Client Securities**

TKA does not vote or provide guidance regarding the voting of proxies. Clients are responsible for voting any such proxies. Clients should contact their custodian with questions about receiving proxies and process for the client to execute voting on such proxies.

## **Financial Information**

TKA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

# Taiber, Kosmala & Associates, LLC

## Part 2B of Form ADV

### The Brochure Supplement

135 S. LaSalle St.  
Suite 2825  
Chicago, IL 60603  
[www.TaiberKosmala.com](http://www.TaiberKosmala.com)

Filed: March 2013

This brochure supplement provides information about Person 1, Person 2, and Person 3. It supplements TKA's accompanying Form ADV brochure. Please contact TKA's Chief Compliance Officer, Phillip J. Kosmala, at 312-300-4781 if you have any questions about the Form ADV brochure or this supplement, or if you would like to request additional or updated

copies of either document.

Additional information about Messrs. 1, 2, and 3 is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Joseph D. Taiber's Biographical Information**

#### **Educational Background and Business Experience**

CFA

Born: 1970

#### **EDUCATION:**

Mr. Taiber was awarded a BS in Finance from University of Iowa in 1993.

#### **BUSINESS BACKGROUND:**

Executive Vice President, Director of Alternative Investment Research, Lowery Asset Consulting, LLC. November 2003 to June 2012.

Senior Investment Consultant, DiMeo, Schneider & Associates, LLC, April 1999 to November 2003.

Investment Analyst, Pearson Financial Group March 1997 to March 1999.

Analyst, Interealty Corporation, March 1995 to March 1997.

CFA Charter Minimum Qualifications: The Charter Financial Analyst (CFA) designation is an international professional certification issued by the CFA Institute (formerly AIMR) to qualified candidates who complete a series of three examinations. To become a candidate for a CFA charter, candidates must meet one of the following requirements: 1) Undergraduate degree and four years of professional experience involving investment decision-making, or; 2) Four years qualified work experience (full time, but not necessarily investment related). Candidates may become a CFA Charterholder if they successfully pass three course exams, Levels 1, 2, and 3. The CFA Institute has stated that the average candidate may need approximately 250 hours of study for each of the three levels. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.). CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. More information on the CFA charter is available at [www.cfainstitute.org](http://www.cfainstitute.org).

#### **Disciplinary Information**

Mr. Taiber has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Taiber or of TKA.

#### **Other Business Activities**

Mr. Taiber is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of TKA.

#### **Additional Compensation**

Mr. Taiber does not receive economic benefits from any person or entity other than TKA in connection with the provision of investment advice to clients.

#### Supervision

Mr. Taiber's investment recommendations are overseen by the Chief Compliance Officer, Phillip Jonathan Kosmala. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Phillip J. Kosmala's Biographical Information**

### **Educational Background and Business Experience**

CFA

Born: 1971

#### **EDUCATION:**

Mr. Kosmala was awarded a BS in Finance from DePaul University in 1993.

#### **BUSINESS BACKGROUND:**

Executive Vice President, Director of Manager Research, Lowery Asset Consulting, LLC.  
November 2003 to June 2012.

Chief Compliance Officer, Lowery Asset Consulting, LLC. May 2006 to June 2012.

Manager of Investment Research, DiMeo Schneider & Associates, July 1999 to November 2003. Examiner, U.S. Securities & Exchange Commission, March 1994 to July 1999.

CFA Charter Minimum Qualifications: The Charter Financial Analyst (CFA) designation is an international professional certification issued by the CFA Institute (formerly AIMR) to qualified candidates who complete a series of three examinations. To become a candidate for a CFA charter, candidates must meet one of the following requirements: 1) Undergraduate degree and four years of professional experience involving investment decision-making, or; 2) Four years qualified work experience (full time, but not necessarily investment related). Candidates may become a CFA Charterholder if they successfully pass three course exams, Levels 1, 2, and 3. The CFA Institute has stated that the average candidate may need approximately 250 hours of study for each of the three levels. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.). CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. More information on the CFA charter is available at [www.cfainstitute.org](http://www.cfainstitute.org).

#### **Disciplinary Information**

Mr. Kosmala has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Kosmala or of TKA.

#### **Other Business Activities**

Mr. Kosmala is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of TKA.

#### **Additional Compensation**

Mr. Kosmala does not receive economic benefits from any person or entity other than TKA in

connection with the provision of investment advice to clients.

#### Supervision

Mr. Kosmala's investment recommendations are supervised by TKA's managing member Joseph David Taiber and can be reached directly by calling the telephone number on the cover of this brochure supplement.