

Firm Brochure

(Part 2A of Form ADV)

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC

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This brochure provides information about the qualifications and business practices of MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. If you have any questions about the contents of this brochure, please contact us at: 260-969-6767, or by email at: keith@mcdonaldpresley.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 MCDONALD PRESLEY CAPITAL MANAGEMENT, INC is available on the SEC's website at www.adviserinfo.sec.gov

March 31, 2011

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 260-969-5555 or by email at: jeff@mcdonaldpresley.com.

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Advisory Business

Firm Description

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. was founded in 1991.

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. provides personalized financial planning and investment management to individuals, trusts, and charitable organizations. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning and preparation, insurance review, investment management, education funding, retirement planning, and estate planning.

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. is strictly a fee-only financial planning and investment management firm. The firm does not receive commissions for purchasing or selling annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. does not act as a custodian of client assets. The client always maintains asset control. MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. places trades for clients under a limited power of attorney.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

Principal Owners

Keith McDonald is a 64.104% stockholder. Jeff Presley is a 35.896% stockholder.

Types of Advisory Services

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. provides financial advice and services through consultations and implementation. On more than an occasional basis, MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of December 31, 2010, MCDONALD PRESLEY CAPITAL MANAGEMENT, INC manages approximately \$54,109,779 in assets on a discretionary basis for approximately 112 clients.

Types of Agreements

The following agreements define the typical client relationships.

Financial Planning Agreement

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee is *NEGOTIABLE*.

Financial Services - Retainer Agreement

Most clients choose to have MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. manage their assets on an ongoing basis. Under a *Retainer Agreement*, all aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and annual fee for a *Retainer Agreement* is provided to the client in writing prior to the start of the relationship and is *NEGOTIABLE*.

Tax planning and preparation work is performed as an integral part of the Retainer Agreement. Eligible federal and applicable state returns are filed electronically without an additional fee.

Financial Services - Investment Management Agreement

An *Investment Management Agreement* may be executed when only the ongoing management of client assets is part of the relationship. The annual

fee for an *Investment Management Agreement* is typically a percentage of the assets under management and is *NEGOTIABLE*.

Tax Preparation Agreement

Tax preparation is included in the *Retainer Agreement* scope of work but not under the *Investment Management Agreement*.

Tax preparation work performed separately from a *Retainer Agreement* is billed at a negotiated rate based on the complexity of the tax returns prepared.

Hourly Planning Engagements

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$250.00.

Asset Management

Assets are invested primarily in individual securities, no-load mutual funds, and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase or sale of individual securities of some funds.

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. does not receive any compensation, in any form, from fund companies or discount brokers.

Initial public offerings (IPOs) are not available through MCDONALD PRESLEY CAPITAL MANAGEMENT, INC.

Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time by notifying MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination.

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. may terminate any of the aforementioned agreements at any time by notifying the client in writing. Although the agreements are considered ongoing and adjustments may be required, the length of service to the client is at the client's discretion. The client or MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. may terminate an agreement by written notice to the other party at any time. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The annual retainer fee is used as the basis for any final fee computation, adjusted for the number of days engaged during the billing quarter prior to termination.

Fees and Compensation

Description

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC bases its fees on an estimation of the time and effort required to complete the work, the complexity of a prospective client's situation, and a comparison of other adviser's fees (e.g. what the market will bear).

Fees are *NEGOTIABLE*.

Fee Billing

Investment management fees are billed quarterly, in *arrears*, meaning that we invoice you *after* the three-month billing period has *ended*. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed 50 percent in advance, with the balance due upon delivery of the financial plan.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to MCDONALD PRESLEY CAPITAL MANAGEMENT, INC.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Types of Clients

Description

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC generally provides investment advice to individuals, trusts, estates, or charitable organizations.

Client relationships vary in scope and length of service.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include fundamental analysis and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Charles Schwab & Company's "SchwabLink" service, Advisor Intelligence, and the World Wide Web.

Investment Strategies

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each *Retainer* and *Investment Management* client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

Code of Ethics

The employees of MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. have committed to a Code of Ethics that is available for review by clients and prospective clients upon request.

Participation or Interest in Client Transactions

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. *Compliance Manual*.

Personal Trading

The Chief Compliance Officer of MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. is Jeff Presley. He reviews all employee trades each quarter. His trades are reviewed by Keith McDonald. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small trades, the trades do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. MCDONALD PRESLEY CAPITAL MANAGEMENT, INC recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab & Company, Inc.

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. *DOES NOT* receive fees or commissions from any of these arrangements.

Best Execution

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. reviews the execution of trades at each custodian each quarter. The review is documented in the MCDONALD PRESLEY CAPITAL MANAGEMENT, INC *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. does not receive any portion of the trading fees.

Soft Dollars

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. may receive a software maintenance credit from Charles Schwab & Company because some client assets are held under custody at Schwab. This credit offsets annual maintenance fees for our portfolio management software. All clients benefit from any credit received as it reduces the firm's overall expenses.

The selection of Charles Schwab & Company as a custodian for clients is not affected by this nominal credit.

Review of Accounts

Periodic Reviews

Account reviews are performed quarterly by advisors Keith A. McDonald and Jeffrey K. Presley. Account reviews are performed more frequently when market conditions dictate.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

Regular Reports

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Retainer and *Investment Management* clients receive periodic communications on a quarterly basis. The written reports typically include a Portfolio Position Analysis report and a Portfolio Performance Summary report.

Client Referrals and Other Compensation

Incoming Referrals

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC has been fortunate to receive many client referrals over the years. The referrals have generally come from current clients. The firm does not compensate referring parties for these referrals.

Referrals Out

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Custody

Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by MCDONALD PRESLEY CAPITAL MANAGEMENT, INC.

Investment Discretion

Discretionary Authority for Trading

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. accepts discretionary authority to manage securities accounts on behalf of clients. MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the transaction fees paid to the custodian. MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney when completing an account application so that we may execute trades on your behalf.

Voting Client Securities

Proxy Votes

Unless the client designates otherwise, MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of MCDONALD PRESLEY CAPITAL MANAGEMENT, INC.'s proxy voting policy is available upon request.

Financial Information

Financial Condition

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

General

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC. has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Information Security Program

Information Security

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

MCDONALD PRESLEY CAPITAL MANAGEMENT, INC requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board (www.cfp.net).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.

- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Enrolled Agent (EA): Enrolled Agents are enrolled by the Internal Revenue Service and authorized to use the EA designation. EA enrollment requirements:

- Successful completion of the three-part IRS Special Enrollment Examination (SEE), or completion of five years of employment by the IRS in a position which regularly interpreted and applied the tax code and its regulations.
- Successfully pass the background check conducted by the IRS.

KEITH A. MCDONALD, CERTIFICATIONS

Educational Background:

- Date of birth: January 24, 1956
- Bowling Green State University, Bachelor of Science (1978)
- Certified Financial Planner (CFP) (1986)
- College for Financial Planning, Master of Science Degree (2005).

Business Experience:

- 1991 to Present: President, McDonald Presley Capital Management, Inc.

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

JEFFREY K. PRESLEY, CERTIFICATIONS

Educational Background:

- Date of birth: June 12, 1961
- Purdue University, Bachelor of Science Degree (1988)
- College of Financial Planning (2006)

Business Experience:

- March 1, 2003 to Present: Corporate Secretary, Chief Compliance Officer and Financial Advisor, McDonald Presley Capital Management, Inc.
- August 1990 through February 2003: Financial Advisor for Lincoln Financial Advisors.
- June 1983 through July 1990: Branch Manager, Officer and various positions for Fort Wayne National Bank.

Disciplinary Information: None
Other Business Activities: None
Additional Compensation: None