

## Form 2A of Form ADV: Firm Brochure

### Item 1 Cover Page

- A. John Michael McCarthy  
d/b/a J. Michael McCarthy Financial Advisor, Inc.  
845 Malvern Hill Ct.  
Alpharetta, GA 30022  
(O) (770) 396-5038  
(C) (678) 492-0071  
E-mail: [MikeMc642@aol.com](mailto:MikeMc642@aol.com)  
Firm CRD # 108988  
Date of Brochure: March 15, 2011  
(There is no website address)
- B. This brochure provides information about the qualifications and business practices of Investment Advisor John Michael McCarthy("McCarthy" or "Firm"). If you have any questions about the contents of this brochure, please contact us at (770) 396-5038 or e-mail at [MikeMc642@aol.com](mailto:MikeMc642@aol.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 John Michael McCarthy also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

There have been no material changes since the last annual update in March, 2010.

## Item 3 Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Cover Page	1
2	Material Changes	2
3	Table of Contents	2
4	Advisory Business	2
5	Fees and Compensation	3
6	Performance Fees	3
7	Types of Clients	3
8	Methods of Analysis, Investment Strategies and Risk of Loss	3
9	Disciplinary Information	4
10	Other Financial Industry Activities and Affiliations	4
11	Code of Ethics	4
12	Brokerage Practices	4
13	Review of Accounts	5
14	Client Referrals and Other Compensation	5
15	Custody	5
16	Investment Discretion	5
17	Voting Client Securities	6
18	Financial Information	6
19	Requirements for State-Registered Advisers	6

## Item 4 Advisory Business

McCarthy is incorporated as a Subchapter S(Sub-S) corporation under the name J. Michael McCarthy, Financial Advisor, Inc. The firm was incorporated in 1995 and provides general investment services to individuals, corporations, and qualified plans.

The firm invests in listed securities, Exchange Traded Funds, and Mutual Funds only. Accounts are individually managed to reflect the goals, needs, and risk profile of the client. Clients may impose restrictions on investing in certain securities or types of securities.

The firm is 100% owned by McCarthy. The firm does not participate in wrap fee programs.

The firm manages all client assets on a discretionary basis. As of March 7, 2011, client assets under management were \$ 60.7 million.

The firm is compensated as a percentage of assets managed. Fees are charged quarterly based on quarter ending assets. Fees are charged in arrears. Clients may not pay fees in advance.

The fee schedule is as follows:

1% per annum if assets managed are \$1.5 million or less; \$15,000 per annum if assets managed are between \$1.5 million and \$2.0 million; and 2% per annum if assets managed are greater than \$2.0 million

Additionally, clients pay brokerage and account fees charged by the custodian, and management fees charged by Exchange Traded Funds and Mutual Funds. The firm does not participate in any way for these charges. Please see Item 12- Brokerage Practices.

At the client's discretion, fees will either be deducted from client accounts or the firm will bill the client. If the advisory contract is terminated before the end of the quarter, fees due are prorated based on the number of days assets were under management. Fees for new clients are also prorated based on the number of days assets were managed.

The firm accepts no other compensation or fees for the purchase or sale of securities or any other investment products, including asset-based sales charges or service fees from the sale of Mutual Funds. Clients have the option to direct the purchase and sale of investment products through other brokers or agents not affiliated with the firm.

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

This item is not applicable as the firm does not accept Performance-Based Fees nor does it have any Side-By-Side management arrangements.

Item 7 Types of Clients

The firm generally provides investment management to clients such as individuals, Trusts, corporations, and pension or profit sharing plans. The minimum assets required for opening or maintaining an account are \$500,000. Multiple accounts for the same client relationship are aggregated. Exceptions to the minimum are sometimes granted.

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

The firm uses Fundamental Research to establish broad themes. These themes reflect the firm's opinions as to the major investment issues likely to occur over the next two years. The firm invests in securities of the following asset classes:

Cash or Cash Equivalents; publicly-traded Equities; publicly-traded Fixed Income securities, such as Corporate and Government Bonds and Notes, Municipal Bonds, and Preferred Stock; securities related to Commodities; and securities related to Real Estate, such as REITs and Exchange Traded Funds.

Utilizing the above themes and taking into account the client's risk profile, Asset Allocations are made to each of the Investment Classes. Individual securities are then chosen within each class. Clients should realize that investing in securities involves risk of loss that clients should be prepared to bear.

Any investment strategy can involve material risks. However, the firm manages such risk by assessing the risk tolerance of each client and the risk of the security itself. The firm's investment horizon is one to five years. The firm does not utilize the investment strategy known as Trading.

#### Item 9 Disciplinary Information

This item does not apply as the firm does not have any pending disciplinary events nor Has it ever had such events.

#### Item 10 Other Financial Industry Activities and Affiliations

The firm purchases securities through Broker-Dealers, Municipal Securities Dealers, and Brokers. Additionally, the firm utilizes Broker-Dealers for custodial services and to provide administrative support.

#### Item 11 Code of Ethics; Participation or Interest in Client Transactions and Personal Trading

The firm maintains a comprehensive Code of Ethics adopted pursuant to SEC Rule 204A-1. A copy of the Code of Ethics will be provided to any client or prospective Client upon request and free of charge.

McCarthy invests in the same securities that are purchased or sold for clients. If such securities are bought or sold in a block, McCarthy may participate. If the securities are bought or sold randomly, McCarthy may not purchase or sell the same security until at least two hours after the last client transaction.

#### Item 12 Brokerage Practices

Several factors are considered in selecting Broker-Dealers for client transactions. These include quality of research, administrative support, execution of trades, custody

services, and the reasonableness of commissions. The Investment Advisor does not pay for these Items and, therefore, receives benefits, known as Soft-Dollar Benefits. This occurs because the advisor does not have to produce or pay for the research, products or services provided. Therefore, the advisor may have an incentive to select a Broker-Dealer without obtaining the lowest commission rates. However, commissions would not be in excess of what the Broker-Dealer would charge similar clients. Benefits include research and advice on specific securities, as well as access to products such as bond issues that would otherwise not be available.

The firm may allow clients to direct brokerage to other Broker-Dealers. This will involve the requesting client only. McCarthy retains the right to refuse the client's request. Under these arrangements, clients may be unable to achieve most favorable execution of client transactions. Directing brokerage may cost clients more money, as the client may receive less favorable prices.

Normally, the purchase or sale of securities for various accounts is random. Under certain circumstances, orders may be aggregated.

#### Item 13 Review of Accounts

As the only employee, McCarthy reviews all accounts on a regular basis, at least weekly.

Clients are provided regular written reports. These include monthly statements, quarterly performance reports, and yearly Form 1099s. Other communication may be provided at McCarthy's discretion.

#### Item 14 Client Referrals and Other Compensation

Currently, a non-related and non-client person receives compensation for the referral of two current clients. This person receives a percentage of the clients' quarterly fee as compensation.

#### Item 15 Custody

This item does not apply in that neither McCarthy nor the firm have custody of any Client assets.

#### Item 16 Investment Discretion

The Investment Advisor requires each client to provide written discretionary authority. The client may limit this authority with permission of the Advisor. Normally, this

limitation would pertain to prohibiting the purchase or sale of certain securities or industry groups.

#### Item 17 Voting Client Securities

McCarthy does not have nor will accept the authority to vote client securities. Clients will receive proxies or other solicitations directly from the custodian or transfer agent. Clients may contact McCarthy or the custodian with questions about a particular proxy or solicitation.

#### Item 18 Financial Information

This item does not apply.

#### Item 19 Requirements for State-Registered Advisors

J. Michael McCarthy, President, CCO

Individual CRD # 2933271

Year of Birth: 1946

Formal Education after High School:

BSIM, Georgia Tech, 1968

MBA, University of Virginia, 1973

Business Background:

President, J. Michael McCarthy, Financial Advisor, Inc., 1997-present

Financial Consultant, 1995-1997

Chief Financial Officer, Waffle House, Inc., 1973-1995

