

*Item 1 – Cover Page*

**ADV Part 2A, Firm Disclosure Brochure**

# **TrustFirst**

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**Most recent update: 3/29/24**

This brochure provides information about the qualifications and business practices of TrustFirst, Inc. If you have any questions about the contents of this brochure, please contact us at (865) 583-7390 or [don@trustfirst.com](mailto:don@trustfirst.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration does not imply any specific level of skill or training.

Additional information about TrustFirst, Inc. also is available on the SEC's website at <https://adviserinfo.sec.gov/>. You can search this site by a unique identifying number, known as a CRD number.

Our firm's CRD number is # 39057.

## *Item 2 – Material Changes*

**Dated: 03/29/2024**

**Revised from the previous version dated: This is our initial registration filing.**

This Firm Disclosure Brochure provides you with a summary of TrustFirst, Inc.'s ("TrustFirst") advisory services and fees, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item (Material Changes) is utilized to provide our clients with a summary only of the material new and/or updated information; we will inform clients of the revision(s) based on the nature of the information. TrustFirst is affiliated with a broker/dealer, therefore, we also provide clients with a Client Relationship Summary ("Form CRS"). Material changes to Form CRS will also be noted in this Item.

Annual Update: We are required to update certain information in this disclosure at least annually, within 90 days of our firm's fiscal year-end (FYE) of December 31. If our firm has made revisions that would affect a client's decision when doing business with us, we will provide the client with either a summary of any materially revised information with an offer to deliver the fully revised Firm Disclosure Brochure and/or Form CRS, or we will provide you with our revised Firm Disclosure Brochure and/or Form CRS that will include a summary of those changes in this Item. Non-material revisions are not delivered to clients but can be viewed on the SEC Investment Adviser info site, as noted on the cover sheet of this Brochure.

This Firm Brochure, Form CRS, your financial professional's brochure supplements, our Privacy Policy, or Code of Ethics may be requested at any time by contacting Donald O. Taylor, Chief Compliance Officer ("CCO"), by any method noted below. Regardless of the request or delivery mechanism, these items are provided and available free of charge.

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**TrustFirst has provided a summary of the following material changes since our last filing:**

TrustFirst repurchased assets from a Registered Investment Advisory firm that it sold to in 2019. The repurchase was completed in November 2023. Therefore, our Assets under Management have increased since the last filing.

The charging of fees may be done on a monthly or quarterly basis. Monthly billing will be done in advance using prior month ending account value.

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#### Item 4 – Advisory Business

TrustFirst, Inc. (“TrustFirst”) began conducting business in 1995 as a FINRA Member, registered broker-dealer. In the past, TrustFirst was dually registered with the State of TN as a State registered investment adviser. In 2021, TrustFirst withdrew as a State Registered Investment Adviser. In 2023, TrustFirst became a State Registered Investment Adviser. TrustFirst’s principal place of business is located in Knoxville, Tennessee.

Donald O. Taylor, President and Chief Compliance Officer is the firm's principal shareholder (i.e., those individuals and/or entities controlling 25% or more of this company).

TrustFirst offers a variety of advisory services, which include investment management and other services as disclosed, herein. Prior to our firm rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with TrustFirst setting forth the relevant terms and conditions of the advisory relationship (the “Agreement”).

When we act as your investment adviser, we must act in your best interest, and we do not put our interest ahead of yours. At the same time, the method that we are compensated creates some conflicts with your interests. The following items outline our activities and address conflicts associated with those activities. You should understand and ask us about these potential conflicts because they can affect the investment advice we provide you.

***As of December 31, 2023, TrustFirst managed \$0 of assets under our discretion and also had \$65,750,600 of non-discretionary assets under management.***

#### INVESTMENT SUPERVISORY SERVICES

Our firm provides continuous advice and asset supervision, on both a non-discretionary and a discretionary basis, to a client regarding the investment of client funds based on the individual needs of the client. *(Please see Item 12, Brokerage for a better understanding of discretionary basis vs. non-discretionary basis.)* Through personal discussions in which goals and objectives are established, we will either prepare a financial plan or develop a client's personal investment policy statement (“IPS”). During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and generally include advice regarding the following securities: Exchange listed securities, securities traded over-the-counter, ETFs, fixed income products, corporate debt securities, Commercial paper, certificates of deposit, municipal securities, mutual fund shares, United States governmental securities, REITS and options contracts on securities. Clients may place reasonable restrictions in their account, but TrustFirst reserves the right to reject any account due to client restrictions. TrustFirst does not provide ESG investment options.

For many clients, TrustFirst provides investment management services based on established model strategies. The intent of the strategy is that it forms the building block in structuring the client’s portfolio. A summary of the models follows:

<b><u>Model Portfolio Name</u></b>	<b><u>Description</u></b>
Growth Model	Our Growth Model Portfolio is designed for the investor who has a long-term investment horizon and can tolerate a higher degree of volatility. Comprised of approximately 80% Stocks, Stock funds or ETFs; and 20% Bond funds or ETFs. It is designed to take advantage of stocks/ETFs that have significant growth potential and/or momentum. The holdings will not have a specific sector/style bias necessarily but may try to take advantage of depressed prices in a particular sector or style.

#### Balanced Model

Our Balanced Model Portfolio is designed for the investor who has a long-term investment horizon, desires a moderate level of volatility. Comprised of approximately 65% Stocks, Stock Funds, and ETFs; and 35% Bonds Fixed Income ETFs and Bond Funds. One of the primary criteria currently is to find funds that take less investment risk than their peer group with the goal of trying to achieve average to above average returns.

#### Conservative Model

Our Conservative Model Portfolio is designed for the investor who desires a very low level of risk. Comprised of approximately 50% Stock Funds and ETFs and 50% Bond Funds. All mutual funds are screened via Morningstar Advisor Workstation and selected based on a variety of criteria. One of the primary criteria currently is to find funds that take less investment risk than their peer group with the hopes of achieving average or above average returns.

#### Private Securities and REITS under Investment Management

For our accredited investors, and those whose portfolios are deemed appropriate, we may also use alternative investments, such as REITs and Alternative Private Securities. These types of investments contain considerable risk and therefore, are only recommended for portfolios that can withstand the possibility of exposure to loss of principal. Please ask us if you have a concern regarding any holdings in your account.

The firm can also recommend the use of private securities, for which we act as a manager for the private securities or have account ownership. We are incentivized to recommend these investments due to this relationship. Please see Item 10, Outside Business Activities for more information about the private securities our firm and its affiliated persons own.

TrustFirst will utilize, REITs for certain qualified clients. Our firm's role, relative to these types of investment funds, shall be limited to its initial and ongoing due diligence and investment monitoring services. The amount of assets invested in the REITs shall be included as part of the client's assets under management for purposes of our firm's calculating its investment advisory fee. REITs generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each REIT's offering documents, which will be provided to you by the Sponsor for review and consideration. Each investor will be required to complete a Subscription Agreement provided by the Sponsor, pursuant to which the client shall establish that he/she is qualified for investment in the product and acknowledges and accepts the various risk factors that are associated with such an investment.

#### Additional Information Regarding Investment Management Services

Because some types of investments involve certain additional degrees of risk, they will only be implemented or recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. Diversification cannot ensure a profit or protect against a loss.

#### *Item 5 – Fees and Compensation*

##### INVESTMENT SUPERVISORY SERVICES FEES

Our firm does not require a minimum of assets under management for investment supervisory services. TrustFirst may group certain related client accounts for the purposes of determining the annualized fee. See sample below:

**Assets Under Management & Annual Fee**

Examples: \$100,000 investment value at 12/31 and a fee rate of 1.5% billed quarterly

1. **(Advance)** Account would be charged (100,000 x 1.5% = 1,500/4 quarters) \$375 in January for the 1<sup>st</sup> Quarter.
2. **(Arrears)** Account would be charged \$375 in January for prior year 4<sup>th</sup> Quarter. The 1<sup>st</sup> Quarter fees would be based on 3/31 values and charged in April.

The annualized fee is charged on a sliding scale, meaning you receive breakpoints on the higher amounts you invest. Our fee schedule for investment management services and model managed accounts are:

Assets Under Management*	Annual Fees
<b>\$0 to \$500,000</b>	<b>1.50%</b>
<b>\$500,001 to \$1,000,000</b>	<b>1.25%</b>
<b>\$1,000,001 and above</b>	<b>1.00%</b>
<b>Bond/Fixed Income</b>	<b>Negotiated Pricing</b>
<b>Hourly Fees/Special Projects</b>	<b>\$250/Hr.</b>

Clients pay fees both in advance of services provided and in arrears, depending on how your agreement with our firm was negotiated. The fee will be an annualized percentage of the market value of all assets in the account, billed monthly or quarterly, on the first trading day of each calendar month/quarter. Advisory fees are billed based upon month/quarter end investment values provided by your qualified custodian reporting. Margin assets, interest and dividend payments are included in the calculation. The firm does not adjust the asset value (fair market value, plus any material credit balance or minus any debits), for this calculation. Our billing system calculates accrued interest and our firm bills on accrued interest. This is an important note for clients as the qualified custodian’s statements may not show the adjusted interest payment. \*TrustFirst will disclose 12b-1 fees if paid. TrustFirst will accept 12b-1 fees, to a maximum of .25% on fee accounts.

To the extent that Client engages our firm any time after the first day of a quarter, Client’s should be aware that the fee will be prorated from the date of engagement through the end of the month/quarter.

The management fee may be deducted directly from Client's Account by the Custodian and automatically remitted to Adviser. The Custodian will send the Client a statement monthly or quarterly which shows the advisory fee charged to the account. It is the Client's responsibility to verify the accuracy of the fee calculation. The advisory fee will be determined based on the ending aggregate market value of the assets in the Account each month/quarter. Fees are charged in advance or in arrears, based on client selection. TrustFirst will refund, within 30 days, any unused part of the management fee upon termination.

Account Additions and Withdrawals - Clients can make additions to and withdrawals from their account at any time, subject to TrustFirst’s right to terminate an account. Additions can be in cash or securities provided that our firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients can withdraw account assets, subject to the usual and customary securities settlement procedures. However, the firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. TrustFirst does not adjust advisory fees for withdrawals or deposits in cash or assets in accounts not terminating. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

Hourly Fees

Hourly charges may be negotiated for infrequent portfolio reviews, recommendations and implementation where the client believes our normal “percentage of asset” charge is not appropriate for management activities provided. Hourly charges may be appropriate for retirement plan design, investment choices and plan provider recommendations.

## FEE ONLY ANNUITIES

When clients elect to hold “Fee only” annuity products in their account, the firm will exclude the asset from AUM as part of fee billing for advisory services.

## TRENDZ ADVISORS FEES

Should clients elect to add Trendz Advisors, Inc., the portion of the account which is managed by the other investment manager is charged an additional fee by that investment manager. The client enters into a separate agreement with the outside investment Manager and will separately agree to the additional fees. \*If Adviser decides to use its affiliated investment advisor, Trendz Advisors (“Trendz”) to manage your investments, the Trendz platform has its own fees that apply. These fees will be disclosed separately in Trendz’s disclosure brochures and fee agreements. Trendz fees are charged directly to the account along with Adviser fees.

## GENERAL INFORMATION

Negotiability of Advisory Fees Although our firm has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Direct Debiting of Fees - When authorized in writing by the client, fees are debited by the qualified custodian from the account in accordance with the terms set forth in the Investment Management Agreement. Although we encourage direct debiting of fees, clients may also choose to be billed for services.

Grandfathering - Grandfathered accounts will pay fee schedules that are different than non-grandfathered accounts and for which are discounted from our current fee schedule. TrustFirst, at its sole discretion, will switch the client to our firm’s current fee schedules or terminate the relationship after providing a 30 day notification to the client of such change.

Firm Disclosure Brochure Notice - If client does not receive the Firm Disclosure Brochure 48 hours prior to signing the client agreement, then client will have the right to terminate the agreement within five days of entering into the agreement with our firm. Client will not incur advisory fees for this period but is responsible for any and all commissions, concessions, brokerage or transaction fees in connection with activities incurred during that period. Any advisory fees paid to our firm will be promptly refunded to the client.

Termination of the Advisory Relationship - A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be refunded within thirty days of notice of termination. In calculating a client’s reimbursement of fees, we will bill until such date as the account is de-linked by the qualified custodian and pro-rate the reimbursement according to the number of days remaining in the billing period. When clients fail to provide termination notification, termination is based on the date when all assets have either 1. been de-linked or 2. have left the account.

ERISA Accounts - Certain of our client’s accounts are IRA accounts or other ERISA retirement accounts that are subject to the Pension Protection Act of 2006 (PPA). In all cases where these rules apply, an “eligible investment advice arrangement” or advisory agreement will be executed with the client. We will be considered a “fiduciary advisor” and will charge fees to the retirement account based on a “*level fee basis*” which means the fees will not vary depending on the basis of the investment option selected. The amount of compensation and other consideration

reasonably anticipated to be paid, directly or indirectly, to us, our affiliates or related entities for their services in connection with the recommendation(s) is not in excess of reasonable compensation within the meaning of §4975(d)(2) of the Code and ERISA Section 408(b)(2).

Our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, TrustFirst may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. Conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, will be offset through adjustments to TrustFirst's advisory fees.

Mutual Fund & ETF Fees - All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. The fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. TrustFirst will accept 12b-1 fees, to a maximum of .25% on fee accounts.

A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. For stock and mutual fund transactions where Pershing charges a transaction fee to TrustFirst, TrustFirst generally passes those fees on to the advisory client.

Additional Fees and Expenses - In addition to our advisory fees, clients are also responsible for the fees and expenses charged by our broker-dealer, TrustFirst and the client's qualified custodians. In addition, clients may also incur fees imposed by other broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transaction for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information about the broker-dealers we utilize and our brokerage practices.

Affiliated Investment Advice and Sharing - As outlined more fully in Item 10, Other Financial Industry Activities and Affiliations, of this disclosure brochure, our firm is affiliated, and shares space and revenue with both our broker-dealer, TrustFirst and Trendz Advisors, an affiliated state registered investment advisor owned and controlled by management personnel of our firm. As TrustFirst shares space and administrative personnel with these affiliates, our firm will also share the costs of the aforementioned entities. Trendz is a robo-advisor model managing 401(k) and similar plans, utilizing a computerized, numbers based system for asset allocation determination. Clients utilizing Trendz must choose a robo-advisor platform and are not managed similarly to advisory clients of TrustFirst. TrustFirst does not offer robo-advisory services. Therefore, TrustFirst mitigates the risk of one advisor's clients being favored over the other advisor's clients.

Other Commission-Based Sales Activities - Management and related persons of our firm are dually registered as registered representatives of our affiliated broker-dealer, TrustFirst. Acting in that capacity, they can implement transactions for our advisory clients. In so doing, these individuals will earn separate compensation in the form of commissions, sales related compensation and/or 12b-1 fees (trail fees earned from the sale of mutual funds and/or ETFs). Income earned by the broker-dealer represents more than half of our firm's annual revenue. Clients should be aware that there is always a conflict of interest when our investment advisor representatives recommend our broker/dealer over other broker/dealers. TrustFirst is incentivized to recommend our firm over another broker-dealer and clients will not pay the lowest price in this type of arrangement. Our firm does not generally accept directed brokerage accounts to other broker-dealers, and this will effectively limit your selection of qualified custodians and executing broker-dealers. Clients can incur more costs under this type of arrangement and therefore, should carefully consider this arrangement when engaging our firm.

Management and other related personnel of TrustFirst are also licensed insurance agents. As such, they are entitled to receive additional compensation, generally through commission-based sales for the sale of insurance products.



These products may be recommended to clients of our firm. Our firm mitigates this conflict by disclosing to clients that financial professionals, acting in their additional role of insurance agent, will receive both insurance commissions and incentives as well as advisory fees for products sold. TrustFirst also mitigates this conflict by excluding these products when billing for management fees. No client is required to purchase any insurance product recommended to them by the financial professional through our firm. Clients are free to choose whatever insurance company they prefer.

In some instances, depending on the size of the transaction, and at our firm's sole discretion, advisory fees will be discounted for commissions earned. Commissions for insurance and brokerage products will not be credited towards future advisory fees.

TrustFirst generally does not charge commission on fee-based ERISA accounts. Notwithstanding this, any advisory fees will always be offset for commissions earned on securities transactions executed in pension, profit-sharing, 401k, IRA or other client accounts where to do otherwise would constitute a prohibited transaction under the provisions of ERISA or the Internal Revenue Code.

Financial professionals with our firm who participate in these activities provide additional disclosures on their respective ADV Part 2B Supplements (ADV Part 2B). Clients receive the ADV Part 2B initially upon engaging our firm and when material changes occur. You may always request a copy from our home office.

Limited Prepayment of Fees - Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

### *Item 6 – Performance-Base Fees*

Performance-based fees are based on a percentage of the capital gains on or appreciation of the client account assets. We do not charge performance-based fees on any of our client accounts.

### *Item 7 – Types of Clients*

TrustFirst provides advisory services to Individuals (a person with less than \$1 million in investable assets), High Net-Worth individuals (a person with investable assets in excess of \$1 million), Pension and Profit-sharing Plans (as well as participants in plans), businesses and charitable organizations.

TrustFirst has no established minimum account size or fee. Those clients electing advice from unaffiliated investment managers are often times subject to minimum account sizes as well minimum fees. Please consult the disclosures received by those investment managers for stated minimum account size and fee structures or ask your financial professional.

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

#### METHODS OF ANALYSIS

TrustFirst's investment approach combines a blend of investment strategies detailed in *Item 4, Investment Management Services*. TrustFirst uses various resources and methods to conduct its analyses in connection with providing its advisory services. The following is a description of these resources and processes.

Macro Analysis – TrustFirst takes a “top-down” view on the global economy, markets, geopolitics, and long-term asset allocation inputs and drivers and allocates capital across multiple asset classes, based on several factors, including but not limited to valuation, risk, and trend.

Fundamental Analysis – TrustFirst attempts to measure the intrinsic value of a security by looking at economic and financial factors, including the overall economy, industry conditions, and the financial condition and management of

the company itself to determine if the relevant security is underpriced or overpriced. TrustFirst evaluates many financial metrics focusing on a company's free cash flow, earnings growth, return on capital, and competitive advantage. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Asset Allocation - Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis - We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Third-Party Money Manager Analysis - We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

***Risks of All Forms of Analysis – TrustFirst's securities analysis methods rely on the assumption that the companies in whose securities we invest, the rating agencies that review these securities, and other publicly-available sources of information about these securities are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.***

## STRATEGIES

Financial Professionals in our firm employ various sources of research to assess potential asset class returns and to identify specific asset classes and securities intended to perform as needed from a risk and return perspective over a multi-year planning horizon. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. Specific Model strategies are described in *Item 4 Advisory Business* of this disclosure.

Margin transactions - When our clients sign a margin agreement and request we utilize margin in their accounts, we will purchase stocks 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. A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a “margin call”, and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

Option writing - For clients that have signed options agreements, we may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

## RISK FACTORS

All investment strategies, including the strategies described above, involve risk. Clients should carefully consider the following risks and uncertainties regarding TrustFirst’s investment strategies. Clients should be cautioned that the following is only a summary of some, but not all, of the material risks associated with investing in securities.

Risk of Loss - Investing in securities involves risk of loss that clients should be prepared to bear. Even when the value of the securities sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. The profitability of TrustFirst recommendations depends much upon correctly assessing the future course of price movements among investments. There can be no assurance that TrustFirst will be able to predict those price movements accurately. Recommendations made by TrustFirst are subject to certain risks, and loss of principal may occur. Past performance is not indicative of future results.

Stock Market Risk - Stock market risk involves the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices. Investing in the stocks of small- and medium-sized companies involves greater risk than is customarily associated with companies with large market capitalizations. The stock of such companies may be subject to more volatility in price than large-cap company securities.

Foreign Securities Risk - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards, limited availability of information, currency conversion, and pricing factors affecting investments in the securities of foreign business or governments.

Interest Rate Risk - Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds (including bond mutual funds and bond ETFs) become less attractive relative to newly issued bonds, causing the existing bonds' market values to decline. Alternatively, when interest rates fall, yields on newly issued bonds become less attractive relative to existing bonds, causing the existing bonds' market values to rise. A bond with a longer maturity (or a bond fund or bond ETF with a longer average maturity) typically will fluctuate more in price than a shorter-term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

Credit Risk - Bonds (including bond mutual funds and bond ETFs) also are exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal to the bondholder. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. government, have limited credit risk. In contrast, securities issued or guaranteed by U.S. government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Bonds with lower credit ratings typically have higher yields associated with them.

Liquidity Risk - Liquidity is the ability to convert an investment into cash readily. Generally, assets are more liquid if many traders are interested in a standardized product. For example, U.S. Treasury Bills are highly liquid, while real estate properties are not. Liquidity risk exists when a particular security is difficult to trade. A mutual fund's or ETF's investment in illiquid securities may reduce the returns of the mutual fund and ETF because the fund may not be able to sell the securities at the desired time for an acceptable price or might not be able to sell the securities at all.

Call Risk - Many fixed-income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund typically reinvests the proceeds at current interest rates, which would likely be lower than those paid on the called security.

ETFs and Mutual Funds - An investment in an ETF or mutual fund involves risk, including the loss of principal. ETF and mutual fund 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 ETFs, and mutual funds are required by law to distribute capital gains in the event they sell securities for a profit. The trading prices of a mutual fund's and ETF shares may differ significantly from the net asset value (NAV) of the underlying securities during periods of market volatility, which may, among other factors, lead to the shares trading at a premium or discount to NAV. Certain ETFs may be concentrated by a specific industry or sector, which may cause greater price volatility and thus more significant risk to investment if the securities comprising the ETF decline due to adverse developments in that particular industry or sector.

Alternative Investments Risk - Alternative investments, including, but not limited to, REITS, alternative mutual funds, and other private investment funds, may present unique risks. These risks may include decreased liquidity, limited transparency, and increased complexity, among others. Investing in alternatives is intended primarily for experienced and sophisticated clients willing to bear the high economic risks of the investment. Alternative investments may use derivative instruments in their investment and trading strategies, such as options, futures, or index-based instruments. The use of derivative instruments involves multiple risks, including counterparty risk (i.e., the risk that the institution on the other side of the trade will default) and the risk that the instrument may not work as intended due to unanticipated developments in market conditions.

## *Item 9 – Disciplinary Information*

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. The following are disciplinary events relating to our firm's broker/dealer activities and/or our management personnel:

1. FINRA - TrustFirst, (the broker dealer), was fined \$14,000 in 2008 for sending invitations to non-customers to attend a private placement investor presentation in downtown Knoxville. The fine was paid and the matter has settled and closed.
2. FINRA - In October 2013, TrustFirst (the broker/dealer) was censured and fined \$25,000 and Don Taylor was separately fined \$5,000 for issues related to miscalculations of net capital in 2011 in addition to escrow

violations for private placement as well as a failure to notify our SRO of a net capital deficiency, while continuing to operate our business. The fines have been paid in full and the matter settled and closed.

3. On June 28, 2017, FINRA accepted an Acceptance, Waiver and Consent (“AWC”) from TrustFirst accepting a censure and monetary fine. FINRA found that, TrustFirst distributed offering documents for private securities which contained typographical and contradictory information. The firm has since settled such matter.

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

### Other Investment Adviser Services

TrustFirst is also dually registered as a FINRA Member broker/dealer. Management personnel of our firm are also Owners and Managers of the broker-dealer. As a dual registrant, TrustFirst the broker-dealer has a reciprocity arrangement with TrustFirst, the state registered investment advisor. This simply means that each party will extend the use of resources to the other, with the understanding that this exchange is designed to allow both parties to benefit. As a result, both parties secure something they need and benefit from the terms of the arrangement. TrustFirst typically recommends our broker-dealer, TrustFirst for brokerage services Conversely, TrustFirst, the broker-dealer will recommend both TrustFirst and Trendz Advisors, Inc. (Trendz) to brokerage clients in need of investment management services.

Our firm's management and related persons are separately licensed as investment adviser representatives of Trendz Advisors, Inc. CRD #139528. In that capacity, individuals provide advisory services through Trendz. Trendz is a copy righted robo-advisor model managing 401(k) and similar plans, utilizing a computerized, numbers based system for asset allocation determination. Clients utilizing Trendz must choose a robo-advisor platform and are not managed similarly to advisory clients of TrustFirst. TrustFirst does not offer robo-advisory services to its advisory clients. Therefore, TrustFirst mitigates the risk of one advisor’s clients being favored over the other advisor’s clients. The advisory services delivered by Trendz are distinct from those provided by our firm and are provided for separate compensation. Rarely, if ever, Trendz's advisory services may be recommended to our clients for whom it is appropriate.

There are no referral fee arrangements between our firm and Trendz. However, a conflict of interest is created by this arrangement to the extent that management and financial consultants of TrustFirst could potentially recommend that a TrustFirst client open a Trendz account through which this individual will receive additional compensation. No TrustFirst client is obligated to use Trendz or its services. Clients choosing to implement TrustFirst's recommendations through Trendz's advisory services should refer to Trendz's separate and distinct Firm Disclosure Brochure (Form ADV Part 2A) or other disclosure documents for details regarding that firm's services and fees.

We may occasionally trade the same or similar securities in client portfolios that are traded by Trendz in its client portfolios. When this occurs, our clients may receive a better or worse price or execution than Trendz clients depending on the order of trade execution, the type of security traded and the broker-dealer used. In order to minimize the potential for any systematic disadvantage to clients; when trades are placed in the same security on the same day for both our clients and Trendz clients (whose portfolios are within our firm's control), we will seek to rotate the order of execution.

As this affiliation with Trendz may present potential conflicts of interest, we have established written policies and procedures for insider trading that prohibit any other member, officer or employee of our firm, from buying, selling or recommending the securities of companies bought, sold or recommended by Trendz where the decision is substantially derived, in whole or in part, by reason of access to the recommendations of Trendz to its clients.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

## LLC Management Services

Management and personnel of our firm are separately licensed as registered representatives of TrustFirst, an affiliated FINRA member broker-dealer, CRD #39057. TrustFirst's Principal, Mr. Donald Taylor, offers broker-dealer clients private placements structured by Mr. Taylor. Mr. Taylor is a Principal who controls our affiliated firm's broker/dealer. These types of investments are only offered to broker-dealer clients who have significant experience and are suitable for such offerings. Mr. Taylor serves as the Managing Member of the LLCs in his separate capacity with the affiliated broker-dealer. Currently, Mr. Taylor is responsible for the following LLC's:

- DG Income Properties II, LLC
- NCDG Properties, LLC
- MCD HRB, LLC
- VidaStar Properties LLC
- Augusta Papa LLC
- Emory Preferred LLC

Through the broker/dealer, these real estate private investments are offered under offering memorandum and any brokerage client who considers these offerings should carefully read the separate disclosure. TrustFirst's Investment Adviser does not provide advice or manage these assets for advisory clients. As such, TrustFirst, the investment adviser, doesn't charge an advisory fee on the private placement assets. Potentially, brokerage clients who already own these types of securities may engage our separate, affiliated investment advisory firm for investment advisory services outside of their ownership of the LLCs.

Mr. Donald O. Taylor, one of the principals of TrustFirst Inc., our affiliate broker-dealer, serves as the Managing Member of the Limited Liability Companies (the "LLC's"). Mr. Taylor, through TrustFirst's affiliated broker-dealer, manages the assets of these pooled investments, receiving fees for accounting and periodic reporting, as Managing Member of the LLC from the LLC. He does not receive performance-based compensation for these services. He will have an ownership interest in most, if not all of the LLCs. Managing LLCs represents an inherent conflict that the LLC's will be favored over other client assets. Mr. Taylor mitigates this conflict periodically comparing these accounts to other client's accounts to ensure that these accounts are not favored over other client accounts.

TrustFirst Inc., the affiliated broker-dealer is not restricted from forming additional LLC's, or engaging in other business activities, even though such activities may be in competition and/or may involve substantial time and resources of our firm. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Advisor, but could be allocated between the businesses of the Advisor, the LLCs and other of our business activities.

In the future, investments in the various LLC's may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. When we offer these types of securities to our clients, we are creating a "principal transaction" and you should receive disclosures prior to the transaction occurring. Please check with our CCO if you have not received disclosures about our involvement and compensation received by our firm prior to closing the transaction. TrustFirst, as an investment adviser does not provide management or advisory services for the LLCs, so therefore, clients who invest in these types of investment are not charged any additional advisory fees for these products.

## Registered Representatives of the Broker-Dealer

Our Management and financial consultants who are also registered representatives, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation in the form of commissions, mark-ups/mark-downs, trails, incentives and bonuses. While TrustFirst and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that

the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

### Insurance Agents

TrustFirst is not an insurance agency. Certain financial professionals are independently licensed insurance agents with unaffiliated insurance agencies. As such, these individuals will receive additional compensation, generally through commission-base sales for the sale of insurance products. These products may be recommended to clients of TrustFirst. There is an inherent conflict with this practice as the financial professional is entitled to earn a fee for the sale of insurance products and also earn fees if these assets are put under our advice or monitoring. Our firm mitigates this conflict by disclosing to clients that our financial professionals, acting in their additional role of insurance agent will receive both insurance commissions and incentives as well as advisory fees for products sold. No client is required to purchase any insurance product recommended to them by the Investment Advisor Representative through our firm. Clients are free to choose whatever insurance company they prefer. In certain circumstances, the firm will not charge advisory fees for products for which we have earned a commission or limit the fees that can be received.

Information about each financial professional's material outside business activities and other financial industry activities and affiliations is disclosed in the financial professional's *ADV Part 2B Supplement* which clients will receive initially upon engaging our firm or when material changes occur. Additional information about your financial professional is also available at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

### *Item 11 – Code of Ethics; Participation or Interest in client Transactions and Personal Trading*

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

TrustFirst and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering.

TrustFirst's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our firm and/or individuals associated with our firm may buy or sell for their personal account's securities identical to or different from those recommended to our clients. In addition, any related person(s) can have an interest or position in a certain security(ies) which can also be recommended to a client.

TrustFirst, Inc. does not affect agency cross transactions for advisory clients. An agency cross transaction is a transaction where our firm acts as an investment adviser in relation to a transaction in which TrustFirst, Inc. or any person controlled by or under common control with our firm, acts as broker for both the advisory client and for another person on the other side of the transaction.

As described in *Item 12 Brokerage Practices*, below, TrustFirst does not generally aggregate client trades and, therefore, we implement client transactions separately for each account. When we trade for our associated persons, we will ensure that no associated person is favored over our client's transactions.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics:

- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any IPO, SPAC or private placement investments by related persons of the firm.
- We have established procedures for the maintenance of all required books and records.
- As a dual registrant, we disclose to our clients and prospective clients that our firm permits trading on a principal basis – this means trading from our firm’s account(s) to a client’s account(s). Our firm does not permit agency cross transactions. We have established policies and procedures to address conflicts when our employees utilize these types of transactions.

### **ERISA Accounts**

When our firm provides investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. Our firm wants you to know that the way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest. Under this special rule’s provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice).
- Never put our financial interests ahead of yours when making recommendations (give loyal advice).
- Avoid misleading statements about conflicts of interest, fees, and investments.
- Follow policies and procedures designed to ensure that we give advice that is in your best interest.
- Charge no more than is reasonable for our services.
- Finally, we must give you basic information about conflicts of interest.

If you would like to receive a copy of our Code of Ethics, it is available, upon request, to our advisory clients and prospective clients. You may request a copy by email sent to [don@trustfirst.com](mailto:don@trustfirst.com), or by calling us at (865) 583-7390.

### *Item 12 – Brokerage Practices*

#### Investment or Brokerage Discretion

Clients elect to have their accounts managed under a discretionary basis or a non-discretionary basis. A “discretionary basis” means that we will make the ultimate investment decisions without your consent. You can also choose to have your account managed on a “non-discretionary basis”, meaning that we will recommend investments to you and you will make the ultimate decision regarding the purchase or sale of investments.

When we manage accounts under a discretionary basis, it is pursuant to and subject to limitations of the agreement(s) under which TrustFirst provides investment advisory services. Our firm has the authority to determine, without obtaining specific client consent, the securities to be bought and sold for client accounts, including the amounts of such securities, the price at which to execute the transaction and to negotiate transaction costs. Clients must include any limitations on this discretionary authority in writing. Clients may reasonably change/amend these limitations upon written request.



## Qualified Custodians and Broker-Dealers

TrustFirst, Inc. is a dually registered broker-dealer and investment adviser. As such, TrustFirst generally recommends clients execute transactions through our firm's broker/dealer. TrustFirst has negotiated a clearing arrangement with Pershing, LLC. (Pershing), a FINRA member broker/dealer which we utilize to custody assets, as well as execute and settle transactions. Clients direct us in writing to utilize the services of TrustFirst as broker-dealer (and consequently Pershing as the qualified custodian, clearing firm). TrustFirst does not have agreements with other custodians, clearing firms or broker/dealers.

Clients should be aware that there is always a conflict of interest when our investment advisor representatives recommend our broker/dealer over other broker/dealers. TrustFirst is incentivized to recommend our firm over another broker-dealer and clients will not pay the lowest price in this type of arrangement. Our firm does not generally accept directed brokerage accounts to other broker-dealers, and this will effectively limit your selection of qualified custodians and executing broker-dealers. Clients can incur more costs under this type of arrangement and therefore, should carefully consider this arrangement when engaging our firm.

As indicated above, clients must direct our firm in writing to utilize the services of TrustFirst and Pershing. Although we recommend and utilize our broker/dealer and its clearing firm, Pershing, the final decision to custody assets with Pershing is at the discretion of the client, including those accounts under ERISA or DOL restrictions and regulations, in which case, the client is acting as either the plan sponsor or IRA accountholder. Clients who choose to utilize the services of other broker-dealers or qualified custodians should recognize that brokerage commissions for the execution of transactions in the clients' accounts are not negotiated by TrustFirst and are executed on a trade-by-trade basis. These clients will pay commissions and any other brokerage/custodial fees that are different than clients who utilize TrustFirst and Pershing. Clients using outside brokers or custodians are responsible for negotiating their own rates and fees and TrustFirst cannot guarantee that these clients will be treated favorably or obtain best execution.

Pershing's platform provides dually registered firms with the benefit of an "institutional platform." The institutional platform includes services not normally available to retail customers on a retail platform. Pershing provides services that include brokerage and custody services, among other related services meant to execute transactions for client accounts. Pershing's institutional platform assists our firm in managing and administering clients' accounts, which include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution; (iii) provide a free research library which is available to all participants on the platform, but does not provide direct research to our firm), (iv) pricing and other market data; (v) facilitate payment of fees from its clients' accounts; and (vi) assist with back-office functions, recordkeeping and client reporting. Pershing may also provide no cost education and webinars to assist our firm in better servicing your account. These services benefit all clients and benefits are not directed toward any specific client who maintains the account.

The benefits received by TrustFirst or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Pershing. As part of its fiduciary duties to clients, our firm endeavors, at all times, to put the interests of our clients first. Clients should be aware, however, that the receipt of the above noted benefits by our firm or its related persons, in and of itself, is deemed to create a potential conflict of interest and may indirectly influence TrustFirst's choice of Pershing for custody and brokerage services.

Factors which TrustFirst considers in recommending Pershing over other qualified custodians include their respective financial strength, reputation, execution, pricing, and client service. The commissions and/or transaction fees charged by Pershing may be higher or lower than those charged by other financial institutions. Clients will not necessarily receive the lowest cost, as our overall judgement indicates that Pershing benefits the transactional quality over transaction quantity.

## Soft Dollars

Our firm is independently operated and owned and is not affiliated with Pershing. Any benefits described above are the same benefits offered to all investment advisors who have an agreement with Pershing for utilization of the

Pershing platform. As such, our firm has not entered into any other agreements, nor entered into any arrangements with Pershing for research payments or other benefits, not described above. As well, our firm does not have any arrangement in which commission dollars are directed toward research or other services.

### Directed Brokerage

As indicated above, Client's must direct our firm in writing to utilize the services of TrustFirst and Pershing. Although we recommend and utilize our broker/dealer and/or Pershing. Certain ERISA Plans will require that TrustFirst manage participant assets on non-Pershing platforms. TrustFirst will accept these types of arrangements. Clients who choose to utilize the services of other broker-dealers or custodians should recognize that brokerage commissions for the execution of transactions in the clients' accounts are not negotiated by TrustFirst and are executed on a trade-by-trade basis. These clients will pay a commission and any other brokerage/custodial fees that are different than clients who utilize TrustFirst and Pershing. Clients using outside brokers or custodians are responsible for negotiating their own rates and fees and TrustFirst cannot guarantee that these clients will be treated favorably or obtain best execution.

TrustFirst requires brokerage discretion when executing transactions at Pershing and does not permit directed brokerage arrangements for trading purposes.

With respect to any ERISA plan client-directed brokerage arrangement, the ERISA plan designated fiduciary generally will be required to represent that the direction of its account to a specified broker and the brokerage commission rate (i) is in the best interest of the account; (ii) are for the exclusive purpose of providing benefits to participants and beneficiaries of the plan; and (iii) does not, and will not cause the account to be engaged in, a prohibited transaction. The ERISA Plan Fiduciary will generally also represent that it has determined, and will monitor the account to ensure, that the directed broker is capable of providing best execution for the account's brokerage transactions and that the commission rates that have been negotiated are reasonable in relation to the value of the brokerage and other services received. It is the duty of the plan sponsors to undertake these activities and our firm will not be responsible for these activities in a directed-brokerage arrangement.

### Aggregation of Trades

As a matter of policy and practice, TrustFirst does not aggregate client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades, under varying circumstances, are executed before others, at a different price and/or commission rate. Clients should be aware that this practice has an inherent conflict of interest that some clients will receive better prices in some instances than other clients who executed the same trade. We monitor these transactions to ensure that no clients consistently receive better prices than most clients and that our supervised personnel's trades are not favored over client transactions. Additionally, our clients may not receive volume discounts available to advisors who aggregate client transactions.

### Brokerage for Client Referrals and other Incentives

As a matter of policy and practice, TrustFirst does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from Pershing or any other third party.

Mutual Funds – As a dual registrant, we receive part of the commissions that are charged on mutual funds as outlined in the fund's prospectus. You should review the prospectus prior to investing in any mutual fund. We have an incentive to choose funds with higher payouts, which is a conflict of interest.

Third-Party Payments – As a dual registrant, we receive payments on a portion of the fees that are charged by our clearing agent, Pershing, LLC. These include part of the service fees charged on each trade, 12b-1 fees on some money market funds and mutual funds, margin debits, credit interest and transfer fees. We have an incentive to place more trades, and recommend sweeps, funds, margin accounts and outgoing transfers from taxable accounts, due to these incentives.

Revenue Sharing - As a dual registrant, we receive a portion of the fees that are charged by our affiliated investment managers (Please see Item 10, Outside Business Activities for more information regarding our affiliated firms) and therefore, have an incentive to recommend certain managers.

#### Trade Errors

Our firm assumes responsibility for any account losses for trading errors directly resulting from our firm's failure to follow its trading procedures or from a lapse in our firm's internal communications and will compensate client for any corresponding losses.

Client acknowledges, however, that we will not be responsible for account errors or losses that occur when TrustFirst has used its best efforts to execute trades in a timely and efficient manner. If a trade or some portion of a trade is not effected or an electronic error occurs through no fault of our firm, resulting in an account not being traded at the time or price initially intended or at the same time or at the same price as other clients, the resulting loss will not be considered a trading error for which we are responsible. TrustFirst will not be responsible for trades that are not properly executed by any clearing firm, custodian, mutual fund, or insurance company, when our firm properly submitted the order.

### *Item 13 – Review of Accounts*

#### Investment Supervisory Services

**REVIEWS:** While the underlying securities within the client's accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. These accounts are reviewed by the designated financial professional overseeing the account.

**REPORTS:** Clients receive monthly/quarterly statements of transactions from their qualified custodian and broker-dealer. Our firm will provide a summary of account performance, holdings and balances, which we obtain from the client's qualified custodian, if specifically requested by the client.

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

It is our firm's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

Certain financial professionals who are engaged as insurance agents are eligible to receive incentive and awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or insurance investment products. These relationships are outlined in *Items 5, 10* and the Financial Professionals *ADV Part 2B Supplement*. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

### *Item 15 – Custody*

All clients must hold assets at a qualified custodian of their choosing, as our firm does not hold client assets. Our firm does have certain authorities, which would constitute custody as interpreted by regulatory organizations. TrustFirst outlines them as follows:

- **Standing Letters of Authorization:** Our firm is deemed to have custody when clients provide us written authorization to direct the qualified custodian to send funds from the client's account to a third party.

- Direct debiting of client fees: In addition, we previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.
- An affiliated person of our firm serves as the Managing Member of LLCs not managed by this investment adviser: An affiliated person, who is also a control person of our firm, serves as the managing member for pooled investment vehicles formed by the affiliated broker-dealer. Potentially, a broker-dealer client who owns an LLC could engage our firm for separate investment advice in other areas, but TrustFirst, the investment adviser, does not provide investment advice or act as managers or trustees of any LLCs. The control person of our firm, performing these duties outside the scope of this investment adviser, will provide accounting and reporting services for these entities. The LLC's appointed Managing Member or Trustee is responsible for overseeing activities of the LLCs. Owners of the LLCs will receive IRS Schedule K-1s from the LLC and statements directly from the qualified custodian or bank holding such assets. Owners also receive financial reporting, from the LLC's manager. LLC's under audit engagement, are audited annually by an independent PCAOB Auditor. Our firm and our financial professionals may maintain ownership in these pooled companies.

For clients which we are deemed to have custody, the client's qualified custodian holding their assets will issue, not less than quarterly, statements directly to the client. These statements should be reviewed carefully and the client should notify the qualified custodian and our firm of any discrepancies noted.

In the aforementioned instances, under Rule 206(4)2 of the Investment Advisors Act of 1940 and various state regulators, require registered investment advisers deemed to have custody of client's fund or securities to obtain a surprise annual examination of client assets by an independent public accountant or have audited financials delivered to pooled investment investors. The independent account must be registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"). As such, TrustFirst has engaged a PCAOB auditor and will either have the LLC's audited, as required or undergo a surprise audit of the adviser, annually or until we cease to custody.

### *Item 16 – Investment Discretion*

We manage accounts on a non-discretionary basis, which means we must obtain clients approval before entering the trade for each transaction. In the event of a market correction, if we cannot contact clients to obtain consent, we would be unable to effect any recommended action.

We also offer our advisory services on a discretionary basis. This means that we do not need advance approval from clients to determine the type and amount of securities to be bought and sold for client's accounts. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell;
- Determine when to buy or sell a security; and/or
- Determine the amount of the security to buy or sell.

This discretion is used in a manner consistent with the stated investment objectives for clients' account if clients have given us written authorization to do so. We only exercise discretion in accounts where we have been authorized by clients. This authorization is typically included in the investment advisory agreement clients enter into with us. Clients may place reasonable restrictions and may change or amend their limitations by providing written instructions to our firm.

### *Item 17 – Voting Client Securities*

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

### *Item 18 – Financial Information*

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts and is deemed to have custody over certain client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Our firm and its officers believe that its financial condition is sound and not likely to impair our ability to meet contractual commitments to clients.

TrustFirst has no material additional financial circumstances to report.

TrustFirst has not been the subject of a bankruptcy petition at any time during the past ten years.

### *Item 19 – Requirements for State Registered Advisers*

The following individuals are the principal executive officers and management persons of TrustFirst:

**Donald Owen Taylor, CRD #725947**

#### **President**

Information regarding the formal education and business background for each of these individuals is provided in their respective Brochure Supplements.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

The following are disciplinary events relating to our firm and/or our management personnel:

4. FINRA - TrustFirst, (the broker dealer), was fined \$14,000 in 2008 for sending invitations to non-customers to attend a private placement investor presentation in downtown Knoxville. The fine was paid and the matter has settled and closed.
5. FINRA - In October 2013, TrustFirst (the broker/dealer) was censured and fined \$25,000 and Don Taylor was separately fined \$5,000 for issues related to miscalculations of net capital in 2011 in addition to escrow violations for private placement as well as a failure to notify our SRO of a net capital deficiency, while continuing to operate our business. The fines have been paid in full and the matter settled and closed.

6. On June 28, 2017, FINRA accepted an Acceptance, Waiver and Consent (“AWC”) from TrustFirst accepting a censure and monetary fine. FINRA found that, TrustFirst distributed offering documents for private securities which contained typographical and contradictory information. The firm has since settled such matter.

As previously disclosed in "Other Financial Industry Activities and Affiliations" (Item 10), TrustFirst will act as a manager for certain private securities. Please see this brochure disclosure, Item 10 for more detail regarding these arrangements.