

**Taylor Capital Management**

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This brochure provides information about the qualifications and business practices of TCM Advisors, LLC dba Taylor Capital Management. If you have any questions about the contents of this brochure, please contact by telephone at (304) 260-0078 or email at [Tim@TaylorCapitalLLC.com](mailto:Tim@TaylorCapitalLLC.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.

Additional information about Taylor Capital Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Taylor Capital Management and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.

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## ITEM 2: MATERIAL CHANGES

**Taylor Capital Management** is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update. Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

Last annual updating amendment: March 30, 2023

At this time, there are no material changes to report about the Brochure since the last annual amendment filed.

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## ITEM 4: ADVISORY BUSINESS

A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed in the State of West Virginia and has been in business as an investment adviser since 2008. Timothy J. Taylor owns 100% of the firm.

B. Description of the types of advisory services we offer.

Our firm only sponsors and offers a wrap fee program. Our firm does not offer a non-wrap option. Our firm manages assets for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is our duty to always act in the client's best interest. This is accomplished in part by knowing the client. Our firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

(i) Asset Management:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives.

To assist us with this, we utilize the services of Raymond James Financial Services ("RJFS") to keep custody of our client's assets and execute trades for our Ambassador Platform ("Ambassador Platform") and Independent Clearing Account Platform ("ICAP") (collectively known as "Platform"). Raymond James & Associates, Inc. ("RJA"), an affiliate of RJFS, acts as the clearing agent when we execute securities transactions placed through RJFS.

Our firm will present a prospective client with the Platform. The Ambassador Platform requires an account minimum of \$1,000 while ICAP has no account minimum. ICAP primarily focuses on a model portfolio comprised of mutual funds while the Ambassador Platform is focused on individual securities such as stocks, bonds, and options trading. If the client exceeds the threshold amount of \$1,000, they will be placed in The Ambassador Platform. Through client conversations, our firm will help them determine the most suitable option for their circumstances based on the client's age, risk tolerance, investment objectives, etc. Once the client is entered in a platform, we will inform them that instead of charging their account for custodial services per transaction, the asset-based fee ("admin

fee”) will be charged to our firm as a percentage of assets in the account. In other words, our firm will cover all transaction costs for both Platforms.

### **Independent Clearing Account Platform (ICAP):**

There are no account minimums for a client to be established with ICAP. This account will consist primarily of model mutual fund portfolios managed by our firm’s principal. For clients that do not have the minimum of \$1,000, we place them in ICAP to give them the opportunity to eventually transition into the Ambassador Platform once the account reaches the threshold.

### **Ambassador Platform:**

In order to be on the Ambassador Platform, you must meet the account minimum of \$1,000. Certain assets are exempt from the advisory fees and will not count as part of the account minimum. This account will primarily consist of various securities such as stocks, ETFs, and options trading.

However, certain securities are not permitted in the Ambassador Platform, including private placements, load variable annuities and life insurance, limited partnerships (except for exchange-traded master limited partnerships), and jumbo certificates of deposit. Additional B, C, and D shares of mutual funds cannot be purchased. Certain assets, including prospectus offerings purchased in the last twelve months and brokered CDs, will not be included in the value of the account for billing purposes, or for purposes of the \$1,000 account minimum on accounts in the Ambassador Platform.

We have determined (according to our best execution policy) that utilizing RJFS and RJA helps us to manage our client accounts effectively and efficiently. Both RJFS and RJA provide various administrative services which include: determines the fair market value of assets held in a client’s account at least quarterly, produces brokerage statements and performance reporting for client’s account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account. We receive research, trade execution, custody and performance reporting benefits from RJFS in connection with our Platform that we would otherwise have to purchase separately. Because of the benefits that we receive from RJFS and RJA, we may have a financial incentive to recommend a fee-based program rather than the client pay for brokerage, custody, performance reporting, and other services separately.

Please note, though, that Platform restricts the purchase of funds with a sales load. Thus, clients should carefully consider whether a particular fund’s purchase would result in a lower aggregate cost if utilizing an alternative share class in a commission-based account if available.

RJFS has a limited responsibility to our firm. As such, RJFS merely executes transactions pursuant to our direction, and provides us with administrative services as described above. If you engage in an Account, you agree that we are solely responsible for the management of your portfolio. It is required that you have authorized us as your agent and attorney-in-fact to buy and sell securities or other investments for the account. Any engagement is solely at the direction of our firm, provided that the action is deemed to be appropriate. Please note that we

are not authorized to withdraw any money, securities or other property either in the name of a client or otherwise.

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

(i) Individual Tailoring of Advice to Clients:

We offer individualized investment advice to clients utilizing the Asset Management service.

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. Exceptions will be made on a case-by-case basis.

D. Participation in wrap fee programs.

Our firm offers and sponsors a wrap fee program. Asset Management services are only offered through the Account Platforms which are for wrapped accounts, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

We manage<sup>1</sup> \$119,463,722 on a discretionary basis and \$0 on a non-discretionary basis as of December 31, 2023.

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## ITEM 5: FEES AND COMPENSATION

A. Description of how we are compensated for our advisory services provided to you.

(i) Asset Management:

**Non-Qualified Clients** We offer our services to our clients for a 1.25% annual Advisory Fee (.3125% quarterly), which shall be pro-rated and paid in advance or arrears on a quarterly basis. No increase in the annual fee shall be effective without prior written notification to the Client. Fees will be automatically deducted from the account.

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<sup>1</sup> Please note that our method for computing the amount of "client assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. However, we have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "client assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our *Brochure* in response to Item 4.E of Form ADV Part 2A.

To assist us with this service, RJFS offers a fee-based pricing model for Ambassador (“Ambassador Platform”) and Independent Clearing Account (“ICAP”) Platforms (collectively known as “Platform”). Our firm will present a prospective client with the Platform. The Ambassador Platform requires an account minimum of \$1,000 while ICAP has no account minimum. ICAP primarily focuses on a model portfolio comprised of mutual funds while the Ambassador Platform is focused on individual securities such as stocks, bonds, and options trading. If the client exceeds the threshold amount of \$1,000 they will have the option to be placed in the ICAP or Ambassador Platform. Through client conversations, our firm will help them determine the most suitable option for their circumstance based on the client’s age, risk tolerance, investment objectives, etc. Once the client is entered in a platform, we will inform them that instead of charging their account for custodial services per transaction, the asset-based fee (“admin fee”) will be charged to our firm as a percentage of assets in the account. In other words, our firm will cover all transaction costs for both Platforms. Our firm’s annual Advisory fees of 1.25% (.3125% quarterly) for our Asset Management Service noted above are inclusive of all admin fees. The following information regarding amounts are for the client’s benefit to inform them of the respective portions of our Advisory Fees that go to our custodial firm, Raymond James:

Accounts < \$500,000	admin fee = .35%
Accounts \$500,000 - \$1,000,000	admin fee = .25%
Accounts > \$1,000,000	admin fee = .10%

#### **Independent Clearing Account Platform (“ICAP”):**

Fees are deducted quarterly in arrears. The initial fee will be the prorated amount due for the initial calendar quarter from the inception of the account. The initial quarterly fee will be calculated based on the total value of the account at inception. Subsequent quarterly fees will be based calculated upon the market value of the account on the last business day of the previous calendar quarter.

Any fees pursuant to Rule 12b-1 under the Investment Company Act of 1940, or administrative or servicing fees, received by RJFS with respect to securities held in your Account will be credited to those accounts quarterly against account fees payable from that account. These fees are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus.

#### **Ambassador Account:**

In order to establish an Ambassador Account in the Ambassador Platform, you must meet the account minimum of \$1,000. Certain assets are exempt from the advisory fees and will not count as part of the account minimum.

Periodic investments, systematic withdrawals, exchanges and mutual fund liquidations are exempt from transaction charges. Platform are set up to have fees deducted from funds within the account, so you should plan for this when investing your assets. Fees are deducted quarterly in advance. The initial fee will be the prorated amount due for the initial calendar quarter from the inception of the account. The initial quarterly fee will be calculated based on the total value of the account at inception. Subsequent quarterly fees will be based calculated upon the market value of the account on the last business day of the previous calendar quarter.

Any fees pursuant to Rule 12b-1 under the Investment Company Act of 1940, or administrative or servicing fees, received by RJFS with respect to securities held in your Account will be credited to those accounts quarterly against account fees payable from that account. These fees are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus.

### **Qualified Clients**

We offer Qualified Clients a Performance Fee structure to be assessed on a quarterly basis. Qualified Clients are those that have a minimum net worth of \$2.2 million dollars or have placed at least \$1,100,000 under our management. Qualified clients are annually charged a 1.00% annual Base Advisory Fee (0.25% quarterly) quarterly in advance on a pro-rata basis. In addition to this fee, Qualified Clients will be assessed a 20% Performance Fee billed quarterly in arrears based on the last day of the calendar quarter on all profits 5% net capital appreciation or greater that have accrued during the previous calendar quarter above and beyond the portfolio's previous high-water mark while under our management (i.e., A 5% net gain of new money to the portfolio). That Performance Fee will be calculated as one-fifth, or 20% of that net portfolio gain. The Performance Fee is payable only if the net profits in the account(s) exceed the performance calculation of previous quarters (i.e., the portfolio's "high water mark").

As an example, if an account has established a high-water mark of \$1,000,000 as of the last day of a quarter, a Performance Fee can only be earned if at the end of the next quarter, the accounts balance has grown 5% (or greater) to \$1,050,000. During the course of the quarter, as the regular quarterly Advisory Fee of \$2,500 is charged, (1% annual = 0.25% quarterly) that amount also has to be "earned back" in addition to the 5% (\$50,000 in this example) growth necessary to earn the Performance Fee, with the account in this example still ending that quarter at \$1,050,000 or higher. This would represent the actual dollar growth on the quarter to be \$52,500 in order to earn the Performance Fee. In the event of that growth being achieved, the Performance Fee earned would be one-fifth, or 20% of the \$50,000 net portfolio gain, or \$10,000. { $\$50,000 \times 20\%$ } If the portfolio fails to achieve this level of return, no Performance Fee would be charged.

In the event that a client terminates the managed account before the end of the quarter, the client shall be assessed a 20% Performance Fee before termination if the performance definition has been met quarter-to-date (QTD). All performance based fees will comply with Section 205 of the Investment Advisers Act of 1940 and Rule 205-3 there under as applicable.

You may also incur charges for other account services provided by RJFS, through RJA, not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for transfers of securities.

## **B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.**

### **(i) Asset Management:**

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance or arrears based on the value of your account on the last day of the previous quarter if we are not owed a performance based fee. No increase in the annual fee shall be effective without prior written notification to the Client. If we are owed a performance based fee, the fee is billed on



a pro-rata basis quarterly in arrears based on the value of your account on the last day of current quarter. Fees are negotiable and will be automatically deducted from your managed account. Adjustments will be made for deposits and withdrawals during the quarter. We do not offer direct billing as an option to our clients. As part of the fee deduction process, you understand and acknowledge the following:

- a) The client's independent custodian sends statements at least monthly, showing all disbursements for each account, including the amount of the advisory fees paid to our firm;
- b) Clients provide authorization permitting the independent custodian to deduct these fees;
- c) The client's independent custodian calculates the advisory fees for all fee schedules and deducts them from the client's account.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Wrap clients will not incur transaction costs for trades by their chosen custodian. More information about this can be found in our separate Wrap Fee Program Brochure. It is also important to note that Raymond James does not charge transaction fees for U.S. listed equities and exchange traded funds.

D. Client's advisory fees are due quarterly in advance or arrears. If a performance-based fee is applicable, the fees are due quarterly in arrears.

We charge our advisory fees quarterly in advance or arrears. For clients charged in advance, in the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees. For clients charged in arrears, you need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and you will be charged pro-rata advisory fees for services rendered to the point of termination. If advisory fees cannot be deducted, our firm will then send an invoice for due advisory fees to the client. In the event that a Qualified Client terminates the managed account(s) before the end of the calendar quarter or calendar year (depending upon state of residence), the Qualified Client shall be billed a 20% Performance Fee before termination if the performance definition has been met quarter-to-date (QTD). All performance-based fees will comply with Section 205 of the Investment Advisers Act of 1940 and Rule 205-3 there under as applicable. In accordance with Pa Code §404.011(d)(2), requires that we inform you that should a copy of the brochure document(s) not be provided to you at least 48 hours prior to entering any investment advisory contract, you shall have five business days to cancel the contract without penalty.

E. Commissionable securities sales.

We do not sell securities for a commission. In order to sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

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## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Our firm may charge Qualified Clients<sup>2</sup> “performance fees” – that is, fees based on a share of capital gains on or capital appreciation of the managed assets of a client. Please refer to Item 5A(i) of this Brochure for more information about the assessment of Performance Fees. Billing cycle may vary based on the state in which the client resides. The fees to be assessed will be outlined in the advisory agreement to be signed by the client prior to the billing of any advisory fees.

In charging a Performance Fee to Qualified Clients, a conflict of interest potentially exists as our firm may receive greater fees from having a performance-based compensation structure than from those we only charge a fee unrelated to performance (e.g., an asset-based fee). As a result, we may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a Performance Fee.

This is unlikely to occur, since the main difference in clients and their respective portfolios is in the strategy approvals that are obtained for qualified clients versus non-qualified clients, not in security selection or trade execution. In addition, we have taken several important steps to ensure that our performance based accounts are not favored over our client’s non-performance fee based accounts in security selection and trade execution. These steps include:

- 1) A periodic comparison of our performance based and non-performance accounts. Our comparison will entail a review of our ten most profitable and ten least profitable (including unrealized gain or loss) investment decisions based on total return of positions opened and closed for each investment strategy or mandate offered to clients.

We keep track of securities ticker symbol, purchase date, sale date, percentage of gain and/or loss, and dollar amount of the gain and/or loss. In the event that we find performance based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, we would take action to address the situation. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving our performance based fees or cancelling our performance based fee arrangements altogether and in some cases, termination of firm personnel.

- 2) The use of block trades and allocations made based on client’s risk tolerance, investment objectives and restrictions. A periodic review of the block trade allocations to detect whether profitable trades are being disproportionately allocated to performance based accounts, while unprofitable trades are being disproportionately allocated to pure-fee based accounts with no performance fee. If our firm detects a problem in the allocation of block trades, our remedies are the same as those outlined above.

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<sup>2</sup> We are currently permitted to charge performance based fees only to clients with at least \$1,100,000 under management with our firm or a net worth of at least \$2.2 million. It is expected that the SEC will revisit this standard in the near future and tie the definition of a qualified client to inflation. It is unclear at this time whether the SEC will grandfather or exempt existing qualified clients being charged performance based fees from a greater financial threshold for meeting the qualified client standard should the definition change.

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## ITEM 7: TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

We have the following types of clients:

- Individuals;
- High Net Worth Individuals
- Trusts, Estates or Charitable Organizations;
- Corporations, limited liability companies and/or other business types.

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We require a minimum account balance of \$1,000 for clients in our Ambassador Program while the ICAP has no minimum account balance. This minimum account balance requirement for clients in our Ambassador Program is negotiable and would be required throughout the course of the client's relationship with our firm.

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## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

The following methods of analysis and investment strategies may be utilized in formulating our investment advice and/or managing client assets, provided that such methods and/or strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

#### **General Risks of Owning Securities**

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in our firm having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.

The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This

means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs.

Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

## **METHODS OF ANALYSIS**

Securities analysis methods rely on the assumption that the companies whose securities are purchased and/or sold, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While our firm is alert to indications that data may be incorrect, there is always a risk that our firm's analysis may be compromised by inaccurate or misleading information.

**Charting:** In this type of technical analysis, our firm reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

**Cyclical Analysis:** Statistical analysis of specific events occurring at a sufficient number of relatively predictable intervals that they can be forecasted into the future. Cyclical analysis asserts that cyclical forces drive price movements in the financial markets. Risks include that cycles may invert or disappear and there is no expectation that this type of analysis will pinpoint turning points, instead be used in conjunction with other methods of analysis.

**Fundamental Analysis:** The analysis of a business's financial statements (usually to analyze the business's assets, liabilities, and earnings), health, and its competitors and markets. When analyzing a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use: bottom up analysis and top down analysis. The terms are used to distinguish such analysis from other types of investment analysis, such as quantitative and technical. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives: (a) to conduct a company stock valuation and predict its probable price evolution; (b) to make a projection on its business performance; (c) to evaluate its management and make internal business decisions; (d) and/or to calculate its credit risk.; and (e) to find out the intrinsic value of the share.

When the objective of the analysis is to determine what stock to buy and at what price, there are two basic methodologies investors rely upon: (a) Fundamental analysis maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by purchasing the mispriced security and then waiting for the market to recognize its "mistake" and reprice the security.; and (b) Technical analysis maintains that all

information is reflected already in the price of a security. Technical analysts analyze trends and believe that sentiment changes predate and predict trend changes. Investors' emotional responses to price movements lead to recognizable price chart patterns. Technical analysts also analyze historical trends to predict future price movement. Investors can use one or both of these different but complementary methods for stock picking. 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:** A security analysis methodology for forecasting the direction of prices through the study of past market data, primarily price and volume. A fundamental principle of technical analysis is that a market's price reflects all relevant information, so their analysis looks at the history of a security's trading pattern rather than external drivers such as economic, fundamental and news events. Therefore, price action tends to repeat itself due to investors collectively tending toward patterned behavior – hence technical analysis focuses on identifiable trends and conditions. Technical analysts also widely use market indicators of many sorts, some of which are mathematical transformations of price, often including up and down volume, advance/decline data and other inputs. These indicators are used to help assess whether an asset is trending, and if it is, the probability of its direction and of continuation. Technicians also look for relationships between price/volume indices and market indicators. Technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns. Technical analysis is widely used among traders and financial professionals and is very often used by active day traders, market makers and pit traders. The risk associated with this type of analysis is that analysts use subjective judgment to decide which pattern(s) a particular instrument reflects at a given time and what the interpretation of that pattern should be.

## **INVESTMENT STRATEGIES & ASSET CLASSES**

**Long-Term Purchases:** Our firm may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long horizon. The risk of this strategy is that our firm could miss out on potential short-term gains that could have been profitable to your account, or it's possible that the security's value may decline sharply before our firm make a decision to sell.

**Margin Transactions:** Our firm may purchase stocks, mutual funds, and/or other securities for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. Margin accounts and transactions are risky and not necessarily appropriate for every client. The potential risks associated with these transactions are (1) You can lose more funds than are deposited into the margin account; (2) the forced sale of securities or other assets in your account; (3) the sale of securities or other assets without contacting you; and (4) you may not be entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.

**Options:** An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Options are

extremely versatile securities. Traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset. In terms of speculation, option buyers and writers have conflicting views regarding the outlook on the performance of an

*Call Option:* Call options give the option to buy at certain price, so the buyer would want the stock to go up. Conversely, the option writer needs to provide the underlying shares in the event that the stock's market price exceeds the strike due to the contractual obligation. An option writer who sells a call option believes that the underlying stock's price will not rise significantly higher than the option's strike price during the life of the option, as that is how he will reap maximum profit. This is exactly the opposite outlook of the option buyer. The buyer believes that the underlying stock will rise significantly higher than the options strike price. If this happens, the buyer will be able to acquire the stock for a lower price and then sell it for a profit. However, if the underlying stock does not close above the strike price on the expiration date, the option buyer would lose the premium paid for the call option. Since we are primarily option sellers/writers, we transfer this risk to the option buyers/purchasers.

*Put Option:* Put options give the option to sell at a certain price, so the buyer would want the stock to go down. The opposite is true for put option writers. For example, a put option buyer is bearish on the underlying stock and believes its market price will fall below the specified strike price on or before a specified date. On the other hand, an option writer who shorts a put option believes the underlying stock's price will increase about a specified price on or before the expiration date. If the underlying stock's price closes above the specified strike price on the expiration date, the put option writer's maximum profit is achieved. Selling/Writing Put Options may be used to earn cash for the portfolio, while attempting to acquire desired investments at lower prices. Conversely, a put option holder would only benefit from a fall in the underlying stock's price below the strike price. If the underlying stock's price falls below the strike price, the put option writer is obligated to purchase shares of the underlying stock at the strike price.

The potential risks associated with these transactions are that (1) all options expire. The closer the option gets to expiration, the quicker the premium in the option deteriorates; and (2) Prices can move very quickly. Depending on factors such as time until expiration and the relationship of the stock price to the option's strike price, small movements in a stock can translate into big movements in the underlying options. Since we are primarily option sellers/writers, we transfer these risks to the option buyers/purchasers.

**Please note:** Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

B. Our practices regarding cash balances in client accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services

related to comprehensive portfolio management, asset management service and portfolio monitoring, as applicable.

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#### ITEM 9: DISCIPLINARY INFORMATION

We have determined that our firm and management have nothing to disclose under the aforementioned standard.

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#### ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Timothy Taylor is a member of the finance committee for a non-profit Christian school. A potential conflict of interest exists as this school is also a client. However, Mr. Taylor, as a member of the Finance Committee, only provides limited advice and feedback based on the various issues the Chair of the Committee brings to the meetings. Further, Mr. Taylor as a fiduciary, will act in the client's best interest.

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#### ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>3</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

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<sup>3</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless included in a block trade.

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## ITEM 12: BROKERAGE PRACTICES

### A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm has an arrangement with Raymond James Financial Services, Inc. ("RJFS"), a qualified custodian from whom our firm is independently owned and operated. RJFS offers services to independent investment advisers which includes custody of securities, trade execution, clearance and settlement of transactions. RJFS enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. RJFS does not charge client accounts separately for custodial services. RJFS allows our firm to sponsor a wrap fee program to clients, which allows clients to pay a single fee for investment advisory services and associated custodial transaction costs. Transaction fees will



be paid by our firm via individual transaction charges. Because our firm absorbs client transaction fees, an incentive exists to limit trading activities in client accounts.

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

RJFS may make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by RJFS may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by RJFS to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

- a. Explanation of when our firm uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how our firm receives a benefit because our firm does not have to produce or pay for the research, products or services.

RJFS does not make client brokerage commissions generated by client transactions available for our firm's use. The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving best execution.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of RJFS as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend RJFS and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

- c. Causing clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Clients will not incur transaction costs for trades because our firm absorbs client transaction fees

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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

- d. Disclosure of whether we use soft dollar benefits to service all of our clients' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

- e. Description of the types of products and services our firm or any of our related persons acquired with client brokerage commissions (or markups or markdowns) within our last fiscal year.

RJFS does not make client brokerage commissions generated by client transactions available for our firm's use.

- f. Explanation of the procedures we used during our last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits we received.

Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

- 2) Brokerage for Client Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage.

Our firm does not receive brokerage for client referrals.

- 3) Directed Brokerage. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.

Neither our firm nor any of our firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Our firm routinely recommends that clients direct us to execute through a specified broker-dealer. Our firm recommends the use of RJFS. Each client will be required to establish their account(s) with RJFS if not already done. Please note that not all advisers have this requirement.

**Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

- b. If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

Our firm does not allow client-directed brokerage outside our recommendations.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

Our firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

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## ITEM 13: REVIEW OF ACCOUNTS OR FINANCIAL PLANS

- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

We review accounts on at least a quarterly basis for our clients subscribing to the following service: Asset Management. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Portfolio Managers will conduct reviews.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to the following service: Asset Management.

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## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

We have nothing to disclose in this regard.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm does not provide cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals).

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## ITEM 15: CUSTODY

- A. If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

Our firm does not have custody of client funds or securities. All of our clients receive account statements directly from their qualified custodians at least monthly upon opening of an account showing all disbursements for each account including the amount of the advisory fee paid to our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

- B. If we have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our clients, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

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#### ITEM 16: INVESTMENT DISCRETION

Our clients are required to sign a discretionary investment advisory agreement with our firm for the management of their account. This type of agreement applies to all our clients. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

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#### ITEM 17: VOTING CLIENT SECURITIES

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

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#### ITEM 18: FINANCIAL INFORMATION

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- We have never been the subject of a bankruptcy proceeding.