



TD CAPITAL MANAGEMENT LLC



INVESTMENT COUNSEL

**FORM ADV, PART II  
DISCLOSURE BROCHURE  
31 MARCH 2011**

This brochure provides information about the qualifications and business practices of TD Capital Management LLC (TD Capital). If you have any questions about the contents of this brochure, please contact us at 901-681-0021 or [TDCapital@tdcmllc.com](mailto:TDCapital@tdcmllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

TD Capital is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provides information pertinent to determination of a decision to hire or retain an Adviser.

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



## ITEM 2 – MATERIAL CHANGES

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This brochure dated 31 March, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this item (Item 2) will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year (31 December). We may further provide other on-going disclosure information about material changes as necessary.

We will provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting Douglas Smith, Chief Compliance Officer at 901.681.0021 or [dsmith@tdcmllc.com](mailto:dsmith@tdcmllc.com). Our brochure is also available on our website [www.tdcapitalmanagement.com](http://www.tdcapitalmanagement.com), also free of charge.

Additional information about TD Capital is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with TD Capital who are registered, or are required to be registered, as investment adviser representatives of TD Capital.



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#### ITEM 4 – ADVISORY BUSINESS

TD Capital is an investment advisory business located in Memphis, TN. Organized as a Limited Liability Company, the firm was formed in 1996 and is principally owned by L. Douglas Smith, cpa/pfs and N. Gordon Thompson, cpa/pfs. In addition to Mr.'s Smith and Thompson, there are eleven other small-interest owners of the firm - one of whom, John Harrell, CFP, devotes full-time to TD Capital while the other ten are members of Thompson Dunavant PLC, a Certified Public Accounting firm and are predominantly passive owners of TD Capital.

The firm has been in continuous operation since its founding in 1996 and (as of 31 December, 2010) managed \$386,506,384 for our clients. All portfolio management is performed under discretionary authority as granted by the clients of the firm.

TD Capital provides "investment supervisory services" which implies that we give continuous investment advice to clients based on each client's individual needs. Each portfolio under our care is designed to serve the known needs of the client regarding cash flow expectations, tax-efficiency, risk-tolerance, etc. From time to time our clients may impose restrictions on investing in certain securities or types of securities and we honor those restrictions as closely as practicable.

TD Capital does not participate in "wrap fees" accounts or arrangements, does not receive any form of brokerage commissions or transaction fees, and does not participate in any "soft dollar" arrangements. All fees are paid directly by the clients and adhere to the schedule noted in the next section.



## ITEM 5 – FEES AND COMPENSATION

The specific manner in which fees are charged by TD Capital is established in a client's written agreement (Investment Advisor Agreement) with TD Capital. TD Capital will generally bill its fees on a quarterly basis. In most cases clients authorize TD Capital to directly debit fees from client accounts. All fees are billed in arrears after each calendar quarter. Management fees are generally prorated for material capital contributions made during the applicable calendar. Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Upon termination of any account, unearned fees will be due and payable.

Note: Any fees associated with mutual funds, other securities, trading or transaction costs are not included in the TD Capital fee schedule, and TD Capital does not receive any benefit from these fees.

### Fee Schedule:

For portfolio relationships:

Less than \$200,000                      1 ½%    per annum of assets under management

For portfolio relationships:

\$200,000 to \$500,000                      1%        per annum of assets under management

For portfolio relationships:

\$500,000 to \$1 million                      ¾%        per annum of assets under management

For portfolio relationships:

\$1 million to \$2 million                      ½%        per annum of assets under management

For portfolio relationships:

Greater than \$2 million                      .35%      per annum of assets under management

Fees may be negotiated for portfolio relationships greater than \$20 million, or when the aggregation of several accounts of related individuals or entities would result in lower total fees for the client(s).

On very rare occasions we are asked to provide advice or consultation on matters outside the core activities of portfolio management. We generally feel that these projects are best billed on an hourly basis, for which our fees are typically between \$100 and \$400 per hour. The circumstances surrounding when compensation is payable are dealt with on a case by case basis.



## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

TD Capital does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **ITEM 7 – TYPES OF CLIENTS**

TD Capital provides advisory services to individuals, families, businesses, trusts, estates, charitable institutions, pension and profit sharing plans, and other organizations. There are no firm minimum asset or income requirements to be a TD Capital client. However, we generally work with clients with investable portfolios of greater than \$250,000.

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

All accounts are reviewed on a monthly basis for consistency with objectives set forth by the client and such reviews are documented and dated. Any deviations from client objectives are considered and dealt with in these reviews. Team members include: Chief Investment Officer / Portfolio Strategist, Douglas Smith; Portfolio Manager, John Harrell; Portfolio Analysts and Client Service providers, Jay McDonald, Lee Lacy, Peggy Campbell and Courtney Oliver. The team works together to review client portfolios, make trades, and assist with client requests. All portfolios and accounts receive monthly consideration. The level of the review and analysis of each portfolio is determined each month based on the needs of that portfolio including stage of phasing schedule, cash flow considerations, change in client needs, etc. Trades for some portfolios are recommended by Mr. Smith. For other portfolios, trades are recommended by the Portfolio Manager or Portfolio Analysts and approved by Mr. Smith, Mr. Harrell, or Mr. McDonald.

Investing in securities involves risk of loss that clients should be prepared to bear. TD Capital Management LLC in no way guarantees performance or results.



## ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to evaluation of TD Capital or the integrity of TD Capital's management.

TD Capital Management LLC has no history of any disciplinary action of any kind.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

All of the members (ownership) of TD Capital (except Mr. Smith and Mr. Harrell) are also members of Thompson Dunavant PLC (Thompson Dunavant), an accounting and consulting firm. All of these members, N. Gordon Thompson, Robert Svoboda, Stephen Dunavant, Lloyd Grissinger, Daniel Walker, Stephen Lackey, Danny Snow, Brian McCuller, Stephen Pace, Mark Grochau and Marshall Hollis are Certified Public Accountants and spend the majority of their time (99%) providing the accompanying accounting and consulting services to their clients. A small portion of their time (perhaps 1%) is spent on investment advisory and portfolio management services. Douglas Smith, CPA/PFS, and John Harrell, AAMS/CPF, spend all their time on investment advisory services.

TD Capital is related through common membership and common control to Thompson Dunavant, PLC. Thompson Dunavant provides traditional accounting services including personal financial planning. TD Capital is from time to time asked to "implement" the investment portion of a client's financial plan. Clients of Thompson Dunavant are not compelled to use the services of TD Capital, and clients of TD Capital are not compelled to use the services of Thompson Dunavant. All new clients review and sign a checklist that includes notice of this reminder. Fees charged by Thompson Dunavant and fees charged by TD Capital are billed separately.

The majority of TD Capital clients opt to use the brokerage services of Fidelity Institutional Brokerage Services for custody of their accounts. TD Capital does not compel clients to utilize the Fidelity services. Further, TD Capital receives no compensation of any kind from Fidelity or any other third-party.



## ITEM 11 – CODE OF ETHICS

TD Capital Management LLC has adopted a Code of Ethics for the purpose of instructing personnel in their ethical obligations and to provide rules for their personal securities transactions. We owe a duty of loyalty, fairness, and good faith towards our clients and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code of Ethics covers a range of topics that includes: general ethical principles, receipt and giving of gifts, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV, and supervisory procedures. All supervised persons of TD Capital must acknowledge the terms of the Code of Ethics annually, or as amended. We will provide a copy of the Code of Ethics to any client or prospective client upon request.

Members and employees of TD Capital from time to time purchase mutual funds, exchange traded funds, and/or bonds that TD Capital recommends or purchases under discretion for clients.

It is TD Capital's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. TD Capital will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. TD Capital is not registered as a broker-dealer and does not have an affiliated broker-dealer.



## **ITEM 12 – BROKERAGE PRACTICES**

TD Capital recommends or has recommended that clients establish accounts through Fidelity Institutional Brokerage Services. Recommendations are based upon the quality and cost of services provided. Ultimately, it is the client who makes the decision as to custody of their accounts and execution of their transactions. TD Capital does not receive any commission, soft dollars, client referrals or any other benefits from recommending a particular broker-dealer.

## **ITEM 13 – REVIEW OF ACCOUNTS**

All accounts are reviewed on a monthly basis for consistency with objectives set forth by the client and such reviews are documented and dated.

TD Capital encourages clients to review their monthly or quarterly statements and trade confirmations received directly from their broker/custodian. Clients have the option (through Fidelity) to receive paper statements or enroll in online access and/or delivery through Fidelity Investments. TD Capital prepares and mails quarterly reports of the accounts under management directly to the clients. These reports also include explanations of the quarterly billings for investment management fees.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

TD Capital does not use outside solicitors. The only compensation we pay for client referrals is to affiliates (i.e. members and employees) of Thompson Dunavant PLC and TD Capital Management LLC. Thompson Dunavant and TD Capital are both board-managed limited liability companies. Membership constituency is not completely the same, but there is a significant (controlling) overlap in member ownership including the fact that Mr. Thompson serves as a board member of both firms. Thompson Dunavant and TD Capital are under common control.



## **ITEM 15 - CUSTODY**

TD Capital does not have custody of any client funds. Clients should receive monthly or quarterly statements directly from the broker/custodian that holds and maintains client's investment assets. Again, TD Capital urges clients to carefully review such statements.

## **ITEM 16 - INVESTMENT DISCRETION**

TD Capital usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives of the particular client's portfolio.

## **ITEM 17 - VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, TD Capital does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. TD Capital may provide advice to clients regarding the clients' voting of proxies.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about TD Capital's financial condition. TD Capital Management LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.