

Holcombe & McGrath

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February 28, 2011

This brochure provides information about the qualifications and business practices of Holcombe & McGrath. If you have any questions about the contents of this brochure please contact us at (828)252-8228. 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.

Holcombe & McGrath is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The verbal and written communications between Holcombe & McGrath and clients provide you with information about which you determine to hire or retain our firm.

Additional information about Holcombe & McGrath also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This brochure dated February 28, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this section of the brochure will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting client services specialist, Nicole Johnson at (828)252-8228 or Nicole@holcombeandmcgrath.

Additional information about Holcombe & McGrath is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Holcombe & McGrath who are registered, or are required to be registered, as investment adviser representatives of Holcombe & McGrath.

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Item 4 – Advisory Business

We manage clients' investment accounts, which includes, monitoring asset allocations and rebalancing when necessary. For clients receiving regular cash distributions, we monitor their accounts for cash availability and make use of margin debt when appropriate. We also provide advisory services to clients concerning a broad array of financial matters including insurance, mortgages, auto purchasing, Social Security, Medicare, and retirement and education planning.

Clients can discontinue their relationship with Holcombe & McGrath by calling Schwab Alliance, 1-800-515-2157, and requesting that their account be delinked from our advisory firm.

Item 5 – Fees and Compensation

Clients are billed, in arrears, 0.9% annually of their assets under management for the aforementioned services. Normally, Holcombe & McGrath put clients on a quarterly billing system in which the value of a client's account on the last business day of their quarter is multiplied by 0.0025. Holcombe & McGrath is willing to arrange other billing schedules if that is more satisfactory to the client; however, the client is always billed in arrears. Clients may also elect to be billed directly for fees or to authorize Holcombe & McGrath to direct Schwab to debit fees from client accounts. Accounts initiated or terminated during a billing quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

Clients who do not engage Holcombe & McGrath as an investment manager for their accounts are billed \$175.00/hour for the advisory services mentioned above.

Holcombe & McGrath's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Holcombe & McGrath's fee, and Holcombe & McGrath shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Holcombe & McGrath considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Holcombe & McGrath 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 7 – Types of Clients

Holcombe & McGrath provides portfolio management services to individuals, high net worth individuals, and retirement savings plans for small business and non-profit organizations.

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

Holcombe & McGrath uses a variety of investment vehicles to create portfolios according their clients' needs. These may include: exchange-listed and over the counter equity securities, corporate debt, municipal debt and U.S. government debt securities, and commodities in the form of an index tracking futures contracts. In choosing specific investment vehicles to be used, Holcombe & McGrath's research materials include, but may not be limited to, financial newspapers and magazines, third-party research, annual reports, prospectuses and filings with the Securities and Exchange Commission. Holcombe & McGrath uses a long-term, buy-and-hold strategy for all of their client portfolios. Holcombe & McGrath clients are never guaranteed future results and are advised that investing in securities involves risk of loss that the client should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Holcombe & McGrath or the integrity of Holcombe & McGrath's management. Holcombe & McGrath has not been involved in any legal or disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

Holcombe & McGrath does not have any other business activities other than their investment advisory business. In addition, Holcombe & McGrath does not have any other financial industry activities or affiliations. Holcombe & McGrath does not receive any economic benefit from a non-client in connection with advising clients nor does it compensate any person for client referrals.

Item 11 – Code of Ethics

Holcombe & McGrath principals and employees may purchase for their personal investment accounts any of the investments that the firm recommends to clients. For such purchases, the buyer must follow the same guidelines for investing as dictated by the company policy and procedures manual.

Holcombe & McGrath has adopted the Code of Ethics and Professional Responsibility as defined by the Certified Financial Planner Board of Standards Inc. (CFP Board). Holcombe & McGrath adheres to the seven principles of Integrity, Objectivity, Competence, Fairness, Confidentiality, Professionalism and Diligence to govern its relationship with clients. All supervised persons at Holcombe & McGrath must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Holcombe & McGrath 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. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Holcombe & McGrath and its clients.

Holcombe & McGrath's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Nicole Johnson

Item 12 – Brokerage Practices

Holcombe & McGrath has chosen Charles Schwab & Co., Inc. to provide custody and brokerage services to their clients. In return, Schwab provides clients of Holcombe & McGrath with reduced trading fees, online-access to their accounts and a well-staffed customer service department available via telephone. In addition, Schwab waives all account custody fees for advisory clients. As a direct benefit to Holcombe & McGrath employees, Schwab provides third-party and proprietary research on securities and online instructional webcasts for continuing education purposes. While there may be an incentive for Holcombe & McGrath to use Schwab as custodian, other broker-dealer custodians under consideration offered similar benefits with comparable trading fees. Holcombe & McGrath felt Schwab provided superior client support services in comparison to the other brokerage firms under consideration..

Item 13 – Review of Accounts

Reviews of client accounts are provided by Susan L. McGrath, firm principal, and Robert E. Baschnagel, associate. We recommend a review at least annually, but a review may be done any time a client wishes to meet and may be triggered by various life-changing events: marriage, retirement, divorce, birth of children, inheritance etc. Some clients request regular, frequent meetings, others less often or whenever suits their needs. Planners at Holcombe & McGrath do not have any specific number of clients assigned to them.

Clients are provided with a monthly statement from custodian, Charles Schwab & Co., Inc. showing the dollar value of all assets in each account at the beginning of the month and the last day of the month. These monthly Schwab statements provide details for any transaction that took place in the client's account during that time period. Holcombe & McGrath provides a quarterly performance report showing the percent increase or decrease in client assets both year-to-date and from the initial date of management by Holcombe & McGrath to the present.

Item 14 – Client Referrals and Other Compensation

Holcombe & McGrath does not offer any compensation to other clients or non-clients for referrals. Holcombe & McGrath does not receive any economic benefit from non-clients as a result of investment advice or an advisory service that we provide to clients.

Item 15 – Custody

Clients should receive at least monthly statements from Charles Schwab where clients' investment assets are held and maintained. Holcombe & McGrath urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Holcombe & McGrath receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, 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 to

be purchased or sold, Holcombe & McGrath observes the investment objective, as well as any limitations and restrictions, of the client.

When the client opens the account(s) to be managed at Charles Schwab, they sign a limited power of attorney granting Holcombe & McGrath to have trading authority and the ability to collect management fees from each account.

Item 17 – Voting *Client* Securities

As a matter of firm policy and practice, Holcombe & McGrath 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. Holcombe & McGrath may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Since Holcombe & McGrath does not collect fees in advance, the requirement for them to provide a balance sheet and an independent audit, has been waived.

Item 19 – Requirements for State-Registered Advisers

Investment advisors employed by Holcombe & McGrath are required to have a minimum of a 4-year college degree and be in the process of, or already attained their Certification as a Financial Planner.

Susan L. McGrath, DOB 12/25/1967

B.S. Biology, Xavier University, 1990

Master's Environmental Management, Duke University, 1992

Independent, fee-only financial investment manager, 1998-2002

Holcombe & McGrath, 2002-present

Certification as a Financial Planner, 2001

Robert E. Baschnagel, DOB 06/26/1969
B.S. Chemistry, State University of New York at Buffalo, 1992
Southern Appalachian Forest Coalition, 2000-2007
Holcombe & McGrath, 2007-Present
Certification as a Financial Planner, 2010

Holcombe & McGrath is strictly a fee-only financial management/advisory firm. Holcombe & McGrath does not offer performance-based compensation to its employees.