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**FORM ADV PART 2  
BROCHURE**

This brochure provides information about the qualifications and business practices of MidAtlantic Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at [info@midatlantic-capital.com](mailto:info@midatlantic-capital.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.

Additional information about MidAtlantic Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for MidAtlantic Capital Management, Inc. is 116524.

MidAtlantic Capital Management, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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## **Advisory Business**

MidAtlantic Capital Management, Inc. is a privately held registered investment advisory firm based in Richmond, VA that provides customized portfolio management and co-fiduciary services to individual investors, trusts, endowments, and retirement plans. John F. DePew and Robert B. Wrenn, Jr. are the firm's principal owners.

Founded in 1992, MidAtlantic serves as a fiduciary to each investor and each investment decision is made in the best interest of the investor. Being an independent, registered investment advisory firm allows MidAtlantic to be completely unbiased in our investment decisions with absolutely no conflict of interest.

### **Portfolio Management Services**

MidAtlantic designs customized, diversified portfolios based on each investor's goals, risk tolerance, time horizon, and specific situation. We work with investors to thoroughly understand their investment goals, objectives, and concerns. Then we collect relevant financial data to construct a customized Investment Policy Statement (IPS) which serves as the framework for the ongoing management of the account.

With the Investment Policy Statement as our guide, we design and implement the portfolio. The portfolio may be diversified among mutual funds, exchange-traded funds, private money managers, stocks, and bonds. As an independent firm, we have the freedom to utilize virtually any investment option in the design of the customized portfolio. Our only objective is to help our clients achieve their financial goals. Additionally, a client is free to impose restrictions on investing in certain securities or within certain types or securities and these restrictions are detailed within the Investment Policy Statement.

MidAtlantic continuously monitors each portfolio and the portfolio's individual components within the guidelines established in the Investment Policy Statement. This assures that performance is meeting expectations relative to other available investment options and previously defined benchmarks.

Since each portfolio is completely liquid, an investment component with similar characteristics can be added to replace an underperforming investment option.

Taxes can have a major impact on portfolio performance. We aim to ensure that portfolios are invested as tax-efficiently as possible. We take into consideration all possible tax implications, and we design investment strategies to minimize portfolio taxes and maximize after-tax returns. These strategies include selecting portfolio components that attempt to minimize capital gains, as well as selling portfolio components that will help to reduce taxable gains.

We carefully design each portfolio to correspond to each client's degree of risk tolerance. As the value of portfolio components change over time, the risk level of the portfolio changes as the portfolio accumulates more or less of a volatile component. If the portfolio has drifted out of balance and significantly affects our recommended allocation, we will rebalance the portfolio back to the target asset allocation.

The majority of time we anticipate the portfolio to be invested at the recommended target allocation. However, when our investment model indicates that market conditions warrant, we may recommend reducing adjusting the equity allocation in a portfolio as much as 5% to 20%. This is a risk reduction tactic, not a market-timing technique and is designed to serve as a defensive tool to reduce equity exposure in periods of above-average market valuations.

MidAtlantic believes that communicating with our clients openly, clearly and on a regular basis keeps them well informed and assures that we are responsive to their immediate and future needs. MidAtlantic is always

available to discuss the account or any concerns our clients may have.

MidAtlantic meets with investors on a regular basis to discuss the portfolio and determine if any adjustments or enhancements should be made.

In addition, our clients receive the following reports and access to information:

Monthly and Quarterly Investment Reports include:

- ✓ Complete listing of every transaction in the account
- ✓ Current asset holdings report
- ✓ Portfolio performance compared to appropriate short and long-term benchmarks

Current account information is also always available for online access.

### **Custody of Assets**

MidAtlantic serves as an investment advisor to our clients and does not take custody of client assets.

Fidelity Institutional Wealth Services and TD Ameritrade Institutional, two of the largest providers of custody services, serve as custodian/trustee of the assets. MidAtlantic has established trading links with both Fidelity and TD Ameritrade, which allows for seamless transaction initiation and reconciliation. Clients receive monthly statements from Fidelity and TD Ameritrade containing transaction and balance information as well as annual tax reporting.

### **Co-Fiduciary Services**

Fiduciaries, as defined by ERISA (The Employee Retirement Income Security Act of 1974), are required to exercise the skill of a "prudent expert" unless they hire a professional "with knowledge of such matters" to assist them (§404(a)). For many plan sponsors, this is a challenge, as they are not investment professionals and they face potential personal liability.

MidAtlantic helps plan sponsors manage this risk by providing a systematic, prudent process that can significantly reduce potential fiduciary liability. *Most importantly, as a registered investment advisory firm, MidAtlantic acknowledges its co-fiduciary status with respect to the plan in writing.*

A written Investment Policy Statement (IPS) is a key component in assisting fiduciaries in discharging their responsibilities in compliance with ERISA. MidAtlantic assists in the development of a formal, written IPS that serves as a critical safeguard against litigation. The IPS include the following items required by ERISA:

- ✓ Objectives, guidelines and investment strategy
- ✓ Appropriate asset classes
- ✓ Investment selection, monitoring, and replacement guidelines
- ✓ Plan control procedures

Plan participants possess varying degrees of investment expertise, yet the decisions they make regarding

asset allocation can significantly affect their investment performance. To respond to this challenge, MidAtlantic offers customized model portfolios that range from conservative to aggressive. These portfolios are allocated based on how the various funds in the portfolio complement each other.

Our model portfolios help plan participants:

- ✓ Reduce risk with proper asset allocation - without decreasing their earning potential
- ✓ Utilize portfolios that vary from conservative to aggressive
- ✓ Match their specific time horizon, goals and risk tolerance to an asset allocation that is appropriate to their individual situation

Under ERISA, the monitoring of invested assets is crucial to the fulfillment of a plan sponsor's fiduciary responsibility. Documentation of the monitoring process is just as important. MidAtlantic performs the following functions on behalf of plan sponsors:

- ✓ Continuously monitoring all investment options to ensure that each option is still appropriate for the plan
- ✓ Recommending investment option changes, if necessary, as outlined in the monitoring criteria established in the Investment Policy Statement
- ✓ Documenting the monitoring process which provides a critical safeguard in the reduction of fiduciary liability

MidAtlantic communicates with our clients openly, clearly, and consistently. We meet with each plan's investment committee on a regular basis, providing information that allows plan sponsors to evaluate both our performance and the performance of the investment options within the plan. In addition to our regular meetings, we also provide the following to ensure that our clients have the necessary tools to successfully manage their plan:

- ✓ Monthly alerts (as needed)
- ✓ Quarterly Fiduciary Monitoring Reports and Recommendations
- ✓ Performance Relative to Investment Category
- ✓ Model Portfolio Performance
- ✓ Plan Demographic Analysis

The overall success of a retirement plan depends upon effective employee communications and continuing education.

MidAtlantic provides customized enrollment materials, meetings, and educational programs. Our process is designed to educate employees on the specific parameters and options available in their retirement plan.

As of December 31, 2010, MidAtlantic Capital Management, Inc. had \$104,434,822 in discretionary assets under management.

## ***Fees and Compensation***

At MidAtlantic, the investor's goals and our goals are always aligned. The goal is the same - meeting the investor's investment objectives. Rather than receiving commissions or "sales loads" for placing trades, MidAtlantic is compensated by an asset based fee schedule that is charged as a percentage of the value of the account.

This fee-based compensation structure allows us to be completely objective and unbiased and ensures that we only recommend investment options that are beneficial to the growth of our clients' assets. Additionally, MidAtlantic does not accept any form of compensation from investment product providers or financial institutions.

Fees are calculated on a quarterly basis by taking the ending portfolio balance for the previous quarter and multiplying this balance times  $\frac{1}{4}$  of the annual fee (taking breakpoints into consideration).

### **Portfolio Management Services Fee Schedule**

<u>Assets Under Management</u>	<u>Annual Fee</u>
Amounts up to \$250,000	1.35%
Next \$250,001 to \$500,000	1.00%
Next \$500,001 to \$1,000,000	0.92%
Next \$1,000,001 to \$2,000,000	0.80%
Amounts above \$2,000,000	0.72%

Please note that in certain circumstances the fee schedule shown above may be negotiable.

Investment advisory fees for Discretionary Portfolio Management Services may be either deducted quarterly in advance by an independent custodian or billed directly in advance to the client and paid by check.

### **Co-Fiduciary Services Fee Schedule**

<u>Plan Assets Under Management</u>	<u>Annual Fee</u>
Amounts up to \$20,000,000	0.20%
Next 20,000,001 to \$30,000,000	0.15%
Amounts over \$30,000,000	0.10%

**Please Note:** The minimum annual fee is \$5,000.

"Plan Assets Under Management" is defined as any assets (excluding company stock and self-directed brokerage accounts) that plan participants have the option of utilizing.

Please note that in certain circumstances the fee schedule shown above may be negotiable.

Investment advisory fees for Co-Fiduciary Services may be deducted by the independent custodian, as directed by the Plan Sponsor, from plan assets on a quarterly basis based on the market value of the account on the last trading day of the quarter. MidAtlantic will send an invoice to the Plan Sponsor that shows the amount of the fee, the value of assets on which the fee was based, and the specific manner in which the fee was calculated. Plan Sponsors also have the option of having advisory fees billed quarterly in advance based on the market value of the account on the last trading day of the preceding quarter.

In addition to paying the advisory fees outlined above, clients will also incur the operating expenses associated with any mutual fund, exchange traded fund, or Separately Managed Account. MidAtlantic does not receive any form of compensation from mutual fund companies or other provider that are related to these operating expenses. In some circumstances, clients may be responsible for transaction costs related to the management of the account.

Fees are calculated on a quarterly basis by taking the ending portfolio balance for the previous quarter and multiplying this balance times  $\frac{1}{4}$  of the annual fee (taking breakpoints into consideration). These fees are billed in advance and may be either deducted quarterly in advance by an independent custodian or billed directly in advance to the client and paid by check.

Fees for partial quarters at the commencement or termination of the Investment Advisory Service Agreement are prorated based on the number of days the account was open during the quarter.

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

MidAtlantic Capital Management, Inc. does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).



### ***Types of Clients***

MidAtlantic provides investment advisory services to individuals, trusts, endowments, and retirement plans.

## ***Methods of Analysis, Investment Strategies and Risk of Loss***

MidAtlantic Capital Management, Inc. utilizes a rigorous analytical approach to investment management. We employ sophisticated qualitative and quantitative research techniques to help select the most promising investments and managers for our clients, and we observe disciplined criteria in the initial design and continuous management of client portfolios.

MidAtlantic begins each client relationship by helping the investor define their specific investment objectives, risk tolerance, need for income and potential constraints. This process helps us design specific investment strategies for each client and is dynamic over the life of our relationship with the client. Every client has a written Investment Policy Statement that specifies the investment objectives, risk tolerance, time horizon, expected cash flows, asset allocation, benchmarks, and constraints. This Investment Policy Statement is reviewed regularly and amended as needed.

Once a client's Investment Policy has been established, we determine an appropriate target asset allocation for each client. We then begin carefully positioning the client's existing portfolio, helping to select appropriate investments without creating disruptive tax consequences. Portfolios may be diversified among stocks, bonds, mutual funds, exchange-traded funds, and private money managers depending on the goals of the client.

MidAtlantic uses proprietary due diligence and independent third-party research to evaluate individual managers based on such criteria as performance, turnover, fees, and risk profile. Our stock selection process includes both traditional fundamental analysis and quantitative metrics.

Investing in securities involves the potential risk of loss that clients should be prepared to bear. Diversification among and within asset classes, a fundamental principle of prudent investing, is only one method we use to reduce overall portfolio volatility. We also employ a mix of active and passive investment strategies. Passive investments include broadly diversified portfolios of securities which track the performance of various market indices; active investments may include individual stocks or more concentrated portfolios that have consistently outperformed the market. We use a blend of both strategies in an effort to earn positive returns in even the most challenging markets.

### ***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 MidAtlantic Capital Management, Inc. or the integrity of MidAtlantic's management.

There have never been any disciplinary actions or events pertaining to MidAtlantic Capital Management, Inc., its management, or staff members.

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

MidAtlantic Capital Management, Inc. does not have any management persons currently registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No management persons are currently registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

MidAtlantic does not have any relationships or arrangements that are material to our advisory business or to our clients with any related person listed below:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

MidAtlantic does not recommend or select other investment advisers for our clients.

## ***Code of Ethics, Participation or Interest in Client Transactions and Personal Trading***

MidAtlantic Capital Management, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at MidAtlantic Capital Management, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

MidAtlantic anticipates that, in appropriate circumstances, consistent with client's investment objectives, it will cause accounts over which MidAtlantic has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which MidAtlantic Capital Management, Inc., its affiliates and/or clients, directly or indirectly, have a position of interest.

The Firm's Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the MidAtlantic employees and supervised persons 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.

MidAtlantic Capital Management, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting our office at (804) 272-9200 or [info@midatlantic-capital.com](mailto:info@midatlantic-capital.com).

## ***Brokerage Practices***

MidAtlantic utilizes Fidelity Investments and TD Ameritrade as preferred custodians for portfolio management client accounts. Clients execute a custodial agreement with these institutions that include brokerage services offered by Fidelity Brokerage Services, LLC and TD Ameritrade. Fidelity and TD Ameritrade were selected by MidAtlantic based on execution, custodial services offered, cost, and quality of service, industry reputation, and access to information for both the client and MidAtlantic. MidAtlantic may receive certain support services that may assist MidAtlantic in its investment decision-making process for the firm's client base.

Our firm does not have an incentive to select or recommend a broker-dealer because products or services are not accepted by MidAtlantic. Instead, our primary concern is that our clients receive the most favorable execution.

MidAtlantic does not cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers because soft dollar benefits (known as paying up) are not accepted.

MidAtlantic does not use soft dollar benefits to service or clients' accounts because soft dollar benefits are not solicited.

Neither MidAtlantic nor any related person accepted any products or services with client brokerage commissions (or markups or markdowns) within our last fiscal year.

Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

MidAtlantic or a related person does not receive client referrals from a broker-dealer or third party. We have no incentive to select or recommend a broker-dealer based on our interest in receiving client referrals; rather, our concern is about our clients receiving most favorable execution.

Our firm does not recommend, request, or require that a client execute transactions through a specified broker-dealer. Not all advisers require their clients to direct brokerage. Our firm has no affiliates or any other economic relationship that creates a material conflict of interest. Advisers that direct clients to a particular brokerage may be unable to achieve most favorable execution of client transactions, possibly costing clients more money.

MidAtlantic is not involved in direct brokerage practices and we do not aggregate the purchase or sale of securities for client accounts.

### ***Review of Accounts***

Client accounts are reviewed and monitored on an on-going basis but no less frequently than quarterly. The triggering factors in account activity include circumstances where MidAtlantic becomes aware of a change in a client's investment objective, a change in market conditions, re-balancing of assets to maintain proper asset allocation, tax-loss harvesting, deposits or withdrawals, or any other relevant event or circumstance.

MidAtlantic prepares quarterly investment reports in addition to the monthly statements clients receive from the qualified independent custodian (firm that holds client assets).

### ***Client Referrals and Other Compensation***

There is no person or entity that provides an economic benefit to MidAtlantic for providing investment advice or other advisory services to our clients.

MidAtlantic does not compensate any person or entity for client referrals.



### ***Custody***

MidAtlantic does not have custody of client funds. Clients receive monthly statements from the qualified custodian and/or trust company that holds and maintains client's investment assets. MidAtlantic recommends that clients carefully review and compare these statements and compare these to the quarterly investment reports that are provided by MidAtlantic. Please note that American Funds maintains custody of 529 College America accounts and account statements are provided on a quarterly basis.

### ***Investment Discretion***

MidAtlantic Capital Management, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. This discretionary authority is outlined in the Investment Advisory Services Agreement. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, MidAtlantic observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to MidAtlantic in writing.

### ***Voting Client Securities***

Clients are responsible 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 types of events pertaining to client assets. Clients may delegate authority to vote proxies on their behalf to MidAtlantic. This delegation of authority is provided in the custodial application of each client account and is also addressed in the Investment Advisory Services Agreement.

Clients may obtain a copy of MidAtlantic Capital Management, Inc.'s complete proxy voting policies and procedures upon request. Clients may also obtain information from MidAtlantic about how proxies were voted on behalf of their account(s).

### ***Financial Information***

MidAtlantic Capital Management, Inc. does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Additionally, MidAtlantic has never been the subject of a bankruptcy proceeding.