



McRAE  
CAPITAL  
MANAGEMENT

INTRODUCING MCM //

// DECEMBER 2009




# Introducing MCM

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The basic philosophy of MCM is to treat our clients the way we would appreciate being treated if we were clients. This means removing potential conflicts of interest. Thus a basic concept was born giving way to the start of the investment management firm. It's important to never lose sight of the integrity of the journey. That journey began in 1998 with the formation of McRae Capital Management.





“McRae Capital Management’s mission is to be on the leading edge of innovation to provide the best performance and service while taking minimal risk. To provide financial services that exceed clients’ expectations and that are enhanced by exceptional service and support.”



# Mission Statement

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McRae Capital Management was formed as a pro-active investment company to meet the needs of individuals, families and companies. The philosophy of the company is to set the benchmark of performance high while minimizing the risk. Preservation of capital is always of top priority, achieved through the MCM style of management.

A client's account is invested in several markets or sectors while the underlying securities in each of these areas are also well diversified. This lessens the risk and increases performance over a longer period of time.

The process that MCM utilizes to reach these standards is to select the best managers in the country to serve our clients. A much broader selection of managers are available to MCM dealing on an institutional basis on the client's behalf. Managers are selected through a screening process and are held accountable to sustain not only the performance objectives, but to stay consistent within their styles. If there is a change in any of these crucial areas or a change in the management team, MCM will choose a new manager as the old performance then becomes meaningless. Each manager represents investments in a specific market or sector. Secondly, MCM does a tactical allocation whereby investment emphasis is changed from markets that are over bought to markets that are under valued. This process of readjusting the weight of portfolios lessens risk and heightens the performance of a well diversified portfolio. This proactive process allows MCM to adjust portfolios on a timely basis as the markets reach certain objectives. MCM is highly computerized with systems that allow the portfolios to be reallocated and trades executed efficiently. This process provides that all accounts are traded simultaneously, giving clients the assured benefit that each account is treated exactly the same with precision timing. Markets are scrutinized daily.

# Investment Strategy

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Your investment strategy is designed for you to be comfortable with your investments and each quarter your investments in each investment sector are measured against a benchmark to show that your investments are on target. The system has seven styles of investing, ranging in a spectrum from conservative to aggressive. Each level has a balance of investments of equities and fixed income in various markets. This diversification in various markets and instruments creates a greater degree of consistency to the portfolio to help you achieve your investment goals.

## Meeting Your Financial Needs

The process starts with determining where in the spectrum, between conservative and aggressive, your investments need to be in order to achieve both your financial goals and risk tolerance level. This is accomplished by providing a detailed financial plan which will help determine such things as how much money needs to be committed to your investments, the investment style that will be comfortable for you that will still meet your objectives, and how long you may want or need to work to meet your lifestyle goals. We can project estimated returns to your portfolio and other income areas and, with your lifestyle, can show how your investments can support you during your retirement years. The plan is helpful in determining how you may reach other goals such as college funding or other accumulation objectives. Any needed financial advice concerning yourself, your family, or business is available to clients of MCM.

## Investment Style

The equity markets will have a blend of both value & growth management with the weighting of each shifting with the various market conditions. Long-term gains will be emphasized with all the managers except the specialized sector, where high current return will be dominant.

# Full Service

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MCM is pleased to be associated with Union Bank of California, Trust Division, as our Custodian. As a trust company, the clients' assets are assured up to the full value of their portfolios; there is a high degree of safety and client confidentiality. In special situations, we may utilize other custodians for handling certain client assets.

ACH (Automatic Clearing House) cash transfers provide money to clients needing monthly withdrawals or periodic withdrawals from their accounts. This bank-to-bank wire service is similar to wiring money; however, there is no cost to the client's MCM account or the related personal bank account. Clients needing regular income from their investment account find this service very convenient.

All IRAs, traditional, SEP, ROTH, SIMPLE, most 401 (k) and 403 (b) plans retire an administrator and like the IRAs no additional fees are charged to the account.

## Fees

MCM is a full service, fee-based management firm where clients are charged based on the value of their portfolios. This is another way of removing potential conflicts of interest as the incentive is to maximize client returns on a consistent basis rather than generating transactions or trades for commissions. MCM operates on an institutional level which reduces transaction costs, outside management fees and custodial fees while passing the benefit along to the client. These features, normally available only to institutions or the very wealthy, are an added benefit to each of our clients. All this enhances the performance to our client on an after-fee basis.

# Reports

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Each month, our clients will receive a comprehensive statement showing the security positions, along with an activity report for the month. Quarterly, a performance report is provided, to track the portfolio performance. This report compares the client's performance to a corresponding index and shows how that manager has performed relative to the universe of managers in the same market.

Annually, a tax report will be sent to the clients detailing their short, mid- and long-term gains, dividends and interest. A summation report, detailing each of these entries is included, enabling clients to enter only the sum total of each category on their tax returns, greatly simplifying their tax preparation.



# Selection of Money Managers

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MCM is committed to bring you the best managers in each of the market sectors. In most instances, investment trusts and institutional mutual funds are MCM's primary focus for investment vehicles.

Institutional funds are designed for the use of investment advisors or other institutions and generally have a minimum investment of between five million and ten million dollars. The expense ratio or fee the manager charges to administer the fund is typically one third to one half the fee charged by retail fund managers.

As an alternate, MCM often uses Exchange Traded Funds (ETF) for specific sector investments. An ETF trades like a stock on the exchange. Inside the ETF is a fixed basket of stocks, typically between 25 and one hundred. ETFs may represent a small specific sector of the market or emulate an index of stocks. One of the main differences between an ETF and a mutual fund is the ETF has a constant number of the same unmanaged stocks; while a mutual fund has a managed, changing internal composition.

The objective of the fixed income portion of the portfolio will be to maximize the total return through income and capital gains. Since bond prices move inversely with the direction of interest rates, MCM shifts among long, intermediate and short term bond funds to maximize total performance.

# Large Capitalization Equity

## Capital Growth Management Focus



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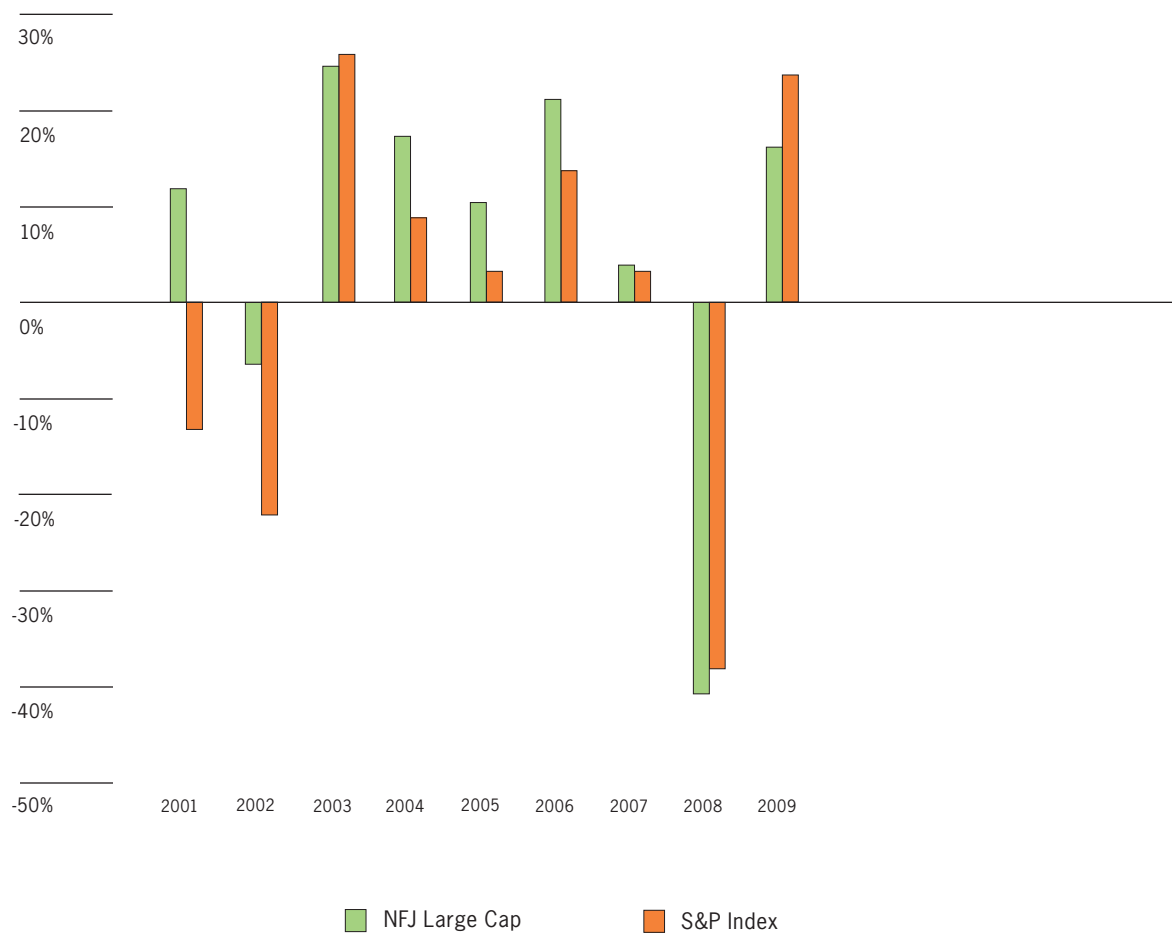
## Performance

	Rate	S&P Index
<b>1999</b>	8.45%	19.53%
<b>2000</b>	53.93%	-10.14%
<b>2001</b>	47.65%	-13.04%
<b>2002</b>	-17.79%	-23.37%
<b>2003</b>	66.46%	26.38%
<b>2004</b>	12.41%	8.99%
<b>2005</b>	25.29%	3.00%
<b>2006</b>	14.92%	13.62%
<b>2007</b>	79.97%	3.56%
<b>2008</b>	-48.48%	-38.49%
<b>2009</b>	10.42%	23.45%
<b>Average</b>		
	23.05%	1.23%

■ Ken Heebner has been at the helm of this group since the 1997 inception and has been very successfully managing portfolios since 1965. Mr. Heebners approach is to select about twenty-five stocks, run them up and turn the portfolio. He does his homework on the specific sectors and stocks that he wants to focus on and after they meet his objective, he sells, takes his profit and moves on to the next sector. This group has earned national recognition with their outstanding performance over many years.

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### NFJ Large Cap Value Institutional



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## Performance

	Rate	S&P Index
<b>2001</b>	12.80%	-13.04%
<b>2002</b>	-6.80%	-23.37%
<b>2003</b>	25.70%	26.38%
<b>2004</b>	17.10%	8.99%
<b>2005</b>	10.20%	3.00%
<b>2006</b>	21.30%	13.62%
<b>2007</b>	3.90%	3.56%
<b>2008</b>	-40.56%	-38.49%
<b>2009</b>	16.18%	23.45%
	<b>Average</b>	
	6.65%	0.46%

■ NFJ has four managers, Ben Fischer and Chris Najork who both founded NFJ, along with Paul Magnuson and Jeffrey Partenheimer. Additional research is provided by a broad team of analysts bringing the total number of members to 30. Stocks in this portfolio must pay dividends and are valued under the industry average. Their investment style is to hold positions for long term growth with an average holding period of three years.



# Small Capitalization Equity

Columbia Acorn Institutional // Asset Manager vs Index Annually



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## Performance

	Rate	Russell 2000 Index	
<b>1992</b>	24.23%	18.41%	■ Charles McQuaid and Robert Mohn invest primarily in common stocks of small and medium-sized U.S. companies.
<b>1993</b>	32.35%	18.91%	
<b>1994</b>	-7.45%	-1.82%	
<b>1995</b>	20.80%	28.44%	
<b>1996</b>	22.55%	14.87%	
<b>1997</b>	24.98%	20.39%	
<b>1998</b>	6.02%	-3.45%	
<b>1999</b>	33.38%	19.62%	
<b>2000</b>	10.06%	-4.20%	
<b>2001</b>	6.14%	1.03%	
<b>2002</b>	-13.31%	-21.58%	
<b>2003</b>	45.68%	45.37%	
<b>2004</b>	21.51%	17.00%	
<b>2005</b>	13.11%	3.32%	
<b>2006</b>	14.45%	17.00%	
<b>2007</b>	7.69%	-2.75%	
<b>2008</b>	-38.55%	-41.33%	
<b>2009</b>	39.65%	25.22%	
<b>Average</b>			
	14.63%	8.58%	

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### Allianz NFJ Small Cap Value Institutional



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## Performance

	Rate	Russell 2000 Index	
<b>1999</b>	-6.40%	19.62%	■ Paul Magnuson, lead manager, along with Ben Fischer, Burns McKinney and Morley Campbell invest in small publicly traded companies. Their style is conservative, investing in companies with low price/earnings ratios and above average dividends.
<b>2000</b>	21.70%	-4.20%	
<b>2001</b>	19.10%	1.03%	
<b>2002</b>	3.20%	-21.53%	
<b>2003</b>	30.70%	45.37%	
<b>2004</b>	23.60%	17.00%	
<b>2005</b>	10.80%	3.32%	
<b>2006</b>	19.00%	17.00%	
<b>2007</b>	6.50%	-2.75%	
<b>2008</b>	-26.20%	-41.33%	
<b>2009</b>	24.48%	25.22%	
<b>Average</b>			
	11.50%	5.34%	

# Contrary Hedge Equity

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## Reydex Ursa and Venture

This fund is available as a hedge against other investments, when some of the markets are in a downtrend. This fund will appreciate in a down market and can be used as an investment to offset other positions that need to be held to preserve long term gains.

This is not an investment that is present in the portfolio at all times, but rather is used when a major downturn in the market is detected.

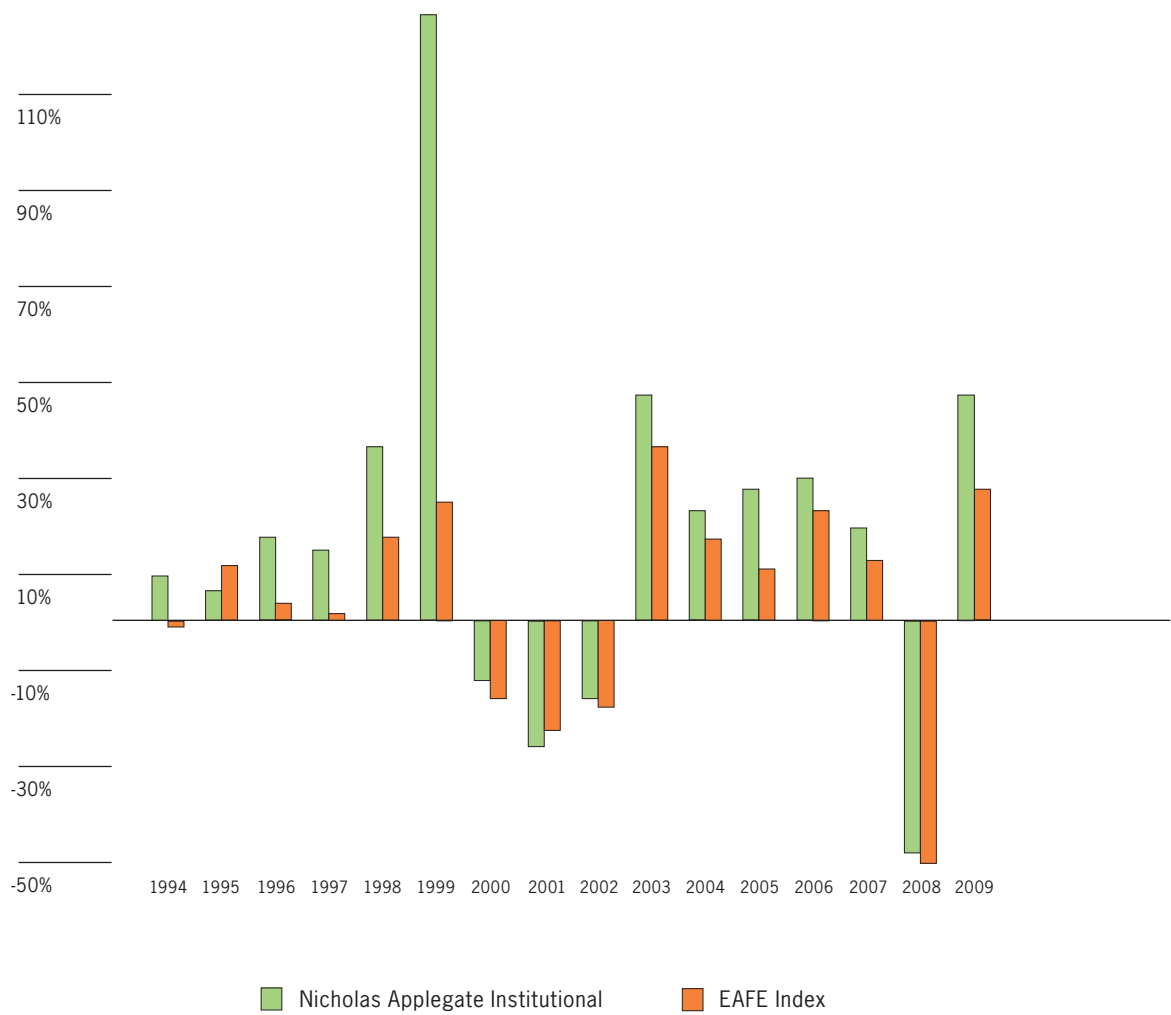






# International Equity

## Nicholas Applegate Institutional Growth Opportunity

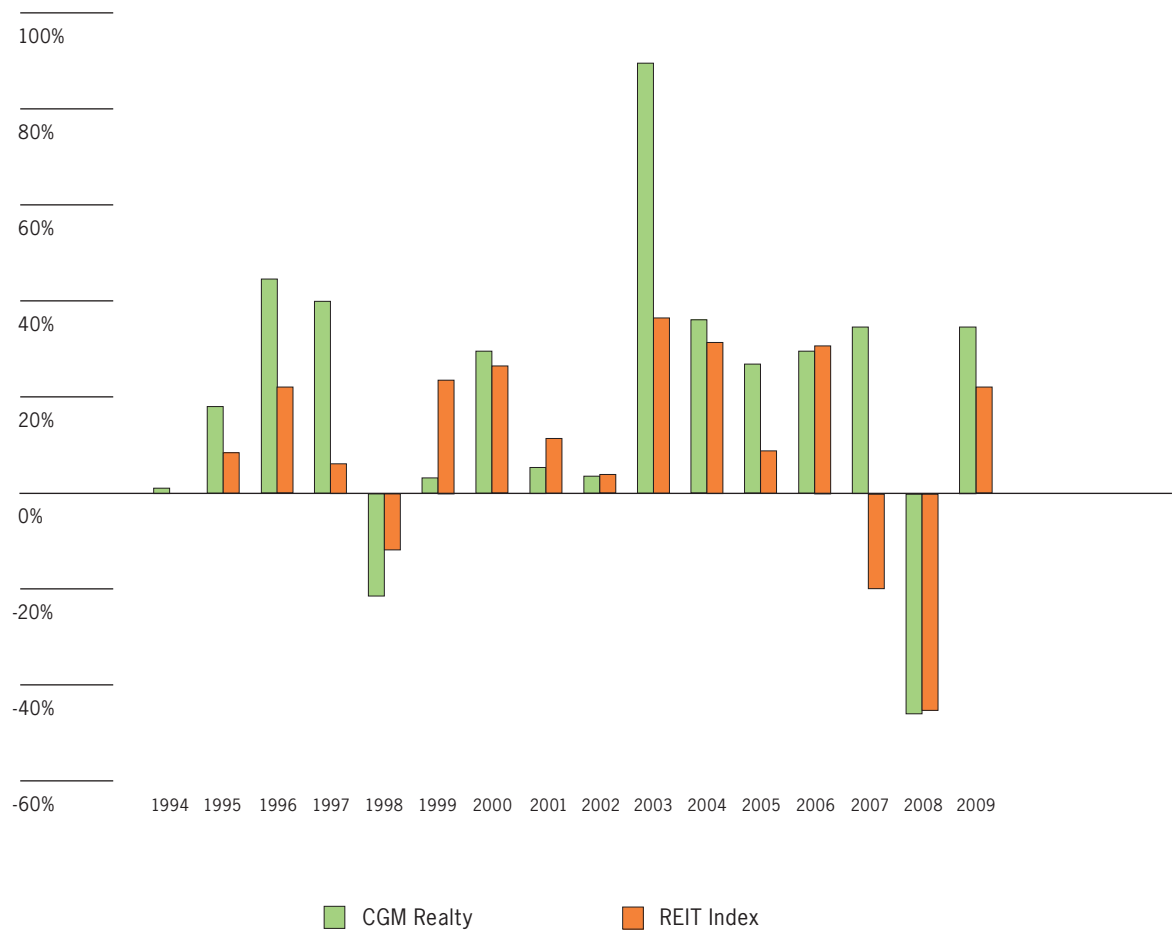


## Performance

	Rate	EAFE Index	
<b>1994</b>	8.61%	-1.90%	■ Loretta Morris, Randall Kahn, Andrew Beal, Ernesto Ramos and Lawrence Speidell are the lead managers of an extensive team approach to managing this sector. Their style of investing is in mid cap growth and they move into large cap if the markets warrant the opportunity. There is a trend toward strong growth development in the foreign sector with the worldwide demand for products. Nicholas Applegate has capitalized on this high growth opportunity, which reflects in their outstanding performance. Their style of investing leads them to investing in multiple countries and focusing on undervalued strong growth stocks. They pay close attention to strength of currencies, inflation factors and stability of the governments where they place their investments.
<b>1995</b>	5.99%	9.57%	
<b>1996</b>	18.27%	3.97%	
<b>1997</b>	14.09%	0.93%	
<b>1998</b>	36.34%	18.03%	
<b>1999</b>	128.11%	25.27%	
<b>2000</b>	-12.14%	-15.21%	
<b>2001</b>	-26.08%	-22.61%	
<b>2002</b>	-15.42%	-18.14%	
<b>2003</b>	48.44%	36.32%	
<b>2004</b>	23.04%	17.59%	
<b>2005</b>	28.33%	10.86%	
<b>2006</b>	29.42%	23.47%	
<b>2007</b>	19.86%	13.37%	
<b>2008</b>	-48.25%	-45.09%	
<b>2009</b>	48.41%	27.75%	
<b>Average</b>			
	19.19%	5.27%	

# Real Estate

## Capital Growth Management Realty



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## Performance

	Rate	REIT Index
<b>1994</b>	0.23%	
<b>1995</b>	18.75%	8.25%
<b>1996</b>	44.08%	21.90%
<b>1997</b>	29.73%	5.47%
<b>1998</b>	-21.15%	-13.17%
<b>1999</b>	2.61%	22.89%
<b>2000</b>	29.16%	26.81%
<b>2001</b>	5.14%	11.93%
<b>2002</b>	3.49%	3.64%
<b>2003</b>	89.71%	36.74%
<b>2004</b>	35.52%	31.49%
<b>2005</b>	26.98%	8.86%
<b>2006</b>	29.01%	30.20%
<b>2007</b>	34.42%	-20.17%
<b>2008</b>	-46.82%	-41.51%
<b>2009</b>	34.33%	20.97%
<b>Average</b>		
	21.00%	10.29%

- This value fund will invest a minimum of 65% in real estate and may invest up to 35% in fixed income. The fund seeks income and long term growth of capital. G. Kenneth Heebner has managed funds since 1971 and has managed this fund since its inception in 1994.







# Fixed Income

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## McRae Capital Management

MCM will use the three fixed income style durations to achieve the objectives for the fixed income portion of the portfolio. In conservative to moderate accounts short term & intermediate term funds will be used. For moderate to aggressive accounts, short term, intermediate term and long term funds will be utilized. MCM will focus on interest rate trends, inflation rates, government monetary policy and corporate earnings to determine the best bond sector to place investments. MCM shifts among the fixed income sectors to take advantage of interest rate swings resulting in enhanced total return.

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## MCM Bond Management



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## Performance

	Rate	Barclays Bond Index
<b>1998</b>	1.25%	0.19%
<b>1999</b>	2.04%	-2.52%
<b>2000</b>	13.48%	13.40%
<b>2001</b>	8.07%	6.77%
<b>2002</b>	17.06%	11.96%
<b>2003</b>	5.42%	2.22%
<b>2004</b>	4.49%	4.25%
<b>2005</b>	4.56%	2.86%
<b>2006</b>	3.99%	2.07%
<b>2007</b>	8.52%	10.01%
<b>2008</b>	4.12%	13.52%
<b>2009</b>	8.87%	-4.02%
<b>Average</b>		
	7.33%	5.50%

■ Bonds fluctuate in value depending on the direction of interest rates and it is the objective of MCM to capture the total return of bonds which is a combination of the interest paid along with the potential appreciation. MCM will shift the client's fixed income part of the portfolio among short, intermediate and long term bonds depending on interest rate trends. We measure our fixed income performance against the Barclays Composite Bond Index.

### Long Term Bonds (10-30 yrs) // Pimco Government Bonds Institutional





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## Performance

	Rate	Barclays Bond Index	
<b>1992</b>	11.96%	8.09%	■ James Keller is the manager of this part of the portfolio. As interest rates are falling the favored fixed income investment is best achieved with long term bonds. As interest rates decline, bonds appreciate in value.
<b>1993</b>	18.61%	17.18%	
<b>1994</b>	-7.39%	-7.59%	
<b>1995</b>	31.59%	30.90%	
<b>1996</b>	0.72%	-0.83%	
<b>1997</b>	15.02%	15.12%	
<b>1998</b>	13.40%	12.60	
<b>1999</b>	-7.99%	-8.70%	
<b>2000</b>	20.38%	20.11%	
<b>2001</b>	5.52%	4.56%	
<b>2002</b>	18.88%	17.17%	
<b>2003</b>	3.71%	2.09%	
<b>2004</b>	7.26%	7.97%	
<b>2005</b>	4.88%	6.71%	
<b>2006</b>	1.16%	0.85%	
<b>2007</b>	9.20%	9.81%	
<b>2008</b>	13.60%	23.47%	
<b>2009</b>	-2.08%	-10.97%	
<b>Average</b>			
	9.32%	8.25%	

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**Intermediate Term Bonds (3-10 yrs) // Pimco Total Return Institution**

## Performance

	Rate	Barclays Bond Index	
<b>1989</b>	14.25%	12.77%	■ William Gross manages this portfolio and is also director of fixed income for Pimco.
<b>1990</b>	8.05%	9.17%	
<b>1991</b>	19.56%	14.63%	
<b>1992</b>	9.75%	7.17%	
<b>1993</b>	12.52%	8.78%	
<b>1994</b>	-3.58%	-1.93%	<b>Average</b> <hr/> 8.66%      6.80%
<b>1995</b>	19.76%	15.31%	
<b>1996</b>	4.69%	4.06%	
<b>1997</b>	10.17%	7.87%	
<b>1998</b>	9.77%	8.42%	
<b>1999</b>	-0.28%	0.44%	
<b>2000</b>	12.09%	10.18%	
<b>2001</b>	9.49%	7.98%	
<b>2002</b>	10.20%	9.29%	
<b>2003</b>	5.56%	2.21%	
<b>2004</b>	5.15%	2.84%	
<b>2005</b>	2.89%	1.59%	
<b>2006</b>	3.99%	2.61%	
<b>2007</b>	9.07%	8.84%	
<b>2008</b>	4.82%	11.15%	
<b>2009</b>	13.83%	-0.58%	

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### Pimco Real Return Bonds Institutional (Inflation Indexed Bonds)



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## Performance

	Rate	Barclays Bond Index	
<b>1997</b>	4.46%	7.72%	■ John Brynjolfsson has been managing this portfolio since its inception. Most bonds pay a fixed rate dividend over the life of the bond. Inflation Indexed Bonds are unique inasmuch as the dividend is reset to the inflation rate. As inflation goes up, interest rates rise and traditional bonds lose value. Inflation Indexed Bonds raising their rate with inflation helping to hold their value.
<b>1998</b>	5.21%	8.51%	
<b>1999</b>	5.72%	0.40%	
<b>2000</b>	13.48%	10.47%	
<b>2001</b>	8.70%	8.42%	
<b>2002</b>	17.06%	9.63%	
<b>2003</b>	8.50%	2.30%	
<b>2004</b>	9.20%	2.84%	
<b>2005</b>	2.64%	1.59%	
<b>2006</b>	0.28%	2.61%	
<b>2007</b>	11.59%	8.84%	
<b>2008</b>	-6.42%	11.15%	
<b>2009</b>	17.47%	-0.58%	
<b>Average</b>			
	7.53%	5.68%	

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### Short Term Bonds (0-3) // Pimco Low Duration Institutional



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## Performance

	Rate	Barclays Bond Index	
<b>1992</b>	7.72%	6.25%	<p>■ William Gross manages this portfolio and is also director of fixed income for Pimco. Interestingly this bond fund will often perform contrary to other longer term bond funds. Usually there is an inverse relationship between bond prices and the direction of interest rates. William Gross invests in very short term bonds in a rising interest rate market and continues to roll forward into new bonds with higher interest coupons, thus many times, showing appreciation to this portfolio.</p>
<b>1993</b>	7.78%	5.41%	
<b>1994</b>	0.63%	0.50%	
<b>1995</b>	11.93%	9.96%	
<b>1996</b>	6.14%	5.25%	
<b>1997</b>	8.23%	6.65%	
<b>1998</b>	7.16%	8.92%	
<b>1999</b>	2.97%	0.21%	
<b>2000</b>	7.70%	2.39%	
<b>2001</b>	8.01%	7.84%	
<b>2002</b>	7.66%	6.01%	
<b>2003</b>	2.97%	2.02%	
<b>2004</b>	2.39%	1.54%	
<b>2005</b>	1.55%	1.48%	
<b>2006</b>	3.75%	4.12%	
<b>2007</b>	7.92%	7.10%	
<b>2008</b>	-1.25%	-4.58%	
<b>2009</b>	13.36%	1.39%	
<b>Average</b>			
	5.92%	4.03%	





# Specialized Sectors

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## McRae Capital Management

The management of this portion of the market is accomplished by using sector institutional funds or ETF's (Exchange Traded Funds). There are times when we feel that taking advantage of investment opportunities in undervalued sectors may outperform the market averages to enhance your portfolio. MCM monitors sectors such as technology, natural resources, oil and gas, oil well services, financial services, biotech, and pharmaceuticals.

# The Technology Market

Morgan Stanley High Tech vs S&P 500 Index (1994-2009)



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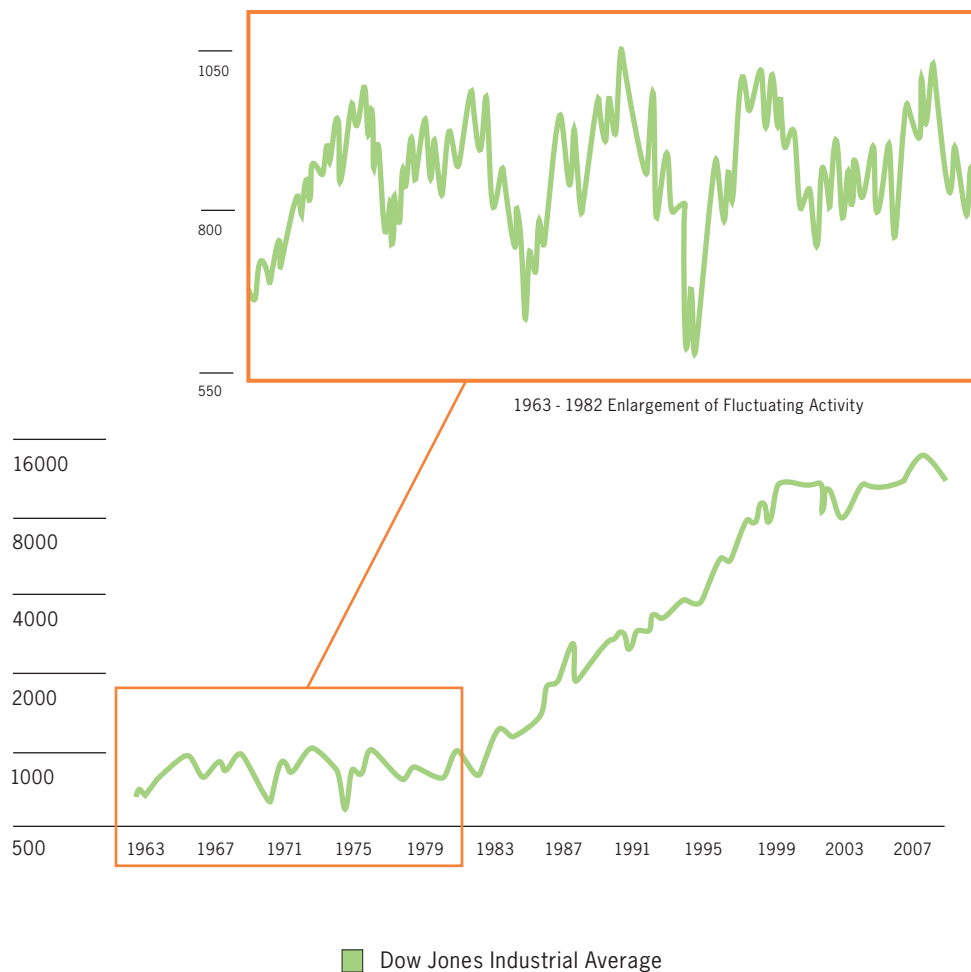
## Performance

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- Fifty percent of our economy today plays a role in technology and many of the technology companies are some of the fastest growth areas in the market. The Morgan Stanley High Tech Index comprises the thirty-five largest technology companies in the country. Many of which are household names. You can see by the graph, that since January 2004 to the present, the MSH Index has outperformed the S&P 500 index substantially even accounting for the volatility along the way. This is an example of one of the special sectors we invest in at opportune times.

# Inflationary Environment

Dow Jones Industrial Average 1963-2009



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## Performance

The economy is cyclical in nature with one of the cycles described as the inflationary deflationary cycle. Inflation is the result of creating excess currency. Excess money chases a limited supply of goods and services, thus driving up prices, and inflation resulting. The period from 1960 to 1980 was a good example of rampant inflation. During inflationary times, interest rates rose, commodities inflated in value and stocks become cheaper relative to earnings, measured by price earnings ratio, commonly known as PE ratio. We believe due to the excessive creation of money supply by the U.S Treasury and the Federal Reserve in recent times, the markets will experience excessive inflation once again.

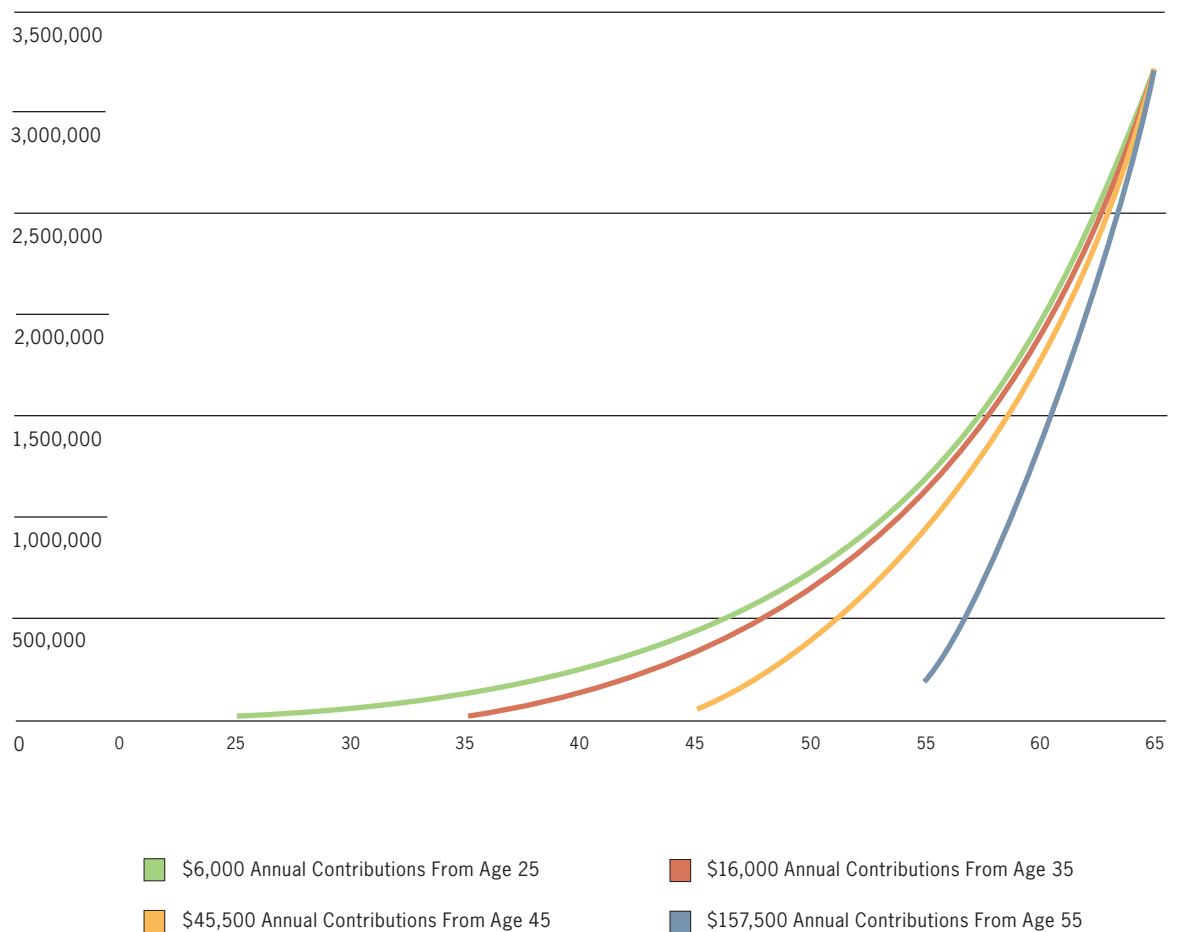
The chart illustrates the market activity of the Dow Jones Industrial Average from 1963 to the present. The inner window from 1963 to 1982 shows the market during inflationary times. The trending market\* from 1982 to 2001 was the result of deflationary times where PE ratios rose from an average of 7:1 to over 30:1.

The inner window shows the market\* fluctuating roughly between 750 and 1050. During this period, PE ratios\* declined from an excess of 20:1 to 7:1. It is the objective of McRae Capital Management to be proactive by exercising long term trading strategies to take advantage of this type of market. We feel this strategy will be one of the factors differentiating the investment technique of McRae Capital Management from many other managers.

\*Measured by the Dow Jones Industrial Average

# Annual Investment Comparison

Starting at Various Ages // Arriving at Same Investment Level Age 65





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## Performance

Age	Annual Investment
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25	\$6,000
35	\$16,000
45	\$45,500
55	\$157,500

■ We all hear about the power of compounding and this illustration dramatically shows the results of starting your investing early in life. The illustration shows four ages to start investing, assuming a 10% return each year, and finally reaching your goal of \$3,200,000 at age 65.

Assumption: The chart does not take into account market fluctuations, inflation or taxes and assumes a flat 10% return each year.



# Ideal Strategies for Allocation

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MCM goes through a process to determine what investment strategy is best suited for a client. Since the portfolios are diversified into various market sectors and each of our managers is well diversified within each sector, risk is better defined as volatility. In an ideal scenario, where the portfolio is fully invested, the first strategy would have 90% in fixed income and 10% in equities. Strategy four would be 50% in each and strategy seven would be 90% equities and 10% fixed income. During uncertain market times, MCM will change the allocation to a more conservative mode and in more certain times be fully invested. This allocation is determined by the investment committee using a combination of fundamental and technical analysis.

The following charts also show how MCM had their clients allocated at the end of the last quarter.

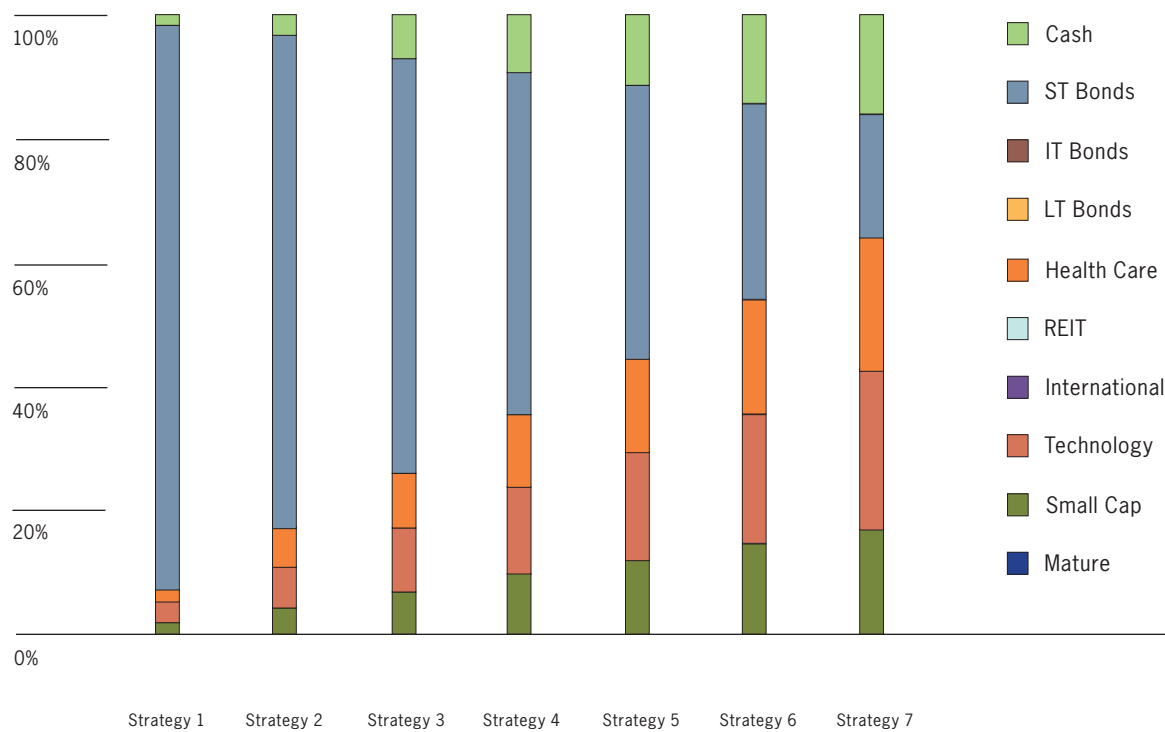
## Asset Allocation Models for December 2009

	Strategy 1	Strategy 2	Strategy 3	Strategy 4	Strategy 5	Strategy 6	Strategy 7
<b>Equity</b>	10%	24%	37%	50%	63%	76%	90%
<b>Fixed</b>	90%	76%	63%	50%	37%	24%	10%
<b>Mature</b>	2%	4.5%	7%	9.5%	12%	15%	17%
<b>Small Cap</b>	3%	6.5%	10%	14%	17.5%	21%	25%
<b>Technology</b>	0%	0%	0%	0%	0%	0%	0%
<b>International</b>	2.5%	6%	9%	12%	15%	18%	22%
<b>REIT</b>	0%	0%	0%	0%	0%	0%	0%
<b>Health Care</b>	0%	0%	0%	0%	0%	0%	0%
<b>LT Bonds</b>	0%	0%	0%	0%	0%	0%	0%
<b>IT Bonds</b>	0%	0%	0%	0%	0%	0%	0%
<b>ST Bonds</b>	91%	80%	67%	55.5%	44%	31.5%	20%
<b>Cash</b>	1.5%	3%	7%	9%	11.5%	14.5%	16%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%

 Conservative

 Moderate

 Aggressive







# MCM Privacy Policy

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McRae Capital Management has always been and will continue to be committed to protecting the privacy of your personal information.

- At no time will the confidential information you have provided us be disclosed to non-affiliated third parties except as permitted by law. Nor do we reserve the right to disclose your non-public personal information. This includes all personal information we have received from you in connection with the services provided by McRae Capital Management. This is not limited to written information that you have provided for us, but also includes e-mailed information, telephone conversations and conversations with you, in or out of the office.
- We restrict access to confidential personal information about you to those employees who need to know that information to provide services to you.
- We maintain operational safeguards in our office and computer environment to comply with Federal standards to guard your confidential personal information.
- We require strict confidentiality in regards to your personal information in our agreement with Union Bank of California.

While we are required to provide this information by the Gramm-Leach-Bliley Act, McRae Capital Management and its employees have always kept your personal information private and will continue to do so in the future. If you would like to contact us, please call 425.673.4090.



# SEC Filing

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## Security Exchange Commission

McRae Capital Management is required to file an ADV form with the SEC and include it in the brochure to ensure full disclosure of the firm to its clients and prospective clients. Along with the ADV is a yearend balance sheet also provided to the SEC showing the firm's financial soundness.

**FORM ADV****Uniform Application for Investment Adviser Registration****Part II - Page 1**

OMB APPROVAL	
OMB Number:	3235-0049
Expires:	July 31, 2008
Estimated average burden hours per response: . . . . .	9.402

Name of Investment Adviser: <b>McRae Capital Management LLC</b>				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code: Telephone number:
<b>110 James Street, Suite 104, Edmonds, Washington, 98020</b>				<b>(425) 6734090</b>

This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.

**Table of Contents**

<b><u>Item Number</u></b>	<b><u>Item</u></b>	<b><u>Page</u></b>
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	Continuation Sheet .....	Schedule F
	Balance Sheet, if required .....	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.

Applicant: **McRae Capital Management LLC**

SEC File Number:  
801-

Date:  
03/ 2010

- 1. A. Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service.  
(See instruction below.)

**Applicant:**

- |                                     |     |   |           |   |
|-------------------------------------|-----|---|-----------|---|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services .....  | <u>95</u> | % |
| <input type="checkbox"/>            | (2) | Manages investment advisory accounts not involving investment supervisory services .....  | _____     | % |
| <input type="checkbox"/>            | (3) | Furnishes investment advice through consultations not included in either service described above ....   | _____     | % |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription .....   | _____     | % |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above .....   | _____     | % |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities ..... | _____     | % |
| <input checked="" type="checkbox"/> | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities .....   | <u>5</u>  | % |
| <input type="checkbox"/>            | (8) | Provides a timing service .....   | _____     | % |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above .....   | _____     | % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

- B. Does applicant call any of the services it checked above financial planning or some similar term? . . . . . Yes ☒ No ☐

- C. Applicant offers investment advisory services for: (check all that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees)       | <input type="checkbox"/> (6) Other             |

- D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

- 2. Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals                      | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions                | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies                        | <input type="checkbox"/> G. Other (describe on Schedule F)   |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans |  |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity securities                                       | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                             | <input type="checkbox"/> I. Options contracts on:                          |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter                     | <input type="checkbox"/> (1) securities                                    |
| <input type="checkbox"/> (3) foreign issuers   | <input type="checkbox"/> (2) commodities                                   |
| <input type="checkbox"/> B. Warrants   | <input type="checkbox"/> J. Futures contracts on:                          |
| <input checked="" type="checkbox"/> C. Corporate debt securities (other than commercial paper) | <input type="checkbox"/> (1) tangibles                                     |
| <input type="checkbox"/> D. Commercial paper   | <input type="checkbox"/> (2) intangibles                                   |
| <input type="checkbox"/> E. Certificates of deposit  | <input type="checkbox"/> K. Interests in partnerships investing in:        |
| <input checked="" type="checkbox"/> F. Municipal securities                                    | <input type="checkbox"/> (1) real estate                                   |
| <input type="checkbox"/> G. Investment company securities:                                     | <input type="checkbox"/> (2) oil and gas interests                         |
| <input type="checkbox"/> (1) variable life insurance   | <input type="checkbox"/> (3) other (explain on Schedule F)                 |
| <input type="checkbox"/> (2) variable annuities  | <input type="checkbox"/> L. Other (explain on Schedule F)                  |
| <input checked="" type="checkbox"/> (3) mutual fund shares                                     |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input checked="" type="checkbox"/> Cyclical           |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |

B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions   |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days)                            | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input checked="" type="checkbox"/> Short sales  |  |

**FORM ADV**  
**Part II - Page 4**

Applicant:  
**McRae Capital Management LLC**

SEC File Number:  
801-

Date:  
03/2010

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? ..... ☒ Yes ☐ No  
(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.  
(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? . ☐ Yes ☒ No

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

Applicant:  
McRae Capital Management LLC

SEC File Number:  
801-

Date:  
03/2010

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☐ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

(If yes, describe on Schedule F)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Reviews are conducted annually and more frequently if client desires them. Review includes update of financial plan, detail list of holdings, realized gain/loss report for year, transactions of cash deposits/withdrawals, fees charged, and detailed performance reports. Discussion includes changes in client's needs or objectives in portfolio, upcoming changes in the client's financial status and the impact or changes needed to implement investment strategy. Performance of each sector or the portfolio weighting is covered to ensure that each area is meeting target goals. All reviews are completed by Peter McRae or Cheryl Wood.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Monthly statements showing client positions and transactions during month. Quarterly performance reports showing performance since inception of account on a monthly basis along with performance of a composite index reflecting the investment style of the client's portfolio. Annual tax reporting with a breakdown of client's transactions showing long term gains/losses, short term gains/losses, dividends & interest.



Applicant: **McRae Capital Management LLC**

SEC File Number:  
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**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  |   |                             |
|--|---|-----------------------------|
| (1) securities to be bought or sold? .....               | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? ..... | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used? .....                   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) commission rates paid? .....                         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? .....	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
---	------------------------------	--

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   |                              |  |
|---|------------------------------|--|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? .....  | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? .....	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
--	---	-----------------------------

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: McRae Capital Management LLC	SEC File Number: 801-	Date: 03/2010
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: McRae Capital Management LLC		IRS Empl. Ident. No.:
Item of Form (identify)	Answer	
Form II - 1 - D	<p>Fees will be charged quarterly in advance based upon the asset value at the end of the preceding month. Accounts, except those invested in Simple IRAs or 401(k)s only, will be charged 1.5% annually on the first \$5,000,000. and 1% annually on assets over \$5,000,000. Simple IRA and 401(k) accounts will be charged 2.0% annually on the first \$50,000, billed quarterly on all assets. No separate fees charged to clients for custody, IRA's, wiring money to their bank accounts or the annual financial plan. Fees are not negotiable. First years fees are contracted on a no prorated basis if the client terminates, but are prorated after the first year with refund paid to client for termination during a quarter.</p> <p>*****</p>	
Form II - 5	<p>Any employee giving investment advice must have had experience either as a registered broker or extensive training with an RIA firm. An in depth understanding of investment markets and how to realistically meet the the client's objectives must be understood before giving advice to clients.</p> <p>*****</p>	
Form II - 6	<p>Peter B. McRae: Born 12/22/1945; Education: 6 years full time study majoring in Mathematics &amp; Economics; Responsibilities: Last 12 years responsibilities as Registered Investment Advisor have included investment committee member, research analyst, bond analyst &amp; trader, determining &amp; executing asset allocation for firm, sales, conducting annual reviews with clients &amp; compliance responsibilities.</p> <p>Cheryl S. Wood: Born 11/14/1955; Education: High school graduate. Responsibilities: Cheryl has a long term successful history in the investment industry, starting out in the brokerage business in 1979. Since joining McRae Capital Management as a RIA, her reponsibilities include fundamental research, monitoring manager performance, research into new managers, investment committee, marketing and reviews with clients.</p> <p>*****</p>	
Form II - 10	<p>McRae Capital Management will have a limited power of attorney to manage a client's portfolio. Each year, an extensive annual review is held with each client to discuss their investment portfolio, including past allocation performance. A financial plan is provided to help determine if any changes need to be made in the investment style, contributions or distributions from the portfolio. A recommended minimum for initiating the account with MCM is \$250,000 with no minimum to maintain the account.</p> <p>*****</p>	
Form II - 12	<p>Each client's portfolio is well diversified using institutional funds, unit trusts, pooled assets and individual stocks and bonds. Each account (except Aggressive Growth only accounts), is diversified into markets such as large cap, small cap, international, reits, and bonds. The Technology Stocks Trading System only accounts utilizes unit trusts in their portfolios, giving diversification in 35 to 100 underlying securities. The only limitation is that no commodities will be purchased. The only limitation on amount of securites to be bought is restricted by not leveraging the portfolio with margin. The allocation model allocates to the position rather than to the sector of the market therefore</p>	

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule G of  
Form ADV  
Balance Sheet**Applicant:  
**McRae Capital Management LLC**SEC File Number:  
801-Date:  
**03/2010**

(Answers in Response to Form ADV Part II Item 14.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>McRae Capital Management LLC</b>	IRS Empl. Ident. No.:
<p style="text-align: center;">Instructions</p> <p>1. The balance sheet must be:</p> <ul style="list-style-type: none"><li>A. Prepared in accordance with generally accepted accounting principles</li><li>B. Audited by an independent public accountant</li><li>C. Accompanied by a note stating the principles used to prepare it, the basis of included securities, and any other explanations required for clarity.</li></ul> <p>2. Securities included at cost should show their market or fair value parenthetically.</p> <p>3. Qualifications and any accompanying independent accountant's report must conform to Article 2 of Regulation S-X (17 CFR 210.2-01 et. seq.).</p> <p>4. Sole proprietor investment advisers:</p> <ul style="list-style-type: none"><li>A. Must show investment advisory business assets and liabilities separate from other business and personal assets and liabilities</li><li>B. May aggregate other business and personal asset and liabilities unless there is an asset deficiency in the total financial position.</li></ul>	

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

Applicant:

McRae Capital Management LLC

SEC File Number:

801-

Date:

03/2010

(for sponsors of wrap fee programs)

Name of wrap fee program or programs described in attached brochure:

- 1. *Applicability of Schedule.*** This Schedule must be completed by applicants that are compensated under a wrap fee program for sponsoring, organizing, or administering the program, or for selecting, or providing advice to clients regarding the selection of, other investment advisers in the program (“sponsors”). A wrap fee program is any program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions.
- 2. *Use of Schedule.*** This Schedule sets forth the information the sponsor must include in the wrap fee brochure it is required to deliver or offer to deliver to clients and prospective clients of its wrap fee programs under Rule 204-3 under the federal Advisers Act and similar rules of jurisdictions. The wrap fee brochure prepared in response to this Schedule must be filed with the Commission and the jurisdictions as part of Form ADV by completing the identifying information on this Schedule and attaching the brochure. Brochures should be prepared separately, not on copies of this Schedule. Any wrap fee brochure filed with the Commission as part of an amendment to Form ADV shall contain in the upper right corner of the cover page the sponsors’ registration number (801- ).
- 3. *General Contents of Brochure.*** Unlike Parts I and II of this form, this Schedule is not organized in “check-the-box” format. These instructions, including the requests for information in Item 7 below, should not be repeated in the brochure. Rather, this Schedule describes minimum disclosures that must be made in the brochure to satisfy the sponsor’s duty to disclose all material facts about the sponsor and its wrap fee programs. **Nothing in this Schedule relieves the sponsor from any obligation under any provision of the federal Advisers Act or rules thereunder, or other federal or state law to disclose information to its advisory clients or prospective advisory clients not specifically required by this Schedule.**
- 4. *Multiple Sponsors.*** If two or more persons fall within the definition of “sponsor” in Item 1 above for a single wrap fee program, only one such sponsor need complete the Schedule. The sponsors may choose among themselves the sponsor that will complete the Schedule.
- 5. *Omission of Inapplicable Information.*** Any information not specifically required by this Schedule that is included in the brochure should be applicable to clients and prospective clients of the sponsor’s wrap fee programs. If the sponsor is required to complete this Schedule with respect to more than one wrap fee program, the sponsor may omit from the brochure furnished to clients and prospective clients of any wrap fee program or programs information required by this Schedule that is not applicable to clients or prospective clients of that wrap fee program or programs. If a sponsor of more than one wrap fee program prepares separate wrap fee brochures for clients of different programs, each brochure must be filed with the Commission and the jurisdictions attached to a separate copy of this Schedule. Each such brochure must state that the sponsor sponsors other wrap fee programs and state how brochures for those programs may be obtained.
- 6. *Updating.*** Sponsors are required to file an amendment to the brochure promptly after any information in the brochure becomes materially inaccurate. Amendments may be made by use of a “sticker”, *i.e.*, a supplement affixed to the brochure that indicates what information is being added or updated and states the new or revised information, as long as the resulting brochure is readable. Stickers should be dated and should be incorporated into the text of the brochure when the brochure itself is revised.
- 7. *Contents of Brochure.*** Include in the brochure prepared in response to this Schedule:

  - (a) on the cover page, the sponsor’s name, address, telephone number, and the following legend in bold type or some other prominent fashion:  
**This brochure provides clients with information about [name of sponsor] and the [name of program or programs] that should be considered before becoming a client of the [name of program or programs]. This information has not been approved or verified by any governmental authority.**
  - (b) a table of contents reflecting the subject headings in the sponsor’s brochure.
  - (c) the amount of the wrap fee charged for each program or, if fees vary according to a schedule established by the sponsor, a table setting forth the fee schedule, whether such fees are negotiable, the portion of the total fee (or the range of such amounts) paid to persons providing advice to clients regarding the purchase or sale of specific securities under the program (“portfolio managers”), and the services provided under each program (including the types of portfolio management services);

**Schedule H of  
Form ADV  
Page 2**

Applicant:

McRae Capital Management LLC

SEC File Number:

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Date:

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- (d) a statement that the program may cost the client more or less than purchasing such services separately and a statement of the factors that bear upon the relative cost of the program (*e.g.*, the cost of the services if provided separately and the trading activity in the client's account);
- (e) if applicable, a statement that the person recommending the program to the client receives compensation as a result of the client's participation in the program, that the amount of this compensation may be more than what the person would receive if the client participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services, and that the person may therefore have a financial incentive to recommend the wrap fee program over other programs or services;
- (f) a description of the nature of any fees that the client may pay in addition to the wrap fee and the circumstances under which these fees may be paid (including, if applicable, mutual fund expenses and mark-ups, mark-downs, or spreads paid to market makers from whom securities were obtained by the wrap fee broker);
- (g) how the program's portfolio managers are selected and reviewed, the basis upon which portfolio managers are recommended or chosen for particular clients, and the circumstances under which the sponsor will replace or recommend the replacement of the portfolio manager;
- (h) (1) if applicable, a statement to the effect that portfolio manager performance information is not reviewed by the sponsor or a third party and/or that performance information is not calculated on a uniform and consistent basis,  
  
(2) if performance information is reviewed to determine its accuracy, the name of the party who reviews the information and a brief description of the nature of the review,  
  
(3) a reference to any standards (*i.e.*, industry standards or standards used solely by the sponsor) under which performance information may be calculated;
- (i) a description of the information about the client that is communicated by the sponsor to the client's portfolio manager, and how often or under what circumstances the sponsor provides updated information about the client to the portfolio manager;
- (j) any restrictions on the ability of clients to contact and consult with portfolio managers;
- (k) in narrative text, the information required by Items 7 and 8 of Part II of this form and, as applicable to clients of the wrap fee program, the information required by Items 2, 5, 6, 9A and C, 10, 11, 13 and 14 of Part II;
- (l) if any practice or relationship disclosed in response to Item 7, 8, 9A, 9C and 13 of Part II presents a conflict between the interests of the sponsor and those of its clients, explain the nature of any such conflict of interest; and
- (m) if the sponsor or its divisions or employees covered under the same investment adviser registration as the sponsor act as portfolio managers for a wrap fee program described in the brochure, a brief, general description of the investments and investment strategies utilized by those portfolio managers.

**8. Organization and Cross References.** Except for the cover page requirements in Item 7(a) above, information contained in the brochure need not follow the order of the items listed in Item 7. However, the brochure should not be organized in such a manner that important information called by the form is obscured.

Set forth below the page(s) of the brochure on which the various disclosures required by Item 7 are provided.

	<i>Page(s)</i>		<i>Page(s)</i>		<i>Page(s)</i>
Item 7(a)	cover	Item 7(f)		Item 7(j)	
#7(b)		#7(g)		#7(k)	
#7(c)		#7(h)		#7(l)	
#7(d)		#7(i)		#7(m)	
#7(e)					

# MCM Balance Sheet

As of December 31, 2009

<b>Assets</b>	<b>Current Assets</b>	
	Checking/Savings: Key Bank Checking . . . . .	35,539.16
	Total Current Assets . . . . .	35,539.16
	<b>Fixed Assets</b>	
	Art Work . . . . .	5,205.68
	Computer System . . . . .	36,544.19
	Furniture . . . . .	32,577.74
	Telephone System . . . . .	4,045.76
	Total Fixed Assets . . . . .	78,373.36
	<b>Other Assets</b>	
	Prepaid Rent . . . . .	3,615.00
	Total Other Assets . . . . .	3,615.00
	<b>Total Assets . . . . .</b>	<b>117,527.52</b>
<b>Liabilities</b>	<b>Current Liabilities</b>	
	Credit Cards . . . . .	
	Bank Credit Cards: Key Bank Corporate Visa . . . . .	1,068.97
	Total Current Liabilities . . . . .	1,068.97
	<b>Long Term Liabilities</b>	
	Key Commercial Line of Credit . . . . .	32,000.00
	Total Long Term Liabilities . . . . .	32,000.00
	<b>Total Liabilities . . . . .</b>	<b>33,068.97</b>
<b>Equity</b>	<b>Owners Capital</b>	
	Investments . . . . .	9,000.00
	Total Owner's Capital . . . . .	9,000.00
	Retained Earnings . . . . .	33,215.09
	Net Income . . . . .	42,243.46
	<b>Total Equity . . . . .</b>	<b>84,458.55</b>
	<b>Total Liabilities + Equity . . . . .</b>	<b>117,527.52</b>







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