

**McHam Taylor & Co., Inc.**  
Form ADV Part 2A  
Investment Adviser Brochure

December 2015

This brochure provides information about the qualifications and business practices of McHam Taylor & Co., Inc. If you have any questions about the contents of this brochure, please contact David C. Taylor, President and Chief Compliance Officer, at 864.582.7000 and/or [dtaylor@mchamtaylor.com](mailto:dtaylor@mchamtaylor.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply a certain level of skill or training.

Additional information about McHam Taylor & Co, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number, McHam Taylor & Co., Inc.'s CRD Number is 155378.

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## **Item 2: Summary of Material Changes**

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### **Annual Update**

In this Item of McHam Taylor & Co.'s (McHam Taylor or the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated December 18, 2014.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, the Firm has no material changes to report.

### **Full Brochure Available**

McHam Taylor's Form ADV may be requested at any time, without charge by contacting David C. Taylor, President and Chief Compliance Officer at 864.582.7000 or [dtaylor@mchamtaylor.com](mailto:dtaylor@mchamtaylor.com).

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## **Item 4: Advisory Business**

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### **Firm Description**

McHam Taylor provides financial and investment advisory services to families, individuals, trusts and corporate retirement plans including, but not limited to, accounts subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) and Section 4975 of the Internal Revenue Code of 1986, as amended (together “Retirement Plans and Accounts”).

Gary S. McHam is Co-owner and Chairman of McHam Taylor. David C. Taylor is Co-owner, President, and Chief Compliance Officer of McHam Taylor.

### **Types of Advisory Services**

McHam Taylor provides investment advisory services and financial planning to individuals. In most cases, McHam Taylor performs financial planning as part of investment advisory services; however, McHam Taylor may perform separate financial planning services, if requested by a client or prospective client. McHam Taylor also provides advisory services to Retirement Plans and Plan Participants.

### **Investment Advisory Services - Individuals**

McHam Taylor provides advice to clients regarding investment of client funds based on the individual needs of the client. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, growth and income, etc.). In certain circumstances, McHam Taylor may manage accounts on a discretionary basis.

McHam Taylor offers the following services: investment and management of a client’s assets in an Independent Clearing Account (ICA) and two wrap programs - the Ambassador Wrap Program and the Sub-Advisory Wrap Program.

### **Independent Clearing Account (ICA)**

ICA accounts are typically managed by McHam Taylor on a discretionary and non-discretionary basis using appropriate investment strategies and policies. In a non-discretionary account, McHam Taylor must get the client’s consent before buying or selling securities in the client’s account.

McHam Taylor generally recommends the following types of investments in an ICA account: individual equity and/or fixed income securities, mutual funds, exchange traded funds (“ETFs”), alternative investments, real estate investment trusts (“REITs”), closed-end funds, and options. In addition to these types of individual securities, McHam Taylor may construct and manage a fixed-income portfolio for a client. A fixed-income portfolio may include any combination of individual bonds of municipal, other governmental and corporate entities and mutual funds and ETFs that invest in fixed-income securities. McHam Taylor seldom recommends alternative investments but may

do so if a client requests such an investment and/or McHam Taylor believes that an alternative investment recommendation is in the best interests of that client.

### Wrap Programs (Ambassador and Sub-Advisory)

In a wrap program, a client receives a wide range of services, including asset management, brokerage execution, clearing, custodial, and other administrative services, for a single fee. In the Sub-Advisory Wrap Program, a client also receives portfolio management by a third-party manager. In a wrap account, clients may allocate their assets among a diversified range of securities or managed portfolios, including portfolios of equities, fixed-income securities, options, and more conservative short-term fixed-income securities. In the Sub-Advisory Wrap Program, third-party managers, who are not related to McHam Taylor, manage these portfolios. In the Ambassador Wrap Program, McHam Taylor performs asset management services similar to ICA accounts.

### Financial Planning

McHam Taylor offers financial planning services, which may include a review of all aspects of a client's current financial situation, including the following components: cash management, risk management, insurance, education funding, goal setting, retirement planning, estate and charitable giving planning, tax planning, and capital needs planning. Clients understand that when McHam Taylor is engaged to address only certain components, the client's overall financial and investment issues may not be taken into consideration.

McHam Taylor meets with the client to review risk tolerance, financial goals and objectives, and time horizons. Additional meetings may include a review of additional financial information; sources of income, assets owned, existing insurance, liabilities, wills, trusts, business agreements, tax returns, investments, and personal and family obligations.

### Investment Advisory Services - Retirement Plans and Plan Participants

McHam Taylor provides advisory services to corporate retirement plans and to participants in retirement plans. In serving these retirement plans, McHam Taylor advises on the fund selection and monitoring of the investment choices available through each retirement plan and assists members of each retirement plan with basic retirement planning education.

McHam Taylor will provide services to Plan Sponsors and their Participants as described below. Plan Sponsors must make the ultimate decision to retain McHam Taylor for pension consulting and other advisory services including, but not limited to, services at the participant level. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the plan.

**Education Services to Plan Committee.** McHam Taylor may provide training for the members of the Plan Committee (or those designated by the Responsible Plan Fiduciary) with regard to their service on the Committee, including guidance with respect to fiduciary duties, at times mutually agreeable to the parties. McHam Taylor

will not render individualized investment advice and will not be held to an ERISA fiduciary standard for services rendered hereunder.

**Participant Education Services.** McHam Taylor may conduct initial and/or periodic enrollment and informational meetings with employees and Participants and provide investment education. McHam Taylor may provide information about the Plan, general financial and investment information and information and materials relating to asset allocation models available through the Plan. McHam Taylor may also provide interactive investment materials to assist Participants in assessing their future retirement income needs and the impact of different asset allocations on retirement income.

**Third Party Product or Service.** McHam Taylor will use the benchmarking products or services offered by third parties in providing services to the client and the Plan, in addition to any Services selected herein. McHam Taylor will not render individualized investment advice and will not be held to an ERISA fiduciary standard for services rendered hereunder.

**Plan Search Support.** McHam Taylor may manage the preparation, distribution and evaluation of Request for Proposals, finalist interviews, and conversion support. McHam Taylor will not render individualized investment advice and will not be held to an ERISA fiduciary standard for services rendered hereunder.

### **Tailored Relationships**

McHam Taylor tailors its advisory services, including its recommendations regarding securities, to the individual needs of its clients. In initial and ongoing consultations with each client, one of McHam Taylor's Investment Adviser Representatives inquires about and gathers information about each client concerning the client's financial situation, objectives, and other relevant considerations. McHam Taylor's investment adviser representative then matches each client's needs, risk aversion, and long-term goals with his recommendations regarding securities. In this manner, McHam Taylor seeks to make recommendations regarding securities that are suitable to each client. Clients may impose restrictions on investing in certain securities or types of securities.

### **Wrap Fee Programs**

As mentioned above, McHam Taylor participates in wrap fee programs. A "wrap-fee" program is one that provides the client with advisory and brokerage execution services for an all-inclusive fee. The client is not charged separate fees for the respective components of the total service.

In evaluating wrap fee programs, clients should consider that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the broker dealer's usual commission rates and other factors, the wrap fee may be more or less than the aggregate cost of such services if they were to be provided separately and if McHam Taylor were to negotiate commissions and seek best price and execution of transactions for the client's account.

Further, clients should be aware that the person recommending the program to the client may receive compensation as a result of the client's participation in the program, that the amount of this compensation may be more than what the person would receive if the client participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services, and that the person may therefore have a financial incentive to recommend the wrap fee program over other programs or services. More detail may be found in the wrap program's Form ADV Part 2A Appendix 1.

### **Client Assets**

As of November 1, 2015, McHam Taylor managed assets of \$150,435,809; \$69,424,725 is managed on a non-discretionary basis and \$81,011,084 is managed on a discretionary basis.

## **Item 5: Fees and Compensation**

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McHam Taylor bases its fees on a percentage of assets under management. McHam Taylor's fee schedules are described below.

### **Compensation – Investment Advisory Services - Individuals**

McHam Taylor receives investment advisory fees for managing clients' assets in ICA accounts, wrap programs and for advising Retirement Plans and Accounts. These advisory fees are based on a percentage of assets under management.

### **Independent Clearing Accounts (ICA)**

For ICA accounts, McHam Taylor receives an investment advisory fee based on a percentage of the value of assets managed up to a maximum annual fee of 1.25% of assets managed, including cash. The actual fee charged to a particular client is disclosed in the investment advisory agreement entered into between McHam Taylor and each client. This investment advisory fee is deducted directly from each client's account.

Clients pay the investment advisory fee quarterly in advance. When an account is opened, the advisory fee is billed for the remainder of the calendar quarter in which the account is opened. Subsequently, the quarterly advisory fee is based on the value of the assets in the account(s) on the last business day of the previous calendar quarter. If the investment advisory agreement is terminated before the end of the calendar quarter in which an advisory fee has been paid, McHam Taylor will provide a refund of the unearned advisory fee to the client based on the number of days in the quarter in which the client's assets were not invested in the ICA Program.

In addition to the investment advisory fee, clients will incur brokerage and other transaction costs and certain expenses. The additional costs and expenses are imposed by companies other than McHam Taylor and may include, but may not be

limited to, mutual fund and ETF management fees and expenses, brokerage fees paid to clear transactions, mark-ups/mark-downs on fixed income trades, and annual fees paid for custodial services.

### **Wrap Programs (Ambassador and Sub-Advisory)**

In a wrap program, the client pays a single fee that covers asset management, trade execution, custodial fees, and other administrative fees. These services are provided by McHam Taylor, one or more broker-dealers, and/or a portfolio manager. McHam Taylor receives a portion of the single fee paid by the client as its investment advisory fee. The wrap fee is based on the type of securities in the account(s) and the amount of assets in the account(s). Wrap Program fees are as follows:

In the Ambassador Wrap Program, the client pays the following maximum fees on assets invested:

<u>Account Value</u>	<u>Annualized Fee</u>
First \$200,000	2.00%
Next \$300,000	1.75%
Amounts over \$500,000	1.25%

The portion of the single wrap fee that compensates McHam Taylor is negotiable.

In the Sub-Advisory Wrap Program, the client pays the following maximum annual fees on assets invested in equity, balanced, and convertible portfolios:

<u>Accounts less than \$500,000</u>	<u>Accounts equal to or greater than \$500,000</u>
First \$200,000 is billed at 3.00%	First \$500,000 is billed at 2.50%
Next \$300,000 is billed at 2.50%	Next \$500,000 is billed at 2.00%
	Next \$1,000,000 is billed at 1.60%
	Next \$3,000,000 is billed at 1.40%
	Next \$5,000,000 is billed at 1.30%
	Greater than \$10,000,000 is negotiable

The client pays the following maximum annual fees on assets invested in fixed income portfolios:

First \$500,000 is billed at 1.25%
Next \$500,000 is billed at 0.90%
Next \$1,000,000 is billed at 0.80%
Next \$8,000,000 is billed at 0.65%
Greater than \$10,000,000 is negotiable

McHam Taylor charges wrap accounts in the Sub-Advisory Wrap Program a minimum quarterly fee of \$375.

The wrap fee is paid quarterly in advance. When an account is opened, the wrap fee is billed for the remainder of the calendar quarter in which the account is opened.



Subsequently, the quarterly wrap fee is based on the value of the assets in the account(s) on the last business day of the previous calendar quarter. If the investment advisory agreement is terminated before the end of the calendar quarter in which a wrap fee has been paid, McHam Taylor will provide a refund of the unearned wrap fee to the client based on the number of days in the quarter in which the client's assets were not invested in the Wrap Program. This wrap fee is deducted directly from each client's account. McHam Taylor's investment advisory fee is included in this wrap fee.

Clients pay a single fee for a wide range of services, including portfolio management, brokerage execution, clearing, custodial, and other administrative services. In the Ambassador Wrap Program, the client's first 100 trades per year are included in the costs of the account (resetting on October 1st of each year). Trades in excess of 100 per year may incur a transaction charge as set forth in the ICA Program. On account statements, clients will see one entry for the single wrap fee.

As is the case in most wrap programs, if a manager purchases a mutual fund and/or ETF, there may be an additional management fee charged by the fund or ETF.

McHam Taylor's brokerage practices are described below in Item 12 - Brokerage Practices. In the Sub-Advisory Wrap Program, brokerage transactions and related costs are generally initiated by the third-party portfolio managers, not by McHam Taylor.

The portion of the single wrap fee that compensates McHam Taylor is negotiable.

## **Financial Planning**

As noted in Item 4, McHam Taylor generally does not charge a separate fee for financial planning services.

## **Compensation - Advisory Services to Retirement Plans and Plan Participants**

McHam Taylor also receives advisory fees for services provided to Retirement Plans and Plan Participants. When advising a corporate retirement plan, McHam Taylor receives an annual fee of up to 1.00% of plan assets from the employee-directed retirement plan. (Employer-directed retirement plans will pay fees under the ICA Program or one of the wrap programs.) When advising a participant in a retirement plan, McHam Taylor receives an annual advisory fee of up to 1.00% of the market value of the client's assets invested in the retirement plan, including cash. Fees are payable monthly or quarterly in arrears.

McHam Taylor directly deducts its fee from plan assets or sends an invoice to the client to pay the fee depending on the sponsor or the retirement plan or the plan participant.

## **Agreement Terms**

A client may terminate the client agreement at any time by notifying McHam Taylor in writing.

## **Other Compensation**

Neither McHam Taylor nor any of its officers or Investment Adviser Representatives accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **General Information on Compensation and Other Fees**

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

All fees paid to McHam Taylor for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and variable annuity sub-accounts to their shareholders. These fees and expenses are described in each fund's or sub account's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund or sub-account directly, without the services of McHam Taylor. In that case, the client would not receive the services provided by McHam Taylor which are designed, among other things, to assist the client in determining which mutual funds or sub-accounts are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds/sub-accounts and the fees charged by McHam Taylor to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

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

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Neither McHam Taylor nor any of its officers or investment adviser representatives accepts performance-based fees. They also do not manage accounts that are charged a performance-based fee or accounts that are charged another type of fee.

## **Item 7: Types of Clients**

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### **Types of Clients**

As described in Item 4, McHam Taylor provides investment advisory services to families, individuals, trusts and corporate retirement plans.

### **Account Minimums**

McHam Taylor requires a minimum account size of \$500,000 although this may be negotiable under certain circumstances. McHam Taylor may reduce this minimum account size or combine related-party accounts to satisfy the minimum account size.

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

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### **Methods of Analysis and Investment Strategies**

McHam Taylor may use the following methods of analysis in formulating investment advice and/or managing client assets:

**Fundamental Analysis**, which attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is under priced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis**, which analyzes past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis**, which measures the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

In the ICA Program and Ambassador Wrap Program, McHam Taylor's investment strategy is to recommend stocks, bonds, and other appropriately priced securities (such as mutual funds, ETFs, etc.) that suit each client's objectives and needs. However, McHam Taylor may recommend that such investments be sold at any time if conditions warrant a sale. Such conditions may include, but are not limited to, the value of the security reaching McHam Taylor's target price or the client unexpectedly needing to liquidate a holding to cover current expenses.

For individual stock recommendations, McHam Taylor attempts to identify companies whose stocks are undervalued and recommends that clients buy and hold these securities on a long-term basis. Identifying securities for purchase requires fundamental analysis to determine a reasonable entry price based on factors such as overall economic analysis, industry analysis, and company analysis. McHam Taylor may use research provided by a third-party broker-dealer or other vendor.

Before making recommendations to purchase or sell mutual funds or ETFs, McHam Taylor uses both quantitative and qualitative analysis. Quantitatively, we seek to identify the appropriate benchmarks against which to evaluate fund managers; we use appropriate metrics for our numerical evaluations, such as Alpha, Beta, and Standard Deviation; and we evaluate each fund manager over a variety of time periods to provide the most comprehensive view of the manager's performance and levels of risk taken. Qualitatively, we seek to identify fund managers who have demonstrated the ability to deliver returns through various independent measures. If, at any point, we lose confidence in a fund manager either quantitatively or qualitatively, we will recommend that a client sell the fund managed by that fund manager and recommend a fund managed by another fund manager.

Although clients' ICA Program or Ambassador Wrap Program accounts may be set up to permit borrowing on margin, McHam Taylor does not typically recommend to clients the use of margin to leverage additional investment in their accounts.

As noted above, McHam Taylor doesn't often recommend, but may decide to recommend, a client purchase alternative investments, which may include private equity or hedge funds or structured products that include derivatives. These alternative investments include the following types of material risk: the investor may lose his investment; the investor may not be able to liquidate his investment when needed; alternative investments often use speculative investment practices, like the use of leverage; alternative investments often are less regulated than registered stocks, bonds, and mutual funds; alternative investments may be difficult to value; alternative investments may create tax liabilities for the investor without distributing the cash to pay that tax liability; alternative investments, like hedge funds, may pay higher fees to the fund's adviser than traditional investments; and the investment strategy of the alternative investment may fail or deteriorate.

Regarding McHam Taylor's fixed income approach, assuming the credit worthiness of the issuer is not brought into serious question, we prefer to recommend that clients purchase high-quality individual bonds in a structured portfolio suitable to the client's specific needs and hold them until they mature or are called or pre-refunded. However, McHam Taylor may recommend that such investments be sold at any time if conditions warrant a sale. In addition to individual bonds, McHam Taylor may recommend that a client purchase bond mutual funds and ETFs to complement the individual holdings or may recommend that a client use only bond mutual funds or ETFs. McHam Taylor recommends that fixed income portfolios be flexible to accommodate needed changes.

McHam Taylor may recommend changes to a fixed income portfolio to accommodate a client's income needs or to adjust for volatility in credit markets and interest rates

In the Sub-Advisory Wrap Program, McHam Taylor has a similar investment strategy. In these third-party managed wrap accounts, McHam Taylor's investment strategy is to recommend appropriate investments managed by third-party portfolio managers and for clients to remain invested in each portfolio on a long-term basis.

In the Sub-Advisory Wrap Program, the selection of money managers is based on quantitative and qualitative analysis. McHam Taylor performs similar quantitative and qualitative analysis on portfolios and their managers in this wrap program as we described above for mutual funds and ETFs in the ICA Program and Ambassador Wrap Program.

## **Risk of Loss**

**Investing in securities involves risk of loss that clients should be prepared to bear.** McHam Taylor attempts to reduce this risk of loss by recommending diversified portfolios of securities after analyzing the securities and related markets and using a long-term investment strategy.

The material risks involved in any method of analysis or investment strategy used by McHam Taylor is that specific securities markets or securities markets in general unexpectedly decline or that the economy of the United States or other countries enters into a recession or fail. One or more of these events could occur if a company or a government-sponsored enterprise that poses a systemic risk to an economy fails.

All investment programs have certain risks that are borne by the investor. McHam Taylor's investment approach constantly keeps the risk of loss in mind. Investors may face the following investment risks:

### **Capital Risk**

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

### **Credit Risk**

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

### **Currency Risk**

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of

the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

### **Economic Risk**

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### **Financial Risk**

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### **Higher Trading Costs**

For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

### **Inflation Risk**

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

### **Interest Rate Risk**

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other

words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

### **Legal/Regulatory Risk**

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

### **Liquidity Risk**

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

### **Market Risk**

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

### **Operational Risk**

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

### **Past Performance**

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

### **Strategy Risk**

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

## **Item 9: Disciplinary Information**

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Neither McHam Taylor, Mr. McHam, nor Mr. Taylor have been involved in any legal or disciplinary events that they believe are material to a client's or prospective client's evaluation of McHam Taylor's advisory business or of the integrity of its management.

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

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### **Financial Industry Activities – Broker-Dealers**

McHam Taylor is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer.

### **Financial Industry Activities – Futures and Commodities**

Neither McHam Taylor nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

### **Affiliations – Insurance**

Investment Adviser Representatives of McHam Taylor may be licensed insurance agents or brokers and may be appointed with several insurance companies. They may earn separate compensation for transactions implemented through various insurance companies. Clients are not obligated to use any company for insurance product purchases, and may work with any insurance agent they choose. Insurance compensation will be separate and distinct from investment advisory fees charged by McHam Taylor.

### **Other Investment Advisors**

Under the Wrap Programs, McHam Taylor may select other investment advisors for its clients.

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

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### **Code of Ethics**



McHam Taylor has adopted a Code of Ethics which establishes McHam Taylor's commitment to always act in the best interests of its clients, to comply with all applicable federal and state securities laws, to monitor the personal trading in securities by McHam Taylor's supervisory personnel, and to establish a reporting mechanism for possible violations of McHam Taylor's Code of Ethics.

The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

David C. Taylor, Chief Compliance Officer, reviews all employee trades each quarter. These reviews ensure that personal trading does not affect the markets, and that clients of McHam Taylor receive preferential treatment.

McHam Taylor's employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination.

Clients and prospective clients can obtain a copy of McHam Taylor's Code of Ethics by contacting David C. Taylor at 864.582.7000.

### **Participation or Interest in Client Transactions – Financial Interest and Principal/Agency Cross**

McHam Taylor and its employees do not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest.

McHam Taylor will not affect any principal or agency cross securities transactions for client accounts. McHam Taylor will also not cross trades between client accounts.

### **Participation or Interest in Client Transactions**

McHam Taylor and its employees may buy or sell securities that are also held by clients. Employees comply with the provisions of McHam Taylor's Code of Ethics.

### **Other Conflicts of Interest**

Directors, officers and employees have a duty to act in the best interests of McHam Taylor and its shareholders at all times. As part of this duty, directors, officers and employees are prohibited from engaging in any transaction which involves an improper conflict of interest.

A "conflict of interest" exists when a person's private interests interfere in any way with the interests of McHam Taylor. A conflict situation can arise when a director, officer or employee takes actions or has interests that may make it difficult to perform his or her

work objectively and effectively. Conflicts of interest may also arise when a director, officer or employee, or members of his or her family, receives improper personal benefits as a result of his or her position in McHam Taylor. Loans to, or guarantees of obligations of, employees and their family members may create conflicts of interest.

It is almost always a conflict of interest for an employee to work simultaneously for a competitor, customer or supplier. Employees are not allowed to work for a competitor as a consultant or board member. McHam Taylor's policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf.

Conflicts of interest are prohibited as a matter of McHam Taylor's policy, unless they have been approved by McHam Taylor. Wherever a conflict of interest arises, the person involved must promptly disclose the circumstances of the conflict to the Chief Compliance Officer (CCO).

### **Participation or Interest in Client Transactions – Aggregation**

McHam Taylor and its employees do not trade in an aggregated basis with client accounts.

## **Item 12: Brokerage Practices**

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### **Research and Other Soft Dollar Benefits**

McHam Taylor does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in "Directed Brokerage – Other Economic Benefits".

### **Brokerage for Client Referrals**

McHam Taylor does not receive client referrals from broker/dealers.

### **Directed Brokerage**

While not routine, the client may direct McHam Taylor to use a particular broker-dealer to execute some or all transactions for the client. This brokerage direction must be requested by the client in writing. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and McHam Taylor will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by McHam Taylor. By directing brokerage, 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. Not all advisers require or allow their clients to direct brokerage. Subject to its duty of best execution, McHam Taylor may decline a client's request to direct brokerage if, in McHam Taylor's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

## **Brokerage Selection**

McHam Taylor recommends that clients establish brokerage accounts with Raymond James Financial Services, Inc. ("RJFS"), member FINRA/SIPC. In accounts not held in a RJFS brokerage account, McHam Taylor may not be able to execute transactions through RJA and may not be able to ensure best execution, because the client determines the clearing broker. In this case, the client is responsible for best execution. RJFS provides McHam Taylor with access to RJFS' institutional trading and operations services, which typically are not available to RJFS' retail customers. These services are generally available, without cost, to financial advisory firms that maintain a minimum amount of client assets with RJFS.

McHam Taylor utilizes RJFS for custody of customer assets and execution of customer transactions. Raymond James & Associates, Inc. ("RJA"), a corporate affiliate of RJFS and member of the New York Stock Exchange and the Securities Investor Protection Corporation, acts as the clearing agent in the execution of securities transactions placed through RJFS. In the selection of broker-dealers, McHam Taylor may consider all relevant factors, including the commission rate, the value of research provided, execution capability, speed, efficiency, confidentiality, familiarity with potential purchasers and sellers, financial responsibility, responsiveness, and other relevant factors.

## **Brokerage – Wrap Fee Programs**

As disclosed in Item 4, clients may participate in wrap fee programs. In evaluating a wrap-fee program, a client should recognize that brokerage commissions for the execution of transactions in their account are not negotiated. Transactions are effected net, i.e., without commission and a portion of the wrap fee is generally considered to be in lieu of commissions. Trades are generally expected to be executed only with the broker dealer with which the client has entered into the wrap fee arrangement.

McHam Taylor may not, therefore, be free to seek best price and execution by placing transactions with other broker dealers. McHam Taylor's experience indicates that certain broker dealers under clients' wrap fee agreements generally offer best price for transactions in listed equity securities, but no assurance can be given that such will continue to be the case with those or other broker dealers which may offer wrap fee arrangements, nor with respect to transactions in other types of securities. The client may wish to ensure that the broker dealer offering the wrap-fee arrangement can provide adequate price and execution of most or all transactions. The client should also consider that depending on the wrap-fee charged by the broker dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap-fee may or may not exceed the aggregate cost of such services were they to be provided separately and if McHam Taylor were free to negotiate commissions and seek best price and execution of transactions for the client's account.

## **Brokerage – Other Economic Benefits**

McHam Taylor may have the opportunity to receive traditional “non-cash benefits” from RJFS, such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk servicing RJFS advisors exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional investors; reporting features; receipt of industry communications; and perhaps discounts on business-related products.

In addition, RJFS makes available to McHam Taylor software and other technologies that provide access to client account data, such as trade confirmations and account statements; facilitate trade execution; provide research, pricing information, quotation services (including Market Q), and other market data; assist with contact management; facilitate payment of fees to McHam Taylor from client accounts; assist with performance reporting; facilitate trade allocation; and assist with back-office support, record-keeping, and client reporting. RJFS also provides to McHam Taylor access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, education and industry conferences, marketing and educational materials, technological and information technology support, and RJFS corporate discounts.

Benefits may also include research, including mutual fund research, third-party research, and RJA proprietary research; brokerage; custody; and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment.

### **Trade Aggregation**

In the ICA Program, McHam Taylor may trade aggregate blocks of securities composed of assets from multiple clients’ accounts. McHam Taylor orders these block trades where possible and when advantageous to clients who have a need to buy or sell shares of the same security. Aggregation may enable McHam Taylor to obtain a more favorable price or a better commission rate based upon the volume of a particular transaction. Transaction costs are generally shared equally and on a prorata basis between all accounts included in any such block trade. Each client that participates in a block trade will participate at the average share price. Block trading allows McHam Taylor to execute equity trades in a more timely, equitable manner, and may reduce overall costs to clients. Certain accounts may be excluded from a block trade due to tax considerations, client direction, or other factors making the account’s participation ineligible or impractical.

Trades for Wrap Fee Programs may be aggregated.

## **Item 13: Review of Accounts**

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### **Reviews**

Gary S. McHam, Chairman, or David C. Taylor, President and Chief Compliance Officer, will meet with each client on a periodic basis. More frequent meetings may be held due to significant changes in a client's life, significant market fluctuations, economic events, or other factors. The frequency of meetings is mutually agreed upon by the client and McHam Taylor.

Both Mr. McHam and Mr. Taylor are responsible for communicating with the client, updating changes to the client's situation and regularly reviewing the client's portfolio including the asset allocation and the specific assets included in the account. The client review includes comparing the portfolio and current security positions with the goals and objectives as outlined by the investment policy statement, reviewing changes to the client's investment circumstances, evaluating the specific holdings, re-balancing the portfolio and communicating the current status of the portfolio and any recommended actions to the client.

Other conditions that may trigger a review are changes in market, political or economic conditions, tax laws, new investment information, and changes in a client's own situation.

Other than meetings with clients, Mr. McHam and Mr. Taylor periodically review clients' accounts or financial plans. These reviews may include performance of the account, the values of the individual holdings in the accounts, and the continuing suitability to and best interests of the specific client of each material investment in the account.

### **Reporting**

At least on a quarterly basis, RJFS sends a written account statement to each client. The account statement may include individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance. In addition, the custodian provides clients with trade confirmations for each position bought and sold.

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

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### **Other Compensation**

McHam Taylor does not receive any economic benefits (other than normal compensation) from any firm or individual for providing investment advice.

### **Compensation – Brokerage**

McHam Taylor may recommend that clients establish brokerage accounts RJFS, a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although McHam Taylor may recommend that clients establish accounts at RJFS, it is the client's decision to custody assets with

RJFS. McHam Taylor is independently owned and operated and not affiliated with RJFS.

### **Other Compensation – Brokerage Arrangements**

See disclosure in Item 12 regarding compensation, including economic benefits received in connection with giving advice to clients.

### **Compensation – Client Referrals**

McHam Taylor does not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Item 15: Custody**

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### **Custody – Fee Debiting**

Clients may authorize McHam Taylor (in the client agreement) to debit fees directly from the client's account at the broker dealer, bank or other qualified custodian (custodian). Client investment assets will be held with a custodian agreed upon by the client and McHam Taylor. The custodian is advised in writing of the limitation of McHam Taylor's access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to McHam Taylor.

### **Custody – Account Statements**

As described above and in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the reports that McHam Taylor provides. McHam Taylor reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

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### **Non-Discretionary Authority**

Client accounts in the ICA Program and the Ambassador Wrap Program are generally managed on a non-discretionary basis (i.e., McHam Taylor must get the client's consent before purchasing or selling securities in a client's account). However, McHam Taylor may occasionally accept a discretionary account when a client may be unavailable for consultation (for example, when a client travels or is disabled). When McHam Taylor accepts a discretionary account, McHam Taylor will do the following:

- Enter into a new investment advisory agreement with the client or amend the existing investment advisory agreement that grants discretionary authority to McHam Taylor.

- Ensure that the client signs any document required by the custodian regarding this grant of discretionary authority.
- Ensure that the appropriate authorizing document(s) is submitted to the custodian.

In client accounts in the Sub-Advisory Wrap Program, McHam Taylor does not have discretionary authority over a client's account. Therefore, an investment adviser representative of McHam Taylor will discuss with the client and obtain the client's approval before placing client assets in any security or fund managed by a third-party portfolio manager. However, by selecting one or more portfolios, the client grants discretionary authority to the third-party portfolio manager to buy or sell securities in the applicable portfolio.

### **Discretionary Authority for Trading and Limited Power of Attorney**

McHam Taylor may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows McHam Taylor to execute trades on behalf of clients.

When such limited powers exist between the McHam Taylor and the client, McHam Taylor has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, McHam Taylor may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to McHam Taylor in writing.

## **Item 17: Voting Client Securities**

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McHam Taylor will not accept authority to vote client securities. For ICA accounts Program and the Ambassador Wrap Program, the custodian of the client's assets will send all proxies or other solicitations directly to the client, so that the client may vote the proxies. For accounts in the Sub-Advisory Wrap Program, unless the client exercises his authority to vote the proxies, the sub-advisor/third-party manager will vote the proxies.

Clients may contact McHam Taylor with questions about a particular proxy or solicitation. Clients may contact David C. Taylor at 864.582.7000 for information about proxy voting.

## **Item 18: Financial Information**

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### **Financial Condition**

McHam Taylor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

McHam Taylor does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance; and therefore is not required to provide a balance sheet to clients.



**McHam Taylor & Co., Inc.**  
**Form ADV Part 2B**  
**Investment Adviser Brochure Supplement**

**Supervisor: David C. Taylor**

**Supervisor of:**  
Gary S. McHam

**December 2015**

This brochure supplement provides information about the Firm's Supervised Persons that supplements the McHam Taylor & Co., Inc.'s brochure. You should have received a copy of that brochure. Please contact David C. Taylor, President and Chief Compliance Officer, if you did not receive McHam Taylor & Co., Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about the Firm's Supervised Persons is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number for each Supervised Person.

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## Educational Background and Business Experience

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### Education and Business Background

McHam Taylor requires that advisers in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisers must have work experience that demonstrates their aptitude for investment management and financial planning.

### Supervised Persons

**Gary S. McHam** (CRD # 328246) was born in 1948. He received a Bachelor of Arts degree from Wake Forest University and a Masters in Business Administration degree from New York University with majors in both Finance and International Business. Mr. McHam has been in the securities industry since 1971 and has served in various positions in different financial firms. Mr. McHam was President of McHam & Co. Inc. from 1990 to 2011, when the firm changed its name to McHam Taylor. At that time, Mr. McHam became the Chairman and Treasurer of McHam Taylor and has served in that capacity ever since. Mr. McHam also served as a registered representative of Raymond James Financial Services, Inc. from 1990 to 2011, and as an investment adviser representative of Raymond James Financial Services Advisors, Inc. from 2003 to 2011.

**David C. Taylor** (CRD # 3238186) was born in 1976. He received a Bachelor of Arts in Economics degree from Wake Forest University. He is also a Certified Financial Planner® ("CFP®"), as designated by the Certified Financial Planner Board of Standards, Inc.

Mr. Taylor been in the securities industry since 1999 and has served in various positions in different financial firms. Mr. Taylor served as Financial Advisor at McHam & Co. Inc. from 2001 to 2011, and then became the President and Chief Compliance Officer of the Firm when it changed its name to McHam Taylor. Mr. Taylor has served in that capacity since. Mr. Taylor served as a registered representative of Raymond James Financial Services, Inc. from 2001 to 2011, and as an investment adviser representative of Raymond James Financial Services Advisors, Inc. from 2001 to 2011.

### Professional Certifications

David C. Taylor maintains the Certified Financial Planner® designation, which requires the following minimum requirements:

- Satisfying the education requirements through completing a CFP® Board-Registered Education Program, obtaining certain academic degrees or professional credentials; or obtaining certain industry credentials or passing certain upper-division level college courses;
- Obtaining a bachelor's degree (or higher) from an accredited college or university;

- Passing the 10-hour CFP examination;
- Passing the Candidate Fitness Standards and background check; and
- Paying the applicable fees.

## **Disciplinary Information**

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Gary S. McHam and David C. Taylor have not been involved in any legal or disciplinary events that are material to a client's or prospective client's evaluation of their integrity.

## **Other Business Activities**

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Disclosure on Outside Business Activities is provided in Form ADV Part 2A Item 10 – Other Financial Industry Activities and Affiliations above.

David C. Taylor is licensed as an insurance agent and may sell insurance with several insurance companies. Mr. Taylor may earn separate compensation for transactions implemented through various insurance companies. Clients are not obligated to use any company for insurance product purchases, and may work with any insurance agent they choose. Insurance compensation will be separate and distinct from investment advisory fees charged by McHam Taylor.

## **Additional Compensation**

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Gary S. McHam and David C. Taylor receive no economic benefit (for example, sales awards, other prizes, and special bonuses) from any person, other than a client, for providing advisory services.

## **Supervision**

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David C. Taylor, President and Chief Compliance Officer supervises all persons named in this Form ADV Part 2B Investment Adviser Brochure Supplement. Mr. Taylor supervises these persons by holding regular staff, investment and other ad hoc meetings. In addition, Mr. Taylor regularly reviews client reports, emails, and trading, as well as employees' personal securities transaction and holdings reports. Mr. Taylor may be reached at 864.582.7000.