

Disclosure Brochure

November 8, 2024

Taylor Wealth Management, LLC

a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Taylor Wealth Management, LLC (hereinafter "TWM"). If you have any questions about the contents of this brochure, please contact Doug Taylor at (310) 540-8000. 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 Wealth Management, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Taylor Wealth Management, LLC is a registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This Item discusses only the material changes that have occurred since TWM's last annual update dated March 14, 2024. The Firm has updated Item 5 and Item 12 to disclose that it now recommends the custody, clearing, and execution services of Altruist Financial LLC, who recently acquired Shareholder's Service Group, TWM's previously recommended custodian.

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Item 4. Advisory Business

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

TWM has been in business since January 13, 2005. Douglas Taylor is TWM’s principal owner. As of December 31, 2023, TWM has \$131,036,039 of assets under management, of which \$5,930,330 is managed on a discretionary basis and \$125,105,709 is managed on a non-discretionary basis.

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

Investment Management Services

As described below, TWM generally provides wealth management services to its clients. However, clients can engage TWM to manage all or a portion of their assets on a discretionary or non-discretionary basis without financial planning and consulting services or overall wealth management services.

Wealth Management Services

TWM typically provides clients with wealth management services which include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios. These services are tailored based on the individual needs of the client, but generally include a review of the client’s overall financial situation, preparation of a written report of recommendations covering cash flow, retirement planning, education planning, investment planning, tax planning, risk management and insurance planning and estate planning. The client is under no obligation to act upon any of the recommendations made by TWM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including TWM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of TWM’s recommendations.

As further discussed below in response to Item 10, an affiliated entity, Taylor Tax Services, Inc. (“*Taylor Tax*”) may provide clients with a broad range of accounting and tax preparation services. Generally, TWM will not render accounting or tax preparation services directly to its clients, but instead it may recommend its affiliated entity *Taylor Tax* to provide such services under a separate agreement.

TWM primarily allocates clients’ investment management assets among mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities and/or options in accordance with the investment

objectives of the client. In addition, TWM may recommend that certain clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which include debt, equity, and/or pooled investment vehicles when consistent with the clients’ investment objectives. TWM may also provide advice about other types of investments held in clients’ portfolios.

TWM may also render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that are not held by the client’s primary custodian. In so doing, TWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

TWM tailors its advisory services to the individual needs of clients. TWM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that impact the clients’ investment needs. TWM ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

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

Item 5. Fees and Compensation

TWM offers its services on an hourly or fixed fee basis.

Investment Management Fees

TWM may be engaged to manage a client’s investments without the overall wealth management services. The annual fee for investment management only services varies (between \$3,000 and \$40,000) depending primarily on the amount of assets to be managed. TWM’s annual investment management fee is prorated and charged quarterly, in advance, beginning at the first full month of engagement.

Wealth Management Fees

TWM provides wealth investment management services for an annual fixed fee. TWM’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. TWM does not, however, receive any portion of these

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commissions, fees, and costs. The annual fee varies (between \$3,000 and \$40,000) depending upon a number of factors including the complexity of the client's financial situation, the composition of the securities in each investment portfolio, the amount of assets invested and/or other relevant factors used to determine the necessary level of services to be provided by TWM.

TWM's annual wealth management fee is prorated and charged quarterly, in advance, beginning at the first full month of engagement.

Financial Planning and Consulting Fees

Unless otherwise included in its wealth management services, TWM may charge an hourly fee for financial planning services. These fees are negotiable, but are generally \$500 per hour. If the client engages TWM for additional investment advisory services, TWM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

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

Additional Information

Lower fees for comparable services may be available from other sources.

TWM does not debit fees directly from client accounts. Clients will receive an invoice from TWM each quarter and must remit payment directly to TWM.

Fees for Management During Partial Quarters of Service

As discussed above, TWM begins billing at the beginning of the first full month of an engagement.

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

Clients may make additions to and withdrawals from their account at any time, subject to TWM's right to terminate an account. Additions may be in cash or securities provided that TWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to TWM, subject to the usual and customary securities settlement procedures. However, TWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. TWM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised

that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter the fee payable with respect to such assets will not be adjusted or prorated.

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), TWM recommends that clients utilize the brokerage and clearing services of Altruist Financial LLC (“Altruist”) for investment management accounts.

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

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to TWM’s fee.

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

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

Item 7. Types of Clients

TWM provides its services to individuals (including high net worth individuals).

Minimum Fee

TWM shall impose a minimum annual fee of \$3,000 for its investment and wealth management services. This minimum fee can have the effect of making TWM’s service impractical for certain clients, particularly those with smaller portfolios. TWM, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar

amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

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

Investment Strategies

TWM approaches investment portfolio analysis and implementation based on internal factors such as the client's current financial situation, tax situation, overall risk tolerance and the client's personal goals and aspirations. After identifying these factors, client portfolios will be structured around that client's individual needs, while attempting to minimize negative effects of external factors, such as interest rates, market performance, and the economy as a whole. TWM's investment recommendations are integrated with a client's specific goals and values.

TWM's investment philosophy is based on Nobel Prize winning academic and scientific research with the fundamental assertion that capital markets reward investors over the long-term for taking appropriate levels of specific types of risk for which there is an expected benefit. TWM focuses on factors that it can control 1) a disciplined process, 2) diversification, 3) controlling costs and minimizing investment taxes. TWM does not believe you can control when to time the market, or the theory that consistently picking winning securities and selecting investment managers in advance will outperform the market.

There is a misconception that investing requires predicting the future. TWM believes that investors are harmed by making predictions that are often based on current financial news and events. These predictions are basically speculating which is entirely different from investing. TWM philosophy is that investing is the methodical and disciplined process of allocating one's capital to markets across specific areas of risk to meet specific goals.

Risk is an individual concept that depends upon one's particular goals and perceptions. Goals generally come in a range of acceptable outcomes ranging from a minimum acceptable outcome to one that exceeds expectations.

Researchers in the field of behavioral finance have integrated human characteristics into their overall understanding of risk. An individual's perception of risk is much more than assigning investors to

categories of investments. An investor does not react to loss in the exact opposite way to how he reacts to gains. Gains and losses are not mirror images of each other. Losses are felt more deeply by an individual. If an investor experiences a period where investment outcomes gradually shift from good outcomes to bad outcomes (for example a period of negative returns on an investment portfolio) the investor's anxiety does not gradually increase but rather becomes sharply elevated at the point the investor considers the boundary between good and bad outcomes crossed.

Behavioral finance helps explain why investors do not always make financial and investment decisions that are rational. TWM's approach is to focus on the details of the rational, analytical approach to investing, including the efficiency of markets, the factors of risk in the markets and the leading models used in the design of portfolios.

Modern Portfolio Theory

In 1990, Harry Markowitz, William Sharpe, and Merton Miller, three noted financial economists won the Nobel Memorial Prize for Economics for their work in developing Modern Portfolio Theory as a portfolio management technique. Modern Portfolio Theory has been used to develop and manage investment portfolios for large institutions, as well as individual investors. There are four components to Modern Portfolio Theory:

1. Investors inherently avoid risk. Investors are often more concerned with risk than they are with reward. Rational investors are not willing to accept risk unless the level of return compensates them for it.
2. Securities markets are efficient. The "Efficient Market Hypothesis" states that while the returns of different securities may vary as new information becomes available; these variations are inherently random and unpredictable. Assets are re-priced every minute of the day according to what news comes out. As new information enters the market, it is quickly absorbed into the prices of securities, and thus hard to capitalize. In fact, advancing information technology and increased sophistication on the part of investors are causing the markets to become even more efficient.

The implications of the Efficient Market Hypothesis are far-reaching for investors. It implies that one should be deeply skeptical of anyone who claims to know how to "beat the market." One cannot expect to consistently beat the market by picking individual securities or by "timing the market".

The Efficient Market Hypothesis is at odds with traditional investment strategies. It has, however, been supported by numerous academic studies, both theoretical and empirical. These studies show, among other things, that the risk-adjusted returns achieved by professional investment managers are no better than those of the market as a whole. This was primarily due to the expenses and taxes incurred with active management.

3. Focus on the portfolio as a whole and not on individual securities. The risk and reward characteristics of all of the portfolio's holdings should be analyzed as one, not separately. An efficient

allocation of capital to specific asset classes is far more important than selecting the individual investments.

4. Asset allocation can determine over 90% of the performance variation of an investment portfolio. How investment dollars are allocated far outweighs the potential effects of individual security selection and market timing.

TWM believes that every risk level has a corresponding optimal combination of asset classes that maximizes returns. This is called the “Efficient Frontier”. Portfolio diversification is not so much a function of how many individual stocks or bonds are involved, but the relationship of one asset to another. TWM calls this relationship “correlation”. The higher a correlation between two investments, the more likely they are to move in the same direction.

The Efficient Frontier represents the range of hypothetical portfolios that offer the maximum return for any given level of risk. Portfolios positioned above the range are unachievable on a consistent basis. Portfolios below the Efficient Frontier are inefficient portfolios (too much risk, not enough reward). The ideal portfolio exists somewhere along the Efficient Frontier.

Equity - The Dimensions of Expected Returns

Most finance academics and investment professionals acknowledge that there are four primary factors influencing equity portfolio returns:

1. Exposure to the overall market (beta).
2. The percentage invested in large company stocks versus small company stocks. Over time, small company stocks have higher expected returns than large company stocks. This is because stocks of small companies are riskier than those of large companies and investors demand a premium for this risk. This risk may be mitigated by investing in large group of small companies so that the rewards from the successful companies net of the failures of unsuccessful companies may provide an expected benefit over larger companies.
3. The percentage invested in growth stocks versus value stocks. Over time, value stocks have higher expected returns than growth stocks. Value stocks are those that sell at lower prices relative to their earnings and book values. They are perceived by investors to be riskier than growth stocks and investors demand a premium for this risk as well.
4. The percentage invested in high profitability companies versus low profitability companies. Over time, high profitability company stocks have higher expected returns than low profitability company stocks.

Fixed Income

TWM believes that the role of fixed income in a portfolio is not to produce income, but to reduce volatility. TWM feels that the best way to accomplish this is to employ the following strategies:

- Use shorter maturities (TWM prefers maturities under ten years)
- Use high quality issues
- Use a variable maturity approach
- Use a diversified global approach while hedging all currencies

These methodologies integrate to form TWM's investment philosophy. This philosophy shapes TWM's investment allocation decisions, fund choices and the overall management of client portfolios.

In the course of providing investment advice, TWM may address issues related to other types of assets that a client may already own. Any other products that may be deemed appropriate for a client will be discussed, based upon the client's goals, needs and objectives.

Risks of Loss

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

General Risk of Loss

The main source of information in which TWM may rely when researching and analyzing securities will include traditional research materials such as financial newspapers and magazines, annual reports, prospectuses, filings with the SEC, as well as research material prepared by others, company press releases and corporate rating services. TWM also subscribes to various professional publications deemed to be consistent and supportive of TWM's investment philosophy.

Moreover, TWM approaches investment portfolio analysis and implementation based on internal factors such as the client's tax situation, overall risk tolerance, current financial situation, and the client's personal goals and aspirations. After identifying these items, the client's portfolio will be structured around the client's individual needs, while minimizing negative effects of external factors, such as interest rates, market performance, and the economy as a whole.

In general, TWM recommends no-load mutual funds (i.e. mutual funds that have no sales fees), ETFs, U.S. Government securities, money market accounts, certificates of deposit, and individual bonds (corporate, agency, and municipal). However, in the course of providing investment advice, TWM may

address issues related to other types of assets that clients may already own. Any other products that may be deemed appropriate for the client will be discussed, based upon needs, goals, and objectives.

Any investment in securities involves risk of loss that clients should be prepared to bear. While TWM will use its best judgment and good faith efforts in rendering services to its clients, not every investment decision or recommendation made by TWM will be profitable. TWM cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Client assumes all market risks involved and understand that investment decisions are subject to various market, currency, economic, and political business risks.

Mutual Funds and Exchange Traded Funds (ETFs)

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

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

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

Fixed Income Securities

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any

particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

Market Risks

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

Item 9. Disciplinary Information

TWM 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. TWM does not have disclosures in relation to this Item.

Item 10. Other Financial Industry Activities and Affiliations

TWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. TWM has described such relationships and arrangements below.

Referrals to Related Certified Public Accountants

TWM does not render accounting advice or tax preparation services to its clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, TWM, if requested, will recommend the services of *Taylor Tax*, an affiliated accounting and tax services firm, all of which services shall be rendered independent of TWM pursuant to a separate agreement between the client and *Taylor Tax*. TWM shall not receive any of the fees charged by *Taylor Tax*, referral, or otherwise. In addition, the managing member of TWM, Douglas E. Taylor, is also the Principal of *Taylor Tax*. Although TWM does not receive referral fees from *Taylor Tax*, Mr. Taylor is entitled to receive distributions and additional compensation related to his ownership in *Taylor Tax*.

It is also expected that Mr. Taylor of TWM, solely incidental to his respective practices with *Taylor Tax*, may recommend TWM's services to certain of *Taylor Tax*'s clients. Although *Taylor Tax* does not receive referral fees from TWM, Mr. Taylor is entitled to receive distributions relative to his respective ownership interests in TWM.

Mr. Taylor does not have signatory authority over any client accounts through *Taylor Tax*.

There is a conflict of interest in TWM recommending the services of *Taylor Tax*, since Mr. Taylor is a principal of both firms. Clients are under no obligation to retain *Taylor Tax* and are free to utilize any accounting or tax preparation firm that they wish.

Item 11. Code of Ethics

TWM has adopted a code of ethics ("*Code of Ethics*") made up of its personal securities transaction and insider trading policies and procedures. When TWM is purchasing or considering for purchase any security on behalf of a client, no *Covered Person* (as defined below) may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. The *Covered Person* can be part of a batch trade with clients. Similarly, when TWM is selling or considering the sale of any security on behalf of a client, no *Covered Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

Unless specifically defined in TWM's procedures (summarized above), neither TWM nor any of TWM's Associated Persons may effect for himself or herself, for an Associated Person's immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person), or for trusts for which the Associated Person serves as a trustee or in which the Associated Person has a beneficial

interest (collectively “*Covered Persons*”), any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of TWM’s clients.

The foregoing policies and procedures are not applicable to (a) transactions effected in any account over which neither TWM nor any of its *Supervised Persons* (as defined in this Form ADV) has any direct or indirect influence or control; and (b) transactions in securities that are: direct obligations of the government of the United States; bankers’ acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements; or shares issued by registered open-end investment companies.

This policy has been established recognizing that some securities being considered for purchase and sale on behalf of TWM’s clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of such securities. Under certain limited circumstances, exceptions may be made to the policies stated above. TWM will maintain records of these trades, including the reasons for any exceptions.

TWM also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by TWM or any of its *Supervised Persons*.

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

Item 12. Brokerage Practices

As discussed above, in Item 5, TWM recommends that clients utilize the brokerage and clearing services of Altruist. TWM is not affiliated with Altruist and Altruist does not supervise TWM, its *Supervised Persons*, or its investment activities. TWM offers investment advisory services through the custodial platform offered by Altruist, an unaffiliated SEC registered broker dealer and FINRA/SIPC member. Custody, clearing and execution services are provided by Altruist as a self-clearing broker-dealer. TWM’s clients establish brokerage accounts through Altruist. TWM maintains an institutional relationship with Altruist whereby Altruist provides certain benefits to TWM, including a fully digital account opening process, a variety of available investments, and integration with software tools that can benefit TWM and its clients. TWM is not affiliated with Altruist. Altruist does not supervise TWM, its agents, activities, or its regulatory compliance.

Factors which TWM considers in recommending Altruist or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Altruist enables TWM to obtain many mutual funds and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Altruist may be higher or lower than those charged by other Financial Institutions.

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

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

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

Transactions for each client will be affected independently, unless TWM decides to purchase or sell the same securities for several clients at approximately the same time. TWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among TWM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among TWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that TWM determines to aggregate client orders for the purchase or sale of securities, including securities in which TWM's *Supervised Persons* may invest, TWM does so in accordance with applicable rules and no-action guidance. TWM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that TWM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation,

shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, TWM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

Software and Support Provided by Financial Institutions

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

Item 13. Review of Accounts

For those clients to whom TWM provides investment and wealth management services, TWM monitors those portfolios as part of an ongoing process while regular account reviews are conducted periodically. Such reviews are conducted by the Principal of TWM, Douglas E. Taylor. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with TWM and to keep TWM informed of any changes thereto. TWM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom TWM provides investment advisory services may receive a report from TWM that may

include such relevant account and/or market-related information such as an inventory of account holdings from time to time. Clients should compare the account statements they receive from their custodian with those they receive from TWM.

Item 14. Client Referrals and Other Compensation

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

Item 15. Custody

TWM does not have custody of client funds or debit fees from client accounts. The *Financial Institutions* recommended by TWM are not affiliated with TWM and do not supervise TWM, its *Supervised Persons*, or its investment activities.

The *Financial Institutions* recommended by TWM that hold and maintain client assets, have agreed to send a statement to the client, at least quarterly. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to any statements TWM may provide.

Standing Letters of Authorization

TWM also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

Item 16. Investment Discretion

TWM may be given the authority to exercise discretion on behalf of clients. TWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. TWM is given this authority through a power-of-attorney included in

the agreement between TWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). TWM takes discretion over the following activities:

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

Item 17. Voting Client Securities

TWM is required to disclose if it accepts authority to vote client securities. TWM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

Item 18. Financial Information

TWM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, TWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. TWM has no disclosures pursuant to this Item.

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Prepared by:

