



# Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Cannon Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (801) 566-3190. 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 Cannon Capital Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Cannon Capital Management, Inc. is an SEC registered investment advisor. Registration does not imply any level of skill or training.

## Cannon Capital Management, Inc.

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### **Item 3. Advisory Services**

Cannon Capital Management, Inc. (CCM) provides investment advisory services and serves as a pension consultant or advisor for organizations and individuals. The investment advisory services are based on the following philosophies and investment disciplines for the equity (stock) and fixed income (bond) markets.

#### Equity Investment Philosophy and Discipline:

Our equity investment philosophy is founded on the belief that companies which can consistently generate positive free cash flow (net income plus depreciation and amortization less capital expenditures and dividends), generate steady to improving margins, maintain solid balance sheets and grow revenues will deliver price appreciation that will more than compensate for the risk of investing in an uncertain future.

Our investment discipline incorporates our philosophy and adds to it the structure of an intense valuation review of each individual company's stock we consider for purchase or sell. We invest in companies when we can capture not only our philosophic traits, but also a margin of safety from a valuation perspective. A margin of safety is a recognition that other market participants may not agree with our assessment of the company in which we are investing. Therefore, we expect to make our investment in companies with a margin of safety or at a price that affords us valuation wiggle room for data or information we may not have been aware of or that plays out differently than we anticipated. We augment our margin of safety when making investment purchases of individual companies by adding in a time horizon of 12 - 18 months for our investments to demonstrate the results we anticipated at the time of the investment purchase. By incorporating our time horizon with our investment discipline and philosophy we make time an ally and it also affords us the luxury of looking beyond the immediacy of near term events.

We will also use a variety of Exchange Traded Funds (ETF's) or other similar investment vehicles to strategically allocate funds in a portfolio designated for equity exposure. The ETF's we use will generally be index funds of a broad asset class such as Large Cap, Mid Cap, Emerging International Markets, etc. or narrower sector funds such as in healthcare, finance, energy or technology. In our use of ETF's we rely much more on our macro outlook and technical analysis for the various markets we want to gain investment exposure in.

We feel that by using a combination of individual stock investments and ETF's we can create an equity investment portfolio that will be more efficient from a volatility or risk stand point and yet provide a diversified portfolio with significant opportunity to grow over an investor's time horizon.

Typically, equity portfolios that are smaller than \$250,000 will be comprised of up to 100% ETF's, while larger equity portfolios will have a mix of 70% ETF's and 30% individual company stock investments.

Fixed Income Philosophy and Discipline

We believe in using fixed income market securities (often fixed income securities are referred to as "bonds") to generate the highest level of income relative to the prevailing credit and maturity conditions existing in the market and as set by our client's preferences. We generally incorporate a discipline that involves creating a laddered portfolio of fixed income securities to meet our client's specific needs and circumstances. A laddered portfolio consists of fixed income securities that have a set of maturity dates that follow one year or two after each other, thus creating an analogy to the steps on a ladder.

We purchase individual fixed income securities that we believe are undervalued relative to their "normal" relationship to other fixed income securities. We then allow time and solid underlying fundamentals to generate an attractive stream of income and return to our client's fixed income portfolio. Incorporating a laddered maturity schedule for individual fixed income securities allows us to mitigate the effect of interest rate movements and provide an efficient rate of return to our clients.

Fixed income investments must also take into account the credit quality of the investment. With individual fixed income investments we invest in instruments that have an investment grade rating of BBB or higher at the time of purchase.

We will also use Exchange Traded Funds (ETF's) to strategically add to our fixed income investment portfolio to capture areas of the market in which we choose not to use individual fixed income instruments. The use of fixed income ETF's allows us to quickly create a diversified portfolio of fixed income instruments from a maturity, type and credit quality standpoint. When using fixed income ETF's we will, unless restricted by a client's preference, use fixed income securities that have a credit rating lower than BBB.

Generally, the fixed income ETF's we use will be passive and based upon an index with a specific maturity, type of issuer and credit rating that allows us the opportunity to create a more efficient fixed income portfolio by incorporating individual fixed income securities with those in a fixed income ETF. The use of individual fixed income securities and fixed income ETF's is driven by our outlook for interest rates and the availability of underpriced individual fixed income securities. However, fixed income portfolios which are less than \$100,000 will generally be invested using fixed income ETF's. Portfolios which are larger than \$100,000 will generally be created and maintained using a combination of individual fixed income securities and ETF's.

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### **Item 4. Fees**

CCM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. CCM does not, however, receive any portion of these commissions, fees, and costs. The fee schedule for Cannon Capital Management, Inc. Investment Advisory Services is as follows:

All Equity & Mixed Equity and Fixed Income Portfolios:

- .95% on the first \$500,000.00
- .85% on the next \$1,500,000.00
- .70% on the next \$3,000,000.00
- .50% on assets > \$5,000,000.00

Fixed Income Portfolios:

- .30% on the first \$1,000,000.00
- .25% > \$1,000,000.00

Fees are quoted on an annual basis. Fees are assessed at the beginning of each calendar quarter using the account's fair market value as of the last business day of the calendar quarter. Investment advisory services may be terminated by either party with a two day written notice. Should investment advisory services be terminated by either party, fees assessed at the beginning of the quarter will be refunded on a prorated basis. Fees for investment management services may, under certain circumstances, be negotiated.

Pension Consulting and Advisory Services

CCM is actively involved in serving as a pension consultant and advisor. We use our expertise and experience in the investment advisory area to serve our clients in establishing a comprehensive investment policy statement for their ERISA plans and in providing the education, fiduciary support and training necessary for both the plan sponsor and the plan participant. We seek to provide impeccable and timely service to our clients in coordinating the responsibilities of the plan advisor, third party administrator, platform provider, and plan sponsor and plan participant.

The fee schedule for Cannon Capital Management, Inc. Pension Consultant and Advisory Services is as follows:

- .50% on the first \$1,500,000.00
- .40% on the next \$3,000,000.00
- .30% on assets > \$5,000,000.00

Fees are quoted on an annual basis. Fees are assessed at the beginning of each calendar quarter using the account's fair market value as of the last business day of the calendar quarter. Pension consulting services may be terminated at any time by either party with written notice. Should investment advisory services be terminated by the Plan Sponsor, fees assessed at the beginning of the quarter will not be refunded on a prorated basis. Should CCM initiate the termination of services with the Plan Sponsor prior to the end of the quarter, CCM will prorate unearned fees to

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the Plan Sponsor. Fees for pension consulting and advisory services may, under certain circumstances, be negotiated.

Clients may be charged certain fees and expenses imposed by third party broker-dealers, insurance companies, investment companies and/or custodians such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to CCM's fee.

### **Item 5. Performance-based Fees and Side-by Side Management**

CCM does not provide any services for performance-based fees.

### **Item 6. Types of Clients Served by CCM**

CCM serves a wide variety of clients including individuals, pension and profit sharing plans including 401(k) Plan Sponsors, trusts, estates, charitable and non-profit entities as well as for profit corporations, LLC and partnerships and other business entities.

### **Item 7. Type of Investments used by CCM**

CCM uses a wide variety of investment mechanisms to create portfolios for its clients. Included in the suite of investment choices are the following:

Equity or stock tools – publicly traded and exchange-listed securities, securities that are traded over-the-counter and foreign listed issuers of stock that are American Depositary Receipts (ADR) and therefore listed on the U.S. exchanges. Mutual funds and Exchange traded Funds (ETF's) are also used by CCM. Warrants which give the right to purchase stock at a specified price are occasionally employed in the portfolio. The use of covered call or put options on underlying stock positions may also be employed by CCM.

Fixed Income or Bond tools – CCM will use Corporate debt securities, commercial paper, certificates of deposit (CD'S), tax free debt securities often referred to as municipal debt, debt issued by the U.S. Government or it's agencies as well as mutual funds and ETF's that invest in similar debt instruments.

There are risks associated with each type of investment vehicle used by CCM in the creation of a portfolio. Each investment vehicle could face the possibility of bankruptcy and the underlying security, be it equity, debt or an option, could fall to zero and result in a complete investment loss. CCM believes that the creation of a diversified portfolio severely dampens the possibility of a complete portfolio loss; but, in an extreme environment such a possibility exists. However, CCM does not utilize any strategies or invest in any securities in which the loss could be greater than the investment cost of the security.

**Item 8. Methods of Analysis, Sources of Information and Investment Strategies Used by CCM**

CCM employs a disciplined approach to the investment decisions it makes on behalf of its clients. The foundation of the investment decisions CCM makes is based on what we call the fundamental story of each investment. The fundamentals include such things as the makeup of the company's balance sheet and income statement as well as various financial ratios which we use to analyze and forecast a future value for the company. We also use other tools to help us in our analysis such as chart patterns, economic and pricing cycles and technical analysis.

We use databases with historical financial data on companies as well as newspapers, magazines, corporate rating services and financial information disseminated by the company itself through its annual and quarterly reports.

The objective of our analysis is to identify investment opportunities in profitable businesses with attractive returns on the capital invested by the company. We expect the company to be led by honest and talented management with a disciplined capital structure and who are stewards capable of meeting the demands of shareholders and employees of the company. Finally, we would like to make our investment purchases at a fair and reasonable price that includes a margin of safety that will serve as a protection against overpaying for any one investment.

We tend to be longer term investors with our stock investments – at least a year or longer - and to hold our individual bonds until maturity. While we understand and appreciate the use of covered options, we have not yet incorporated that strategy into our portfolio management. We have not used margin transactions within our strategy at this point and don't anticipate doing so at this time. We will on occasion sell investments we have made in a relatively short period of time; typically this occurs because we feel that we have either made a mistake in our analysis or there is such a move in the stock price, up or down, that we liquidate the position.

Risks in our analysis and implementation of investment strategies include the following:  
Faulty information released by the companies in which we have made an investment  
Incorrect analysis of information regarding an investment  
Undisciplined implementation of our strategies

**Item 9. Education and Business Standards**

CCM will require a person supplying investment advice to its clients to have a demonstrated level of experience and expertise which will generally mean a college degree or an accredited certification such as the Chartered Financial Analyst (CFA) designation. CCM is a devoted advocate of the CFA program and strongly encourages and supports its associates to earn the CFA designation. In a supplement to this brochure is the education and business background of the members of the CCM investment committee.

**Item 10. Business Activities Other than Investment Advice Given to CCM Clients**

CCM serves as a pension consultant and advisor to ERISA plans. As an advisor, Cannon Capital Management, Inc. will suggest services offered by other non-related entities such as third party administrators, custodians and record keepers. CCM receives no compensation financially or otherwise from the entities it may recommend to CCM's clients. CCM is interested solely in the ability of the entities it recommends to deliver their services in a timely and cost efficient manner to the client. As such, CCM does not believe there is a conflict of interest in the recommendations of service providers it makes to its clients. There are tremendous work synergies between our service as Investment Advisors and Plan Advisors to our clients. However, in our current mix of business we spend approximately 40 – 50% of our time in the Plan Advisor area.

**Item 11. Other Financial Industry Activities or Affiliations**

CCM does not have any affiliations or a financial interest in any broker- dealers, future commission merchants, commodity pool operators of commodity trading advisers, other investment advisers, investment companies, financial planning firms, banking or thrift institutions, accounting firms, law firms, insurance companies or agencies, pension consultants, real estate brokers or dealers and any entities that create or package limited partnerships. Further, CCM and its ownership are not a general partner in any partnership in which clients are solicited to invest.

**Item 12. Participation or Interest in Client Transactions by CCM or its Ownership and Associates**

CCM or its owners and associates may buy or sell securities which the firm has recommended to its clients. Individual transactions initiated by owners and associates of CCM as well as by CCM itself must first be cleared by the Chief Compliance Officer of the firm and are not allowed to front run any of the trades done on behalf of Cannon Capital Management's clients.

Allowing CCM, its ownership or associates to buy or sell securities which the firm is recommending to its clients could create a conflict of interest between CCM and its clients. CCM recognizes this potential conflict of interest and adheres to a strict code of ethics which has as its central point the principal of Duty of Loyalty to our clients. Duty of Loyalty means that all actions taken by anyone associated with CCM will be done within the scope of the laws and regulations of our industry, with complete integrity and placing the benefits of our clients first and foremost. A full copy of the Code of Ethics for CCM is available upon request by any client or prospective client. CCM's business is dependent on its reputation of being worthy of the trust and stewardship our clients place in us; as such, CCM will do all in its power to always be worthy of the confidence in us by our clients.



**Item 13. Conditions for Managing Accounts**

CCM does provide investment advisory and management services and also provides Advisory services to ERISA Plans. In addition, CCM does provide financial planning services to its clients on an as needed basis; this service is provided without an additional cost in fees. The minimum account size for advisory services is \$200,000.00 or as negotiated with a representative of CCM.

**Item 14. Review of Client Accounts by CCM**

Client investment advisory portfolios are reviewed on a daily or weekly basis. Reviews are triggered by systematic monitoring of the portfolios, investment actions taken by the Portfolio manager and through formal reviews with the respective clients. All reviews are conducted by Clinton C. Cannon, CFA, President and Chief Investment Officer of the firm.

Every client receives a quarterly report which depicts the cost basis and market value of each security and the portfolio as a whole. Included in the report is a listing of all securities that have been bought or sold within the most recent calendar quarter. Along with the quarterly reports of their individual portfolio, a quarterly update of the capital markets is included. Between quarterly reports, clients may receive notifications regarding events that may affect the capital markets or specific investments held in their respective portfolios.

**Item 15. Investment or Brokerage Discretion by CCM on Behalf of its Clients**

Prior to engaging in investment advisory services on behalf of its clients, CCM establishes the purpose of the funds to be invested and determines any parameters the client desires to be set. CCM will then in regular meetings with the client review the parameters and investment objectives of the client to determine if any changes are desired by the client. However, in the course of fulfilling its role as an investment advisor, CCM will determine both the type and the amount of securities to be bought or sold in accordance with any prior guidance given by the client without seeking prior approval from the client. Regular communication and reporting to the client by CCM as well as access via the internet to the clients account at the client's discretion on a 24/7 basis provides the client with the opportunity to be fully aware of all activity within their portfolio.

CCM will, unless specific direction is given by the client, determine the broker to be used to execute trades within a client's portfolio. Trades executed for clients whose assets are held in custody for them by Charles Schwab will be charged a commission rate based on the schedule established by Charles Schwab. Clients whose assets are not held in custody at Charles Schwab will have their trades executed by brokers with whom CCM will, in conjunction with the broker, determine the commission rate paid for the respective trades. CCM will seek to minimize the cost of the trades on behalf of the client.

CCM does suggest the use of certain brokers to its clients. The suggestions CCM makes are based on the ability of the respective broker(s) to execute orders in a timely and efficient manner while minimizing the cost of the transaction. CCM does not engage in the practice of using "soft dollar"

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commissions from the brokerage fees generated by its clients to purchase products or services from third party vendors.

### **Item 16. Additional Compensation Paid by CCM or Received by CCM**

CCM does not receive any revenue sharing or any other type of compensation from any of the brokers it uses to execute trades on behalf of its clients or for any referrals made by CCM to other entities.

Employees of CCM may be paid up to 50% of a client's first year fees, 25% of the second year's fees and 10% of the fees collected in any successive year for referring a client that signs an investment advisory or Plan Advisor agreement with CCM. The referral fee sharing for employees of CCM will not cause the fee paid by the client to be increased in any manner or cost.

CCM will also pay a referral fee to organizations and or individuals for referring a client that hires CCM to serve as a pension advisor. The referral fee paid to organizations and individuals who refer clients to CCM will not cause the fee paid by the client to be increased in any manner or cost. Typically the revenue sharing follows the following format: 50% of the first year fees collected, 25% of the second year's fees collected and 10% of the fees collected in any successive year.

### **Item 17. CCM Balance Sheet**

CCM is not a custodian of client funds or securities and is not required to provide a company balance sheet

### **Item 18. Disciplinary Information**

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

### **Item 19. Supervised Person Brochure Supplement(s)**

Clinton C. Cannon, CFA - born in 1958  
B.A. - Political Science - University of Utah - 1982  
M.P.A. - Brigham Young University - 1984  
One Semester Ph.D. coursework in finance - Pennsylvania State University - 1984  
Chartered Financial Analyst - 1989  
Commodities Trading Advisor - 2009  
Principal - Cannon Tingey Investment Advisors - 1996-2007  
Principal - SMC Capital - 2007  
Principal - Cannon Capital Management - 2008 – present

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### **Trust Officer – Tracy Collins Bank and Trust – January 1985 – August 1985**

Served as portfolio manager for the Trust Department.

### **Sr. Vice President, Director of Equity Research and Sr. Portfolio Manager - First Security Investment Management, Inc. – August 1985 – February 1996**

Directed an equity research staff of eight people and served as portfolio manager responsible for over \$500 million in assets.

### **Principal and Owner - Cannon Tingey Investment Advisors – February 1996 – June, 2007**

Founded Cannon Tingey Investment Advisors. The firm was registered with the Securities and Exchange Commission as a Registered Investment Advisor.

### **Principal - SMC Capital – July, 2007 – December, 2007**

Portfolio manager.

### **Principal and sole owner - Cannon Capital Management, Inc. – January 2008– present**

Founded Cannon Capital Management, Inc. – A Registered Investment Advisor with the Securities and Exchange Commission

## **Chartered Financial Analyst (CFA) Designation**

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment Credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charter holders working in 134 countries.

To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **High Ethical Standards**

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter holders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### **Global Recognition**

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are

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increasingly seeking CFA charter holders—often making the charter a prerequisite for employment. Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

### **Comprehensive and Current Knowledge**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org)