

Taos Investment Advisors Brochure

January 1st, 2012

Investment Advisory Brochure

Taos Investment Advisors, LLC

2167B S China Place

Chicago IL 60616

This brochure provides information about the qualifications and business practices of Taos Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 312-842-9892 and/or email advisor@taosinvestment.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.

Taos Investment Advisors, LLC is a state investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information about which you determine to hire or retain an advisor.

Additional information about Taos Investment Advisors, LLC also is available on the SEC's website at www.advisorinfo.sec.gov.

Item 2 – Table of Contents

Item 1 – Cover Page..... 1-2

Item 2 – Material Changes.....

Item 3 – Table of Contents..... 3

Item 4 – Advisory Business 4-5

Item 5 – Fees and Compensation 5-6

Item 6 – Performance-Based Fees and Side-By-Side Management..... 6

Item 7 – Types of Clients 6

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss 6-7

Item 9 – Disciplinary Information 7

Item 10 – Other Financial Industry Activities and Affiliations 7

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal
7 - 8

Item 11 – Brokerage Practices 8-9

Item 12 – Review of Accounts 9

Item 13 – Client Referrals and Other Compensation 9

Item 14 – Custody..... 9

Item 15 – Investment Discretion 9

Item 16 – Voting Client Securities 10

Item 17 – Financial Information..... 10

Item 3 – Advisory Business

Taos Investment Advisors, LLC (“Taos Investment”) is an Illinois-based state registered investment advisor incorporated in 2011. Peigen Tao owns the whole firm. The firm has its principal place of business in Chicago, Illinois and its telephone number is (312)842-9892. Taos Investment and its Investment Advisory Representatives (“IARs”) provide a variety of investment advisory services to clients including:

Financial Planning and Consulting Services;

Asset Management Services - Wrap Fee Program.

Financial Planning and Consulting Services

For clients having a need for financial advice involving analysis of a particular investment, overall holdings, or short or long-term financial situation, Taos Investment and IAR provide Financial Planning and Consulting Services to meet client’s financial objectives and needs. Taos Investment’s financial planning services usually include, but are not limited to, an analysis of client’s existing assets, investment objectives, insurance, investments, cash flows, risk management, retirement projections, estate or business plans, saving plans, or other special objectives. The scope maybe as broad or detailed as the client wishes. Taos Investment’s consultation services may include, but are not limited to, investment advice regarding retirement, education or estate planning, or the modification of an existing financial plan. For a client that may request advice on only a portion of their financial plan or regarding a limited project, Taos Investment and IAR will provide consultation services in the scope requested, which include a review and analysis of all relevant data supplied by the client and a written report(s) may be generated based on the scope of the plan and client’s objectives.

Asset Management Services - Wrap Fee Program

Asset Management Services start with IAR assisting each new client in determining the client’s investment and financial objectives. IAR and client will develop strategies based on all or some of the following items, but will not be limited to: current resources, level of income, net worth statement, risk tolerance, time horizon, investment objectives, present and deferred employee benefits, self-employed income and benefits, tax situation, insurance programs and estate planning considerations. Information is provided to Taos Investment and IAR by client and is believed to be reliable. The scope of the asset management service will be as broad or detailed as the client wishes which will influence the depth of investigation into the client’s financial situation by Taos Investment and IAR. The IAR will be available to consult with, and respond to questions of the client as well as any advisors the client may designate concerning the

recommendations and/or general suggestions regarding client's financial situation. Taos Investment and IAR do not guarantee the results of any recommendation.

Asset Management Services include management of most forms of investments including, but are not limited to, common and preferred stocks, bonds, options, exchange-traded funds, municipal securities, load and no-load mutual funds and annuities. Although Taos Investment and IAR may recommend various short-term investment strategies, they will generally recommend strategies for the long run. Taos Investment's transactions are all through the platform of Shareholders Services Group, Inc. A client's securities portfolio will typically be custodied at clearing firm of Pershing LLC which is through Shareholders Service Group, Inc.

Item 4 – Fees and Compensation

Financial Planning and Consulting Services

The hourly fee for providing consultation services is negotiable but generally ranges from \$50 to \$300 per hour. Services can also be performed on a flat fee basis. Flat fees usually range between \$300 to \$1,500, but may be higher or lower depending on the scope of the plan. The rate and fee payment schedule is typically determined by the complexity of the project and the amount of time involved. The client payment for a plan or service is negotiable, but typically the fee is paid in its entirety up front or an estimate of the total fee is given to client by Taos Investment or IAR and a deposit of 50% of the estimated hourly or flat fee is due and payable upon execution of the agreement, with the balance of the fee due and payable upon receipt of the final written report or advisory service. It is possible for hourly or flat fees to be waived or refunded in instances where repositioning of the client's portfolio has generated commissions to some IAR. Taos Investment cannot/won't take any commissions through its investment advisory services. In the event of contract termination, which can occur by either the client or Taos Investment and IAR giving notice to other, prepaid fees received but not earned are returned to the client.

Asset Management Services - Wrap Fee Program

Taos Investment and IAR offer its client a range of payment options in order to compensate Taos Investment and its IARs. In most cases, where the client wishes an ongoing investment advisory relationship, compensation is calculated as a percentage of assets under management. These service fees typically range from 1% to 3% of assets under management. The IAR may negotiate the percentage of assets under management fee with the client outside the stated typical range, and is subject to the Taos Investment approval. In a situation where the IAR is using commissioned products to implement an investment strategy, fees on the assets under

management may be waived for an IAR and client agreed upon time frame succeeding a sale which generates a commission. Refunds will not be allowed unless specifically approved by Taos. In most cases, the assets under management are valued at the time the account is established or at the end of the first month or quarter after the account is established. Taos Investment and IAR can be compensated by client for advisory services on a monthly, quarterly or any other Taos, IAR and client agreed upon schedule. Fees are calculated on the basis of the market value of the assets under management multiplied by the stated assets under management fee agreed upon in the advisory agreement between Taos Investment and client. The fee may exclude transaction and custodian costs including brokerage ticket charges and account maintenance fees. Such costs, if any, and the costs or charges not included in the fee will be separately charged to the account. Clients may authorize client's account custodian(s) to deduct, upon Taos Investment's instruction, fees when due from assets held in the account. Money market funds and other securities in the client's account in amounts sufficient to cover Taos Investment's fees may be liquidated to pay fees. It is also possible for Taos Investment and IAR to calculate and submit a fee invoice to client for account deduction which would then be liquidated by the custodian upon client permission. Taos Investment and IAR do not take custody of any clients' funds or securities. The investment advisory contract between Taos Investment and client can be terminated by either party upon receipt of written notification. The client has the right to rescind the contract within five business days of the date the contract was signed.

Item 5 – Performance-Based Fees and Side-By-Side Management

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

Item 6 – Types of Clients

Taos Investment provides portfolio management services to individuals, high net worth individuals and small business owners. Taos Investment generally has account minimums of \$10,000 for an individual and \$25,000 per household. An IAR may require account minimums in excess of these numbers.

Item 7 – Methods of Analysis, Investment Strategies and Risk of Loss

An IAR may use a risk tolerance questionnaire or investment policy statement to help with determining asset allocation and an investment strategy.

Taos Investment has IARs that manage the accounts themselves and provide Asset Management – Wrap Fee Program Services. The IARs generally may use fundamental and technical analysis; however each IAR may use their own analysis and investment strategy.

Fundamental analysis gives the tools to understand the underlying value of securities and to determine whether securities are under- or over-valued. Fundamental analysis can be applied to all types of securities, whether equities (valuation), bonds (credit risk), or commodities (demand/supply). It can also be applied to broader markets through economic analysis and investment strategy.

Technical analysis focuses on taking information from market itself. Markets and securities develop trends, whether up, down or sideways, and technical analysis is proficient at measuring the characteristics of those trends. Momentum investing is a form of trend-following investing used by a variety of investors. Technical analysis is an important tool for momentum investors, especially in determining when trends change.

The types of analysis used by Taos Investment's IARs all have inherent risk associate with them because investing in securities involves risk of loss that clients should be prepared to bear. Other risks may include, market risk, default risk of individual bonds, inflation risk, option risk, high turnover risk and foreign investment risk.

Item 8 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Taos Investment or the integrity of Taos Investment's management. Taos Investment has no information applicable to this item.

Item 9 – Other Financial Industry Activities and Affiliations

President of Taos Investment, Peigen Tao is a registered representative of Purshe Kaplan Sterling Investments (PKS).

Item 10 – Code of Ethics

Taos Investment and IARs have a duty to exercise its authority and responsibility for the benefit of the client, to place the interests of the client first, and to refrain from having outside interests that conflict with the interests of the client. Taos Investment and IAR must avoid circumstances that might adversely affect or appear to affect its duty of complete loyalty to its clients.

It is unlawful for any advisor in connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by the advisor:

- To employ any device, scheme or ploy to defraud;
- To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements, not misleading;
- To engage in any act, practice, or course of business that operates or would operate as a fraud or deceit; or
- To engage in any manipulative practice.

Personal IAR transactions must be properly disclosed to client when the IAR and client hold common securities.

- If entering personal and client orders for the same security, the client's order must always be entered before the IAR's order.
- If the same security is held by the IAR and client, it must be disclosed to the client.
- If selling a personal position in a common security, it must be disclosed to all clients that hold the security, or have open orders to buy that security. The selling price also must be disclosed if setting limit orders.
- If buying a personal position in a common security, it must be disclosed to all clients that hold the security, or have open orders to buy that security. The buying price also must be disclosed if setting limit orders.
- Personal activity in a common security ahead of a client must be documented and provide a written explanation for the sequence.

Advisors have a duty to disclose potential and actual conflicts of interest to their clients. IARs and solicitors have a duty to report potential and actual conflicts of interests to their advisory firms. Advisors should not attempt to limit their liability for willful misconduct or gross negligence through the use of disclaimers. * A copy of the Code of Ethics is available upon request.*

Item 11 – Brokerage Practices

Taos Investment Advisory LLC does not do any brokerage practices. Peigen Tao is a registered representative of Purshe Kaplan Sterling Investments (PKS).

Item 12 – Review of Accounts

Accounts receiving asset management services in a wrap fee program are monitored by a client's IAR on a continuous basis and the frequency of client reviews are determined by the investment mix of the account and the desire of the client. Such reviews may also be triggered by economic news, news about a particular security, client requests, and change in client's personal or financial situation, securities research, deposits to or withdrawals from an account or other events.

Clients receiving asset management services receive account reports generated annually.

Taos Investment conducts on an annual basis, a spot check of certain advisory accounts which the advisory fee is reviewed compared to the advisory client. The review is conducted by a registered principal of Taos Investment.

Item 13 – Client Referrals and Other Compensation

Not applicable

Item 14 – Custody

A client's securities portfolio will typically be custodied at clearing firm of Pershing LLC which is through Shareholders Service Group, Inc.

Item 15 – Investment Discretion

Taos Investment does not accept discretionary authority to manage securities accounts on behalf of its clients.

Item 16 – Voting Client Securities

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

Item 17 – Financial Information

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