

WRAP FEE PROGRAM BROCHURE

McMahon Financial Advisors Wrap Fee Program

Sponsored By



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This brochure provides information about the qualifications and business practices of McMahon Financial Advisors, LLC (hereinafter "MFA" or the "Firm"). If you have any questions about the contents of this brochure, please contact Brian Meyer at (412) 343-8700. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. Additional information about MFA is available on the SEC's Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. MFA is an SEC registered investment adviser. Registration does not imply any level of skill or training.

WRAP FEE PROGRAM BROCHURE

Item 2. Material Changes

In this Item, McMahon Financial Advisors, LLC ("MFA") is required to discuss the material changes which have been made to the Wrap Brochure since MFA's last annual update. Material Changes from the previous version of the brochure are as follows:

- 1) October 2014 – Initial Filing
- 2) March 2015 - update to firm's Assets under Management (AUM) and minor adjustments to text.

WRAP FEE PROGRAM BROCHURE

Item 3. Table of Contents

Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Services, Fees and Compensation	4
Item 5. Account Requirements and Types of Clients	7
Item 6. Portfolio Manager Selection and Evaluation	7
Item 7. Client Information Provided to Portfolio Managers	10
Item 8. Client Contact with Portfolio Managers	10
Item 9. Additional Information	10

WRAP FEE PROGRAM BROCHURE

Item 4. Services, Fees and Compensation

The McMahon Financial Advisors Wrap Fee Program (the "Program") is an investment advisory program sponsored by MFA. MFA is registered as an Investment Adviser with the Securities and Exchange Commission and as of March 31, 2015 had Assets under Management of \$150,000,000. This Brochure describes the business of MFA as it relates to clients receiving services through the Program. Certain sections also describe the activities of the Firm's Supervised Persons, which refer to any officers, partners, directors (or other person occupying a similar status or performing similar functions), employees, or other persons who provide investment advice on MFA's behalf and are subject to the Firm's supervision.

Description of the Program

The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered to be any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts.

Prior to receiving services through the Program, clients are required to enter into a written agreement with MFA setting forth the relevant terms and conditions of the advisory relationship (the "Agreement"). Clients must also open a new securities brokerage account and complete a new account agreement with Charles Schwab & Co., Inc. ("Schwab") or another broker-dealer MFA approves under the Program (collectively "Financial Institutions").

At the onset of the Program, clients complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, MFA assists its clients in developing an appropriate strategy for managing their assets. Clients' investment portfolios are generally managed on a discretionary basis by MFA's investment adviser representatives or an independent investment manager (collectively "Independent Managers"), as recommended or selected by MFA. MFA and/or the Independent Managers generally allocate clients' assets among the various investment products available under the Program, as described further in Item 6 (below).

Fees for Participation in the Program

Wealth management services are offered through the Program on a fee basis, meaning clients pay a single annualized fee based upon assets under management.

MFA offers wealth management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies between 0.40% and 1.65% in accordance with the following blended fee schedule:

WRAP FEE PROGRAM BROCHURE

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
First \$100,000	1.65%
Next \$400,000	1.35%
Next \$500,000	1.00%
Next \$1,000,000	0.80%
Next \$1,500,000	0.60%
Next \$1,500,000	0.55%
Next \$5,000,000	0.50%
Above \$10,000,000	0.40%

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by MFA on the last day of the previous billing period.

If assets in excess of \$100,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), MFA may negotiate a fee rate that differs from the range set forth above.

Fee Discretion

MFA, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

Fee Comparison

A portion of the fees paid to MFA are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios, as well as the fees charged by the Independent Managers engaged to provide services under the Program.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

WRAP FEE PROGRAM BROCHURE

Other Charges

In addition to the advisory fees paid to MFA, clients may also incur certain charges imposed by third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions, in addition to the Program Fee. These additional charges may include securities brokerage commissions, custodial fees, fees charged by Independent Managers, margin costs, charges imposed directly by a mutual fund or exchange-traded fund in the client's account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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.

Fee Debit

Clients generally provide MFA and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to MFA.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to MFA's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to MFA, subject to the usual and customary securities settlement procedures. However, MFA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. MFA may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

Compensation for Recommending the Program

MFA has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation.

Recommendation of Broker/Dealer

MFA generally recommends that clients utilize the custody, brokerage and clearing services of Schwab for participation in the Program.

Factors which MFA considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by MFA's clients to Schwab comply with the Firm's duty to obtain "best execution."

WRAP FEE PROGRAM BROCHURE

Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where MFA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. MFA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist MFA in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because MFA does not have to produce or pay for the products or services.

MFA periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Item 5. Account Requirements and Types of Clients

No Minimum Account Requirements

MFA does not impose a stated minimum fee or minimum portfolio value for participation in the Program. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than MFA. In these instances, MFA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Types of Clients

MFA offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Item 6. Portfolio Manager Selection and Evaluation

Clients' investment portfolios are managed either directly by MFA or through the use of certain Independent Managers, as referenced above.

Portfolio Management

MFA provides clients with wealth management services which generally include a broad range of comprehensive financial planning and consulting services as well as discretionary management of investment portfolios.

MFA primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), and individual debt and equity securities in accordance with their stated investment objectives.

WRAP FEE PROGRAM BROCHURE

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage MFA to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, MFA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

MFA tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. MFA consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify MFA if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if MFA determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

MFA manages investment portfolios through the Program in substantially the same manner as those it manages outside of the Program. In return for these services, MFA receives a portion of the fees paid for participation in the Program, as described in Item 4.

Use of Independent Managers

Currently, MFA does not engage any Independent Managers to provide advice for any client accounts.

Side-By-Side Management

MFA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

Methods of Analysis

MFA utilizes a fundamental method of analysis. Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For MFA, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Investment Strategies

MFA manages client assets on a discretionary basis. MFA primarily allocates client assets among various mutual funds and exchange-traded funds ("ETFs"), as well as through a limited amount of individual debt and equity securities, in accordance with their stated investment objectives.

MFA tailors its advisory services to the individual needs of clients. MFA consults with clients initially and

WRAP FEE PROGRAM BROCHURE

on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. MFA ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Risks of Loss

Market Risks

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of MFA's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that MFA will be able to predict those price movements accurately or capitalize on any such assumptions.

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Voting of Client Securities

MFA generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are held and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

WRAP FEE PROGRAM BROCHURE

Item 7. Client Information Provided to Portfolio Managers

Currently, MFA does not engage any Independent Managers to provide advice for any client accounts

Item 8. Client Contact with Portfolio Managers

Currently, MFA does not engage any Independent Managers to provide advice for any client accounts

Item 9. Additional Information

Disciplinary Information

MFA has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

Other Financial Industry Activities and Affiliations

Licensed Insurance Agents

A number of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that MFA recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

Code of Ethics

MFA has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. MFA's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of MFA's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

WRAP FEE PROGRAM BROCHURE

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact MFA to request a copy of its Code of Ethics.

Account Statements and General Reports

Account Reviews

MFA monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least an annual basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with MFA and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and as needed to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are held. MFA may also provide clients with access to certain account and/or market-related information, such as an inventory of account holdings or account performance via a cloud-based offering. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from MFA or an outside service provider.

Client Referrals

MFA does not compensate any unaffiliated third-party for referring clients to the Program.

Receipt of Economic Benefit

MFA may receive without cost from Schwab computer software and related systems support, which allow MFA to better monitor client accounts maintained at Schwab. MFA may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit MFA, but not its clients directly. In fulfilling its duties to its clients, MFA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that MFA's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

WRAP FEE PROGRAM BROCHURE

Specifically, MFA may receive the following benefits from Schwab:

- Up to \$60,000 in credits to be used toward qualifying third-party service providers used in connection with the initial set up of the Firm's research, technology and software platforms;
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

In addition, while not a benefit to the Firm, Schwab has agreed to reimburse clients for fees charged to them by current Financial Institutions to move accounts to Schwab. Schwab will cover up to \$51,375 for such fees.

Directed Brokerage

The client may direct MFA in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by MFA (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, MFA may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Trade Aggregation

Transactions for each client generally will be effected independently, unless MFA decides to purchase or sell the same securities for several clients at approximately the same time. MFA may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among MFA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which MFA's Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. MFA does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other

WRAP FEE PROGRAM BROCHURE

accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Financial Information

MFA is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.