

**Part 2A of Form ADV: Firm Brochure**

**TrustFirst, Inc.**

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March 27, 2019

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 with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about TrustFirst, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.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**

This Firm Brochure, dated March 27, 2019, provides you with a summary of TrustFirst, Inc. advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

Consistent with the 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. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

To obtain our firm brochure and brochure supplements (information regarding each of our financial advisors), our Summary of the Business Continuity Plan ("BCP"), Code of Ethics, or our Privacy Policy, please contact us at the address below:

**TrustFirst, Inc.**

**Attn:** Terri Nations  
**Main Office Address:** 265 Brookview Centre Way, Suite 504  
Knoxville, TN 37919  
**Main Phone:** 865-583-7390  
**Email :** [terri@trustfirst.com](mailto:terri@trustfirst.com)  
**Web Site Address:** <http://www.trustfirst.com>,

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated June 28, 2018:

TrustFirst, Inc. has no material changes to report this year.

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## **Item 4 Advisory Business**

TrustFirst, Inc. is a state-registered investment adviser with its principal place of business located in Knoxville, Tennessee. TrustFirst, Inc., doing business as TrustFirst, Inc., began conducting business in 1995.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Donald O. Taylor, President and Chief Compliance Officer

TrustFirst, Inc. offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

- Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice on securities, fixed income products, mutual funds, ETFs and variable annuities.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT**

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal. The proper portfolio for individual investors is determined by risk tolerance and retirement objectives.

**Growth Model:** This model is invested 80% in diversified stock mutual funds and 20% invested in diversified bond mutual 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 for average to above average returns.

**Balanced Model:** This model is invested 65% in diversified stock mutual funds and 35% invested in diversified bond mutual 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 for average to above average returns.

**Conservative Model:** This model is invested 50% in diversified stock mutual funds and 50% invested in diversified bond mutual 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 for average or above average returns.

**Trendz Model:** Trendz is an algorithm used for dynamic and tactical model allocation assignments. Every 6 weeks, a certified public accountant gathers index data on 10 basic asset classes. Using a fixed formula, allocation for 3 risk profiles are determined and provided to the investment advisors for diversified application. The basic concept of Trendz is to allow upwardly trending dynamic market changes to be applied to ongoing asset allocation. Trendz is a completely numbers based, unbiased and unemotional form of investment management.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Through personal discussions with the client in which the client's goals and objectives are established, we determine if the model portfolio is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding securities, fixed income products, mutual funds and ETFs.

Our firm will also utilize the services of our affiliated sub-advisor, Trendz Advisors, Inc., CRD #139528, ("IRIA") for the provision of sub-advisory services to our firm. The IRIA makes recommendation to our firm as to the composition and allocation of model portfolios or client specific portfolios, the nature and timing of the changes therein and the manner of implementing such changes. A description of the model is discussed above. This advice also includes recommendations as to the specific securities and

other assets to be purchased, retained, or sold by our firm. TrustFirst, Inc. may give advice and take action with respect to any of its other clients or accounts which may differ from advice given or the timing or nature of action taken with respect to any client or account so long as it is the Sub-Adviser's policy, to the extent practicable, to recommend for allocation and/or allocate investment opportunities to the client or account on a fair and equitable basis relative to its other clients and accounts. Clients do not pay extra for this service. The fee is paid directly by TrustFirst, Inc. and client's fees are not affected by such payments.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances:

1. Clients receive monthly or, at least quarterly, statements from their qualified custodian informing clients of their holdings. If a client's investment objectives, risk tolerance or circumstances change, we remind clients to notify us immediately to discuss these changes with their financial consultant;
2. at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
3. be reasonably available to consult with the client; and
4. maintain client suitability information in each client's file.

### **REGULATORY ASSETS UNDER MANAGEMENT**

As of 3/22/2019, we were actively managing \$ 26,567,400 of clients' assets on a discretionary basis plus \$ 47,561,900 of clients' assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL AND MODEL PORTFOLIO MANAGEMENT FEES**

Fees may be charged in advance or in arrears. This is determined by each separate financial consultant for his/her entire book of managed fee business, not per account. For simplicity, we charge using quarter end investment values of the account. There is no specific opening balance or minimum fee requirement. Margin assets are included where used in a client's portfolio. Each quarter, fees are deducted directly from your investment account.

The annualized fee for Investment Supervisory Services are charged as a percentage of assets under management, according to the following schedule:

**Assets Under Management & Annual Fee**

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

**(Advance)** Account would be charged (100,000 x 1.5% = 1,500/4 quarters) \$375 in January for the 1<sup>st</sup> Quarter.

**(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.

In special situations, your account fee may be negotiable, especially where there are multiple accounts where a relationship exists.

<b>Assets Under Management</b>	<b>Annual Fee</b>
\$0 - \$500,000 =	1.5%
\$500,001 - \$1,000,000 =	1.25%
\$1,000,001 and above =	1.0%
Bond/Fixed Income Accounts	Negotiable

**Limited Negotiability of Advisory Fees:** Although TrustFirst, Inc. 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 achieving the minimum account size requirements and 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.

For stock and mutual fund transactions where Pershing charges a transaction fee to TrustFirst, our firm generally passes those fees on to the advisory client, for most clients, this fee is \$15.00 per transaction, not inclusive of exchange fees and other costs associated with the client's clearing firm. Clients should refer to their separate brokerage agreement for specific brokerage fees.

### ***ERISA / PENSION PROTECTION ACT OF 2006 (PPA):***

We may also have IRA accounts or other retirement accounts that are subject to the Pension Protection Act of 2006 (PPA). In all cases, 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 fees 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).

### **OTHER REVENUE**

Management personnel and other related persons of our firm are licensed insurance agents for various insurance company and are also registered representatives of our affiliated broker-dealer, TrustFirst, Inc., and acting in that capacity, they can implement transactions for our advisory clients. In so doing, these individuals may 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.

Advisory Representatives of TrustFirst, Inc. are also licensed insurance agents for various companies. If a client elects to implement a plan through our advisory representative, the representative will receive a commission from insurance sales, which includes life, accident, disability, long term care, Medicare supplemental and fixed index annuities and fixed annuities. This presents a conflict of interest to the extent that the advisory representative recommends the purchase of an insurance product that results in a commission being paid to them in their role as an insurance agent. TrustFirst, Inc. mitigates this conflict by excluding these products when billing for management fees. Therefore, advisory clients purchasing such assets will not be billed additional advisory fees for management of these products. We have no single agreement with any agency or company, but will seek out the products of any company, agency or brokerage that may have products fitting client's needs. Clients are not required to utilize our services and have the option to purchase insurance and other investment products we recommend through other brokers or agents that are not affiliated with our firm.

While these individuals endeavor at all times to put the interest of the clients first as part of TrustFirst, Inc.' 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. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

In some instances, depending on the size of the transaction, advisory fees will be discounted, at our discretion, for commissions earned. Commissions will not be credited towards future advisory fees.

Notwithstanding the above, 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.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** The Advisory Agreement may be terminated by either party at any time upon 30 days written notice. The client may cancel the contract within 5 days of signing without incurring any fees.

As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees:*** All fees paid to TrustFirst, Inc. 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. TrustFirst, Inc. may accept a maximum of .25 basis points on fee accounts.

These 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. For stock and mutual fund transactions where Pershing charges a transaction fee to TrustFirst, Inc., TrustFirst, Inc. may pass those fees on to the advisory client, generally \$15.00 per transaction.

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.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by 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.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to TrustFirst, Inc.' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** TrustFirst, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, 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, Inc. 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, or conversely, investment advice about products for which our affiliated broker/dealer and/or our related persons receive commissions or 12b-1 fees. However, when such fees are obtained by the affiliated broker/dealer, TrustFirst, Inc. as Adviser will offset the 12b-1 fees by adjusting TrustFirst, Inc.'s advisory fees.

**Advisory Fees in General:** Under written agreement with the client, TrustFirst, Inc. will directly debit fees from client accounts. In limited circumstances, and where separately contracted with the client, fees will be billed to the client. Fees are billed in advance or in arrears, as agreed upon with the client in the client's separate written agreement. Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

**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-Based Fees and Side-By-Side Management**

TrustFirst, Inc. does not charge performance-based fees.

## **Item 7 Types of Clients**

TrustFirst, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit-sharing plans (other than plan participants)
- Charitable organizations

As previously disclosed in Item 5, our firm has established certain minimum account requirements, such as a minimum fee of \$100. That being said, our firm does not require a minimum opening account balance or that clients maintain a minimum account size.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt 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 company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). TrustFirst, Inc. uses fundamental analysis using research from a number of national sources to develop and monitor model portfolios. Sources would include Morningstar, S&P, Thomson Reuters and others. Most models are intended to be long term with adjustments made periodically.

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.

***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.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, 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.

### INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** 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.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**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.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

**Risk of Loss.** Securities investments are not guaranteed, and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## 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 and/or our management personnel:

On June 28, 2017, FINRA accepted an Acceptance, Waiver and Consent ("AWC") from TrustFirst, Inc. accepting a censure and monetary fine. FINRA found that between January 2 and May 2014, TrustFirst, Inc. distributed offering documents in connection with the sale of three unregistered offerings that contained typographical errors and were internally contradictory regarding the nature of the offerings' contingency terms and possible extensions of the contingency termination date. The findings also stated that the firm distributed a PowerPoint presentation which was an exhibit to the private placement memorandum that failed to separately disclose risks associated with one of these investment offerings or the basis for calculating the estimated yield and included a comparison to other investments without discussing the material differences between those investments and the offering. The firm has completed a payment plan with FINRA for the fine which should conclude within 22 months of acceptance date of the AWC.

In October 2013, TrustFirst, Inc., the affiliated broker/dealer, and its main principal were found to have failed to establish escrow accounts for three private placement offerings in two of the offerings and proceeds were used for the offering expenses prior to the minimum offering amount being raised. TrustFirst also failed to comply with recordkeeping and approval requirements regarding the use and changes of its website. TrustFirst, Inc. was found to have failed to maintain its minimum net capital requirement and when the deficiency occurred, failed to file the appropriate notices to FINRA and the

SEC in a timely manner, while continuing to operate its business. TrustFirst, Inc. was censured and fined \$25,000. Mr. Taylor, as the principal of the broker/dealer was not censured but was fined \$5000. This matter was resolved and paid on October 2, 2013.

TrustFirst, Inc. 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.

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

### **FIRM REGISTRATIONS:**

In addition to TrustFirst, Inc. being a registered investment adviser, our firm is registered as a FINRA member broker-dealer. A list of affiliated broker-dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

### **MANAGEMENT PERSONNEL REGISTRATIONS:**

Management and personnel of our firm are separately licensed as registered representatives of TrustFirst, Inc., an affiliated FINRA member broker-dealer, CRD #39057. TrustFirst, Inc. also offers clients private placements structured by our firm's broker/dealer. We offer these types only to clients who have significant experience and are suitable for such offerings.

The following LLC's are managed by Mr. Taylor, the President of our firm:

DG Properties I, LLC, DG Income Properties II, LLC, Valley DG Properties, LLC., Tansi LLC, Cumberland River Income Properties, LLC, NCDG Properties, LLC., Parsons Income Properties, LLC., TallaBama DG, LLC, MCD HRB, LLC, ATHTN, LLC and Vida Star Properties, LLC.

These real estate private investments are offered under offering memorandum and any advisory client who considers these offerings should carefully read the separate disclosure carefully. Currently, TrustFirst, Inc. does not have any investment advisory clients involved in these types of offerings. TrustFirst doesn't charge a fee on the private placement assets, but we do have advisory customers who own the same.

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, Inc. 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.

Our firm's management and other financial consultants are separately licensed as investment adviser representatives of Trendz Advisors, Inc. CRD #139528. In that capacity, individuals provide advisory services through Trendz Advisors, Inc. The advisory services delivered by Trendz Advisors, Inc. are distinct from those provided by our firm and are provided for separate compensation. Trendz Advisors, Inc.'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 Advisors, Inc. However, a conflict of interest is created by this arrangement to the extent that management and financial consultants of TrustFirst, Inc. recommend that a TrustFirst Investment Advisor's client open a Trendz Advisors, Inc. account through which this individual will receive additional compensation. No TrustFirst Investment Advisor's client is obligated to use Trendz Advisors, Inc. or its services. Clients choosing to implement TrustFirst, Inc.' recommendations through Trendz Advisors, Inc.'s advisory services should refer to Trendz Advisors, Inc.'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 Advisors, Inc. in its client portfolios. When this occurs, our clients may receive a better or worse price or execution than Trendz Advisors, Inc. 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 Advisors, Inc. clients (whose portfolios are within our firm's control), we will seek to rotate the order of execution.

As this affiliation with Trendz Advisors, Inc. 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 Advisors, Inc. where the decision is substantially derived, in whole or in part, by reason of access to the recommendations of Trendz Advisors, Inc. 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.)

Management personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Finally, Management persons of our firm also act as managing members of LLC's setup to hold real-estate investment holdings.

Clients should be aware that the receipt of additional compensation by TrustFirst, Inc. and its management persons or employees creates a conflict of interest that may impair

the objectivity of our firm and these individuals when making advisory recommendations. TrustFirst, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **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.

TrustFirst, Inc. 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. Our code also provides for oversight, enforcement and recordkeeping provisions.

TrustFirst, Inc.' 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.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to either [terri@trustfirst.com](mailto:terri@trustfirst.com) or [don@trustfirst.com](mailto:don@trustfirst.com), or by calling us at 865-583-7390.

TrustFirst, Inc. or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

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.

Don Taylor, one of the principals of TrustFirst Inc., our affiliate broker-dealer, is also Managing Member of the Limited Liability Companies (the "LLC's") outlined in Item 10 of this disclosure brochure. The Managing Member has primary responsibility for management and administrative matters, such as accounting and periodic reporting, pertaining to the various LLC's. TrustFirst Inc. is not restricted from forming additional LLC's, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the LLC's 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, LLC and other of our business activities.

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. Clients who invest in these types of investment are not charged any additional advisory fees.

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.

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

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, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. 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.
3. 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.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.

*\*\*Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.*

## **Item 12 Brokerage Practices**

### **BROKERAGE SELECTION**

TrustFirst, Inc. generally executes transactions through its affiliated broker/dealer, TrustFirst, Inc. TrustFirst, Inc. has negotiated a clearing arrangement with Pershing, LLC. (Pershing), a FINRA member broker/dealer. Our firm will execute transactions that

are non-wrap based and wrap-based, depending on the client's specific needs. When our firm recommends wrap fee arrangements, we generally recommend the Pershing wrap fee platform and its affiliated custodial and brokerage services. TrustFirst, Inc. believes that this negotiated wrap fee program will provide clients with a blend of execution services, commission costs and professionalism that will assist us in meeting our fiduciary obligations to our clients.

Although we recommend and utilize our broker/dealer and/or Pershing, clients are not obligated to transact business through these platforms and may direct our firm to utilize another custodian or broker/dealer. Clients who choose to utilize the services of other broker-dealers or custodians or who do not participate in a wrap fee program should recognize that brokerage commissions for the execution of transactions in the clients' accounts are not negotiated by TrustFirst, Inc. and are executed on a trade-by-trade basis. These clients will pay a commission and other brokerage/custodial fees that clients who participate in the wrap program are not charged.

In non-wrap program account best execution may not be achieved. The client should consider, therefore, that depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of the custodial and other services which are provided under the arrangement and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if TrustFirst, Inc. were to negotiate commissions and seek best price or execution. Not all advisers recommend that clients use a particular broker-dealer, but advisers utilizing wrap fee programs typically do.

### **BEST EXECUTION**

It is our policy to select brokers on the basis of the best combination of cost and execution capability. Subject to its best execution obligations, we intend to use our affiliated broker/dealer or the Pershing Platform to effect all or substantially all client securities transactions. We may develop other broker-dealer arrangements with other unaffiliated broker-dealer firms at our discretion. Factors that we consider when recommending TrustFirst, Inc. or Pershing include execution, pricing, research and service provided. We understand and acknowledge that at all times we owe a fiduciary duty to the client to obtain best execution for client transactions. We believe that these arrangements help us to execute securities transactions for clients in such a manner that client's total cost in each transaction is as favorable as possible under prevailing market conditions. However, accounts executed through TrustFirst, Inc. and Pershing Brokerage Services may not obtain best execution at all times.

Pershing services provide TrustFirst, Inc. with institutional trading and custody services not typically provided to retail clients. In addition, Pershing will provide services related to brokerage executions, such as trade reporting, monitoring and research (in the form of analysis and reports).

### **ADDITIONAL SERVICES RECEIVED BY OUR FIRM:**

Our firm does not have any formal soft dollar arrangements. Although trades may be

done with brokers who are selected on the basis of research products or services. These may be used for the benefit of all clients and are not necessarily used exclusively by the account for which the transaction was made. The types of products and services include written and oral reports concerning current or prospective portfolio holdings, economic interpretations, and portfolio strategy. Clients are not charged for these services and the information received may be used to benefit all clients of our Firm.

### **BROKERAGE FOR CLIENT REFERRALS**

Neither our Firm nor our Advisory Agents receive client referrals from a broker-dealer or other third party when recommending to client a broker-dealer for the execution of securities transactions.

### **DIRECTED BROKERAGE**

If a client wants to direct us to use a particular broker dealer to handle security transactions then the client, and not our firm, is responsible for the custodian fee arrangement. As stated above, clients should understand that this might prevent us from effectively negotiating brokerage compensation or obtaining the most favorable net price and execution. When directing brokerage business, client should consider whether the commission expenses, execution, clearance and settlement capabilities that client will obtain through another broker-dealer are adequately favorable in comparison to those that our Firm would otherwise obtain for client using Pershing. TrustFirst, Inc. encourages clients to discuss available alternatives with our advisory agents.

Neither this Firm nor our advisory agents receive any products, research or services other than those previously disclosed.

### **AGGREGATION OF TRADES**

We trade accounts separately and may choose to aggregate certain orders with respect to a security if such aggregation is consistent with the belief and goals of achieving best execution for the various client accounts. Hindsight is 20/20 and although we may aggregate client transactions, we are not required to aggregate trades and may execute trades separately. When orders are aggregated, each participating account receives the weighted average share price for all transactions in a particular security effected to fill such orders on a given business day and transaction costs are shared pro rata based upon each account's participation in the transaction. Allocations of orders among client accounts must be made in a fair and equitable manner.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services 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 Financial Consultant over the account.

**REPORTS:** Clients receive monthly statements and confirmations of transactions directly from their qualified custodian, we will only provide reports summarizing account performance, balances and holdings if separately contracted by the client.

### **INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT SERVICE**

**REVIEWS:** While the underlying securities within Model Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. 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 Financial Consultant over the account.

**REPORTS:** Accounts are monitored using quarterly performance reports that the client also receives. Clients will also receive monthly statements and confirmations of transactions directly from their qualified custodian. Clients are reminded to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

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

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

### **OTHER COMPENSATION**

TrustFirst, Inc. has set-up revenue sharing with certain broker/dealer and clearing firms. As such, the firm will receive a portion of payments paid to a client's broker/dealer and clearing firm for administrative and transaction fees. We mitigate this conflict by disclosing it to our clients.

Our firm and/or our officers and representatives are eligible to receive incentive awards (including prizes or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

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 TFI does not hold client assets. 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.

TFI is also 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.

In addition to the periodic statements that clients receive directly from their custodians, we may also elect to send, at the client's request, account statements directly to our clients. We urge our clients to carefully compare the information provided on these statements to those statements received from the client's qualified custodian to ensure that all account transactions, holdings and values are correct and current. Please notify the Chief Compliance Officer of our firm or your qualified custodian for any discrepancies or concerns.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **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 may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. TrustFirst, Inc. has no such financial circumstances to report.

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.

TrustFirst, Inc. 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, Inc.:

- Donald Owen Taylor, 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:

1. FINRA - TrustFirst, Inc., (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, Inc. (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.
3. On June 28, 2017, FINRA accepted an Acceptance, Waiver and Consent ("AWC") from TrustFirst, Inc. accepting a censure and monetary fine. FINRA found that between January 2 and May 2014, TrustFirst, Inc. distributed offering documents in connection with the sale of three unregistered offerings that contained typographical errors and were internally contradictory regarding the nature of the offerings' contingency terms and possible extensions of the contingency termination date. The findings also stated that the firm distributed a PowerPoint presentation which was an exhibit to the private placement memorandum that failed to separately disclose risks associated with one of these investment offerings or the basis for calculating the estimated yield and included a comparison to other investments without discussing the material differences between those investments and the offering. The firm has completed a payment plan with FINRA for the fine which should conclude within 22 months of acceptance date of the AWC.

As previously disclosed in "Other Financial Industry Activities and Affiliations" (Item 10), neither TrustFirst, Inc. nor our management personnel have a relationship or arrangement with any issuer of securities.