

## **Form ADV Part 2A Disclosure Brochure**

### **Item 1 – Cover Page**

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This brochure provides information about the qualifications and business practices of McDermott Advisory Group, LLC (“MAG”). If you have any questions about the contents of this brochure, please contact Christine Harmon at 302-778-5677 ext. 11 or at [office@wealthguide.net](mailto:office@wealthguide.net). 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 MAG is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm’s information on this website by searching for our firm name McDermott Advisory Group or for our firm CRD number 138768.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since the last amendment to this brochure was filed in May 2014, the material changes made to this brochure since May 2014, are as follows:

- We have updated our assets under management. Please refer to Item 4- Advisory Business for additional information.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4 – Advisory Business**

MAG has been an investment advisor registered with various states, including its home state of Delaware, and due to an increase in the assets managed by the firm we have now become eligible to change our primary regulatory authority to the U.S. Securities and Exchange Commission. MAG is a Limited Liability Company formed under the laws of the State of Delaware

- Daniel McDermott is the Managing Member and Chief Compliance Officer of McDermott Advisory Group, LLC.
- MAG has been registered as an investment advisor since January 2006.

#### **General Description of Primary Advisory Services**

The following are brief descriptions of MAG's primary services. A detailed description of MAG's services is provided in *Item 5 – Fees and Compensation* so that clients and prospective clients can review the description of services and description of fees in a side-by-side manner.

**Financial Planning Services** - MAG provides advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses on a client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Asset Management Services** - MAG provides advisory services in the form of asset management services. Asset management services involve providing clients with continuous and on-going supervision over client accounts. This means that MAG will continuously monitor a client's account and make trades in client accounts when necessary.

**Retirement Plan Services** - MAG offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans.

**Outside Money Managers** - MAG provides advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

#### **Limits Advice to Certain Types of Investments**

MAG provides investment advice on the following types of investments:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants

- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Options contracts on securities
- Interests in partnerships investing in real estate and oil and gas interests
- Any other product which MAG and/or its principals deem appropriate in order to address the individualized needs, goals and objectives of the client

MAG does not provide advice on United States government securities, options contracts on commodities, futures contracts on tangibles or intangibles, or hedge funds and other types of private (i.e. non-registered) securities.

When providing asset management services, MAG typically constructs each client's account using mutual funds and equities to build diversified portfolios. It is not MAG's typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. *(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

#### **Tailor Advisory Services to Individual Needs of Clients**

MAG's services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

#### **Client Assets Managed by MAG**

The amount of clients assets managed by MAG totaled \$97,593,035 as of December 31, 2014. \$84,730,234 of these assets are managed on a discretionary basis and \$12,862,801 are managed on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

In addition to the information provide in *Item 4 – Advisory Business*, this section provides additional details regarding MAG's services along with descriptions of each service's fees and compensation arrangements.

MAG and its Investment Advisory Representatives ("Principals") provide both investment supervisory services and fee based financial planning services. Approximately fifty (50%) percent of MAG's total advisory billings shall be attributable to the investment supervisory service activity, approximately twenty-five (25%) percent shall be attributable to fee based financial planning activity with respect to the provision of advice about securities and approximately twenty-five (25%) percent shall be attributable to fee based financial planning activity with respect to the provision of advice about non-securities matters.

### **Investment Supervisory Service (Asset Management)**

With regard to the investment supervisory service activity, also commonly referred to as asset management services, MAG will never take physical custody or possession of any client funds or securities. The services of an outside custodial firm shall be used. MAG assesses asset management fees upon the client portfolio. Such fees are assessed quarterly in advance. Such fees are negotiable and will never exceed two (2.00%) percent annually. Fees vary among clients and may be negotiated or determined based upon factors such as the nature and complexity of the client's circumstances, the extent and complexity of the individual client's personal circumstances, the client's gross income and amount of assets being reviewed or analyzed. Our fee is never based upon capital gains or capital appreciation of assets. All unearned or unapplied fees shall be immediately refunded by MAG to the advisory client.

MAG's Principals are also Registered Representatives of Cambridge Investment Research, Inc. (Cambridge), a registered broker/dealer, member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Some administration of the above-mentioned investment supervisory service activity shall be effectuated by and through Cambridge. Cambridge collects all asset management fees owed to MAG, retains a portion of all collected fees and remits the balance on a quarterly basis to MAG. Upon entering into an advisory contract, the client has five business days to terminate the contract without penalty. Upon notification of termination by client, MAG will promptly terminate the Advisory Agreement. Funds will be transferred as per client's request or sold and proceeds remitted to the client's address.

In addition to the above disclosed direct asset management activity, MAG also has an arrangement with SEI, Managers Funds, and Curian Capital for purposes of third party asset management services. MAG receives a portion of advisory fees earned as a result of this arrangement. SEI, Managers Funds, and Curian Capital may charge maintenance fees and other management fees.

MAG also invests a portion of clients' assets in mutual funds. Therefore, in addition to paying MAG's advisory fees, clients also pay the operating expenses associated with the various mutual funds in which they are invested.

### **Retirement Plan Services**

MAG offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

#### **Fiduciary Consulting Services**

MAG provides the following Fiduciary Retirement Plan Consulting Services:

- Investment Policy Statement Preparation. MAG will help clients develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. Each client will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- Non-Discretionary Investment Advice. MAG will provide clients with general, non-discretionary investment advice regarding assets classes and investment options, consistent the investment policy statement for the client's Plan.

- Investment Selection Services. MAG will provide clients with recommendations of investment options consistent with ERISA section 404(c).
- Investment Due Diligence Review. MAG will provide clients with periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- Investment Monitoring. MAG will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and MAG will make recommendations to maintain or remove and replace investment options.
- Default Investment Alternative Advice. MAG will provide clients with non-discretionary investment advice to assist the particular client with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. Each client will retain the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

For Fiduciary Consulting Services, all recommendations of investment options and portfolios will be submitted to the client for the client's ultimate approval or rejection. For retirement plan Fiduciary Consulting Services, the retirement plan sponsor client or the plan participant who elects to implement any recommendations made by MAG is solely responsible for implementing all transactions.

Fiduciary Consulting Services are not management services, and MAG does not serve as administrator or trustee of the plan. MAG does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

MAG acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of providing non-discretionary investment advice only. MAG will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause MAG to be a fiduciary as a matter of law. However, in providing the Fiduciary Consulting Services, MAG (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client's retirement plan or the interpretation of Client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of Client's retirement plan as defined in ERISA.

### **Fiduciary Management Services**

MAG provides clients with the following Fiduciary Retirement Plan Management Services:

- Discretionary Management Services. MAG will provide the client with continuous and ongoing supervision over the designated retirement plan assets. MAG will actively monitor the designated retirement plan assets and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Plan. MAG uses discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in MAG's sole discretion without first consulting with the client. MAG also has the

power and authority to carry out these decisions by giving instructions, on the client's behalf, to brokers and dealers and the qualified custodian(s) of the Plan for MAG's management of the designated retirement plan assets.

If the client elects to utilize any of MAG's Fiduciary Management Services, then MAG will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to MAG's Fiduciary Management Services, and MAG hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

### **Non-Fiduciary Services**

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since MAG is not acting as a fiduciary to the Plan as the term "fiduciary" is defined in Section 3(21)(A)(ii) of ERISA. The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

MAG provides clients with the following Non-Fiduciary Retirement Plan Consulting Services:

- Participant Education. MAG will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. MAG's assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. MAG will assist clients with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- Qualified Plan Development. MAG will assist clients with the establishment of a qualified plan by working with the client and a selected Third Party Administrator. If the client has not already selected a Third Party Administrator, MAG will assist the client with the review and selection of a Third Party Administrator for the Plan.
- Due Diligence Review. MAG will provide the client with periodic due diligence reviews of the Plan's fees and expenses and the Plan's service providers.
- Fiduciary File Set-up. MAG will help the client establish a "fiduciary file" for the Plan which contains trust documents, custodial/brokerage statements, investment performance reports, services agreements with investment management vendors, the investment policy statement, investment committee minutes, asset allocation/asset liability studies, due diligence fields on funds/money managers and monitoring procedures for funds and/or money managers.

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, MAG can discuss those investments and investment strategies that MAG believes may tend to reduce these risks for a particular client's circumstances and plan participants.



Clients and plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, MAG will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the clients' responsibility to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

MAG strives to render our best judgment for clients. Still, MAG cannot assure that investments will be profitable or assure that no losses will occur in their portfolios. Past performance is an important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

To the extent required by ERISA Regulation Section 2550.408b-2(c), MAG will disclose to the retirement plan client any change to the information that MAG is required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), MAG will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If MAG makes an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to the retirement plan client the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

For retirement plan sponsor clients, MAG will charge an annual fee that is calculated as a percentage of the value of plan assets. This fee is negotiable based upon the complexity of the plan, the size of the plan assets, the actual services requested, the representative providing the services and the potential for additional deposits. The fee will never exceed two (2.00%) percent annually. Our fee is never based upon capital gains or capital appreciation of assets.

For retirement plan sponsors fees are billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period.

Fee will be directly deducted from clients' accounts. Clients are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to MAG. MAG will provide the custodian with a fee notification statement.

Either party may terminate services by providing written notice of termination to the other party. If services are terminated within five business days of signing the client agreement, services are terminated

without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

MAG does not reasonably expect to receive any other compensation, direct or indirect, for its services to retirement plan clients. If MAG were to receive any other compensation for such services, MAG will (i) offset that compensation against MAG's stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to the client.

For retirement plan sponsors fees are billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period.

Fee will be directly deducted from clients' accounts. Clients are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to MAG. We will provide the custodian with a fee notification statement.

Either party may terminate services by providing written notice of termination to the other party. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

MAG does not reasonably expect to receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

### **Financial Planning Services**

With respect to fee based financial planning activities, MAG's Principals meet with the financial planning client for the purpose of gathering all pertinent information and then based upon an analysis of such collected data, a comprehensive written financial plan is developed for the client. The fee for such service will either be an hourly fee of \$150 per hour or a flat fee ranging from \$300 to \$5000. The actual fee agreed upon by and between MAG and the client will vary dependent upon the anticipated complexity and the facts and circumstances of each case. All fees are negotiable. No fee is prepaid. The financial planning fee is due and owing upon completion of the project, presentation of the financial plan to the client and acceptance of the financial plan by the client. The professional relationship may be terminated by either MAG or by the client at will.

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

Item 6 is not applicable to this Disclosure Brochure because MAG does not charge or accept performance-based fees. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

### **Item 7 – Types of Clients**

MAG generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations

### **Minimum Investment Amounts Required**

There are no minimum investment amounts or conditions required for establishing an account managed by MAG. However, all clients are required to execute an agreement for services in order to establish a client arrangement with MAG and/or with a recommended third-party money manager or the sponsor of third-party money manager platforms.

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

### **Methods of Analysis**

MAG uses the following methods of analysis in formulating investment advice:

Fundamental. A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

### **Investment Strategies**

MAG uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time. MAG uses options on a limited, minimal basis.

Strategic asset allocation. This allocation strategy calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a "buy and hold" strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client's goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter. Generally, we will not take action to reallocate back to the target allocation unless the account's allocation has moved more than 3 to 5 percent from the target allocation. At our discretion, MAG may adjust the target allocation to add specific

exposure to asset classes or markets as we deem appropriate based upon market and economic conditions.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, MAG is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

- **ETF and Mutual Fund Risk** – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **Item 9 – Disciplinary Information**

Item 9 is not applicable to our Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

MAG is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, 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, or (11) sponsor or syndicator of limited partnerships.

#### **Other Business Activities**

The Principals of MAG are registered representatives of Cambridge. Also, the Principals of MAG are licensed to sell life insurance related products. By reason of these sales activities, a potential conflict of interest exists.

#### **Third-Party Money Managers**

As described in *Item 4 – Advisory Business* and *Item 5 – Fees and Compensation*, MAG has formed relationships with independent, third-party money managers.

MAG may recommend clients work directly with third-party money managers. When we refer clients to a third party money manager, the client pays a fee directly to the third-party money manager that is separate from the fees billed to the client by MAG.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

#### **Code of Ethics Summary**

MAG or any related person(s) may have an interest or position in a certain security, which may also be recommended to a client.

As these situations may represent a conflict of interest, MAG has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A director, officer or employee of MAG shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of MAG shall prefer his or her own interest to that of the advisory client.
- 2) MAG maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. Daniel McDermott reviews these holdings on a regular basis.
- 3) MAG requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above may be subject to termination.

This section is intended to provide a summary description of MAG's Code of Ethics. If you wish to review the Code of Ethics in its entirety, please send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

#### **Affiliate and Employee Personal Securities Transactions Disclosure**

Related persons of MAG are Registered Representatives of Cambridge, a Registered Broker/Dealer, Member, FINRA and SIPC. Clients are under no obligation to purchase or sell securities through these related persons. However, if the client chooses to implement transactions recommended in the financial plan through the principals of MAG, the client may be limited to the products and services available through Cambridge.

In the unlikely event that the interests of MAG's associated person's account would happen to correspond with an advisory client's interests, full disclosure would be made to such client at once.

It is further noted that MAG complies with and will continue to comply with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, MAG has adopted a firm wide policy statement outlining insider trading compliance by MAG and its associated persons and other employees. This statement has been distributed to all associated persons and other employees of MAG and has been signed and dated by each such person. A copy of this policy is provided to each associated person and the original is maintained in a master file. Further, MAG has adopted a written supervisory procedures statement highlighting the steps that are taken to implement the firm wide policy. These materials are also distributed to all associated persons and other employees of MAG, are signed, dated and filed with the insider trading compliance materials. There are provisions adopted for (1) restricting access to files, (2) providing continuing education, (3) restricting and/or monitoring trading on those securities of which MAG's employees may have nonpublic information, (4) requiring all of MAG's employees to conduct their trading through a specified broker or reporting all transactions promptly to MAG, and (5) monitoring the securities trading of the firm and its employees and associated persons.

MAG or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of MAG that all persons associated in any manner with the firm must place the interests of our clients ahead of their own when implementing personal investments. MAG and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by MAG are widely held and publicly traded. In the event that MAG or any associated



person were to place a transaction in the same security that is recommended for purchase or sale to any client on the same business day, MAG will execute the client's transaction before executing the transaction for MAG or any MAG associated person.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of MAG. If MAG assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible.

As stated above, related persons of MAG are Registered Representatives of Cambridge, a Registered Broker/Dealer, Member FINRA and SIPC. Clients are under no obligation to purchase or sell securities through these related persons. However, if they choose to implement the plan through the Principals of MAG, the client may be limited to the products and services available through Cambridge.

In addition, some of MAG's associated persons have entered into an Equity Participation Plan ("EPP") with Cambridge Investment Research, Inc. ("Cambridge"). Under this arrangement, MAG's associated persons have the ability to earn a percentage of Cambridge's overall profit ratio. MAG's associated persons are not owners or officers of Cambridge. However, MAG's associated persons are eligible to participate in the EPP due to their affiliation as Registered Representatives of Cambridge. This arrangement between MAG's associated persons and Cambridge is a potential conflict of interest between MAG and its clients in that it may inhibit MAG's independent judgment concerning the best execution services offered by Cambridge.

While MAG has an arrangement with Cambridge, MAG shall, at least on an annual basis, review alternative broker-dealers and custodians to ensure that Cambridge is meeting MAG's duty to provide best execution for client's accounts. Best execution does not simply mean lowest transaction costs, but more that securities transactions must be executed in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances.

Clients should consider, in light of Cambridge's limited approved trading platforms for investment advisory accounts and the fact that only some of the approved trading platforms may accommodate the investment strategy recommended by MAG or its principals, that Principals may be limited in their ability to obtain the best execution price and lowest execution costs for each transaction, or the product with the lowest internal expenses. Therefore, clients may pay higher commissions or trade execution charges through the trading platforms approved by Cambridge than through broker-dealers that have not been approved by Cambridge as trading platforms for its investment advisory accounts.

MAG will recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. MAG is independently owned and operated and not affiliated with Schwab. Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of our clients' assets are maintained in accounts at Schwab Institutional, and are not otherwise contingent upon us committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For our client accounts maintained in its custody, Schwab

generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab also makes available to our Firm other products and services that benefit us but may not benefit its clients' accounts. Some of these other products and services assist us in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to our Firm other services intended to help us manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to us by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our Firm. While as a fiduciary, MAG endeavors to act in its clients' best interests, our recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to our Firm of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Handling Trade Errors**

MAG has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of MAG to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by MAG if the error was caused by MAG. If the error is caused by the broker-dealer, the broker-dealer will be responsible for handling the trade error. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. MAG may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons).

MAG will never benefit or profit from trade errors.

### **Block Trading Policy**

Transactions implemented by MAG for client accounts are generally effected independently, unless MAG decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by MAG when MAG believes such action may prove advantageous to clients. When MAG aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when



orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among MAG's clients in proportion to the purchase and sale orders placed for each client account on any given day. When MAG determines to aggregate client orders for the purchase or sale of securities, including securities in which MAG may invest, MAG will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, MAG does not receive any additional compensation or remuneration as a result of aggregation.

### **Item 13 – Review of Accounts**

#### **Account Reviews and Reviewers**

MAG's principals will encourage all financial planning clients to engage in an annual review. There are no independent levels of review or triggering factors. With respect to asset management activities, continuous monitoring of client assets shall be undertaken and a monthly statement shall be sent by the "qualified custodian" to the advisory client. Daniel M. McDermott, Principal and CCO, is responsible for overseeing that reviews are performed on at least a quarterly basis.

#### **Statements and Reports**

Semi-annual performance reports are sent to investment management clients with assets of greater than \$50,000 custodied at Schwab. All clients are offered annual meetings.

### **Item 14 – Client Referrals and Other Compensation**

MAG does not directly or indirectly compensate any person for client referrals.

The compensation received from advisory services is the fees charged for providing investment advisory services as described in Item 5 of this brochure. MAG receives no other forms of compensation in connection with providing investment advice.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

MAG is deemed to have custody of client funds and securities whenever MAG is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody MAG will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which MAG is deemed to have custody, MAG has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against

reports received from MAG. When clients have questions about their account statements, they should contact MAG or the qualified custodian preparing the statement.

For the advisory fee deducted from your account, MAG is responsible for calculating the fee and delivering instructions to the custodian. At the same time MAG instructs the custodian to deduct the fee from your account, MAG will send you an invoice itemizing the advisory fee. Itemization will include the formula used to calculate the fee, the amount of assets under management the fee is based on (if applicable), and the time period covered by the fee.

### **Item 16 – Investment Discretion**

Through its asset management services and upon receiving written authorization from a client, MAG will maintain trading authorization over client accounts. Upon receiving written authorization from the client, MAG may implement trades on a **discretionary** basis. When discretionary authority is granted, MAG will have the authority to determine the type of securities, the amount of securities that can be bought or sold, and the broker or dealer to be used for the client's portfolio without obtaining the client's consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, MAG will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

### **Item 17 – Voting Client Securities**

MAG may vote proxies for Schwab clients who direct all voting responsibilities to MAG, as designee, on the client's behalf. Should the client appoint MAG as their voting representative, Schwab will send the following requests to MAG; (i) request to vote proxy ballots; (ii) request to provide instructions regarding corporate reorganizations and other corporate actions, and; (iii) be sent certain prospectuses and annual reports and other communications. Schwab shall send all informational copies of these communications to MAG. MAG shall, upon written request from the client, provide information on how MAG voted proxies. The account custodian will promptly forward all proxies to client's address of record or to client's designee.

If the client's account is covered by ERISA, client directs MAG not to vote proxies because the right to vote proxies is expressly reserved to trustees or another named fiduciary to the ERISA covered plan.

### **Item 18 – Financial Information**

Item 18 is not applicable to this Disclosure Brochure. MAG does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, MAG has not been the subject of a bankruptcy petition at any time (*Please refer to Information Required by Part 2B of Form ADV: Brochure Supplement for more information*).

### **Item 19 -- Business Continuity Plan**

MAG has established a Business Continuity Plan (BCP) available upon investor written request. The BCP describes how the company will respond to significant business disruptions and provide investors with alternative contact information in the event of a significant business disruption.