



**Part 2A Appendix 1 of Form ADV:  
*Wrap Fee Program Brochure***

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**This wrap fee program brochure provides information about the qualifications and business practices of Mid Atlantic Financial Management, Inc., a registered investment adviser. If you have any questions about the contents of this brochure, please contact us. 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.**

**Registration with the SEC or any state securities authority does not imply a certain level of skill or training.**

**Additional information about Mid Atlantic Financial Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Mid Atlantic Financial Management, Inc. is 109771.**

## **ITEM 2. MATERIAL CHANGES**

This *Wrap Fee Program Brochure* ("Wrap Brochure"), dated March 31, 2017, provides you with a summary of Mid Atlantic Financial Management, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

**Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.

**Material Changes:** Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated March 24, 2016:

There were no material changes made to the Form ADV Part 2A Appendix 1.

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#### ITEM 4. SERVICES, FEES AND COMPENSATION

This brochure provides information to clients and prospective clients of Mid Atlantic Financial Management, Inc. ("MAFM"), an SEC-Registered Investment Adviser, regarding its wrap fee programs. A wrap fee program is any program under which a specified fee(s), not based directly upon transactions in a client's account, is charged for investment advisory services and execution of client transactions. These investment advisory services may include portfolio management or advice concerning the selection and monitoring of other investment advisers.

Prior to beginning a relationship with MAFM, each client is asked to complete a Confidential Client Questionnaire which requests information related to their financial objectives, time horizon, income needs and risk tolerance. This information is used by the Associated Person in making investment recommendations appropriately suited for the client.

##### Investment Programs

1. **Mid Atlantic Portfolio Solutions (MAPS)** MAPS is a comprehensive fee program primarily utilizing outside independent investment advisers who manage the assets on a discretionary basis. This service may include portfolio management or investment advice concerning the selection and monitoring of other investment advisers, trading costs, custody fees, performance reports and client meetings. The fee schedule for this service:

<i>Equity and Balanced Accounts</i>	
\$100,000 - \$1,000,000	2.75% of assets
\$1,000,000 - \$2,000,000	2.50% of assets
Over \$2,000,000	2.25% of assets

<i>Fixed Income Accounts</i>	
\$100,000 - \$1,000,000	2.00% of assets
\$1,000,000 - \$2,000,000	1.75% of assets
Over \$2,000,000	1.50% of assets

2. **Separate Account Solutions (SAS)** MAFM offers investment management and advice through its Separate Account Solutions program (SAS). This program provides consulting and investment management services using third party investment advisers. To be eligible for participation in SAS, client accounts must have a minimum asset value of \$100,000. The SAS program provides asset consulting services in connection with the selection of the third party investment advisers, taking into consideration the client's investment objectives, financial situation, risk tolerance, and reasonable investment guidelines. SAS also provides asset allocation, ongoing consultations, performance measurement reports and an investment policy if appropriate. The fee schedule for this service:

*Equity and Balanced Accounts*

\$100,000 - \$1,000,000 2.75% of assets

\$1,000,000 - \$2,000,000 2.50% of assets

Over \$2,000,000 2.25% of assets

*Fixed Income Accounts*

\$100,000 - \$1,000,000 2.00% of assets

\$1,000,000 - \$2,000,000 1.75% of assets

Over \$2,000,000 1.50% of assets

3. **LMK Advisors (“LMK”)** LMK Advisors specializes in comprehensive financial and wealth strategies on a discretionary basis. Our team of professionals provides value added management and advice. The service begins with the establishment of an investment policy statement. The policy statement identifies the client's investment objectives as well as life style, goals, risk tolerance and time horizon. The investment process begins with a top down approach starting with an assessment of the current economic environment. Assets are then allocated among the asset classes. LMK specializes in market cycle investment management and asset allocation in diversified portfolios consisting of investment grade value stocks. The fee schedule for this service:

*Equity and Balanced Accounts*

\$25,000 - \$1,000,000 2.75% of assets

\$1,000,000 - \$2,000,000 2.25% of assets

Over \$2,000,000 2.00% of assets

*Fixed Income Accounts*

\$25,000 - \$500,000 2.25% of assets

\$500,000 - \$1,000,000 2.00% of assets

\$1,000,000 - \$2,000,000 1.75% of assets

Over \$2,000,000 1.65% of assets

4. **Advisor’s Choice (AC)** This is a comprehensive fee program which may utilize multiple types of investments. This program allows an Associated Person to manage a client’s account in a customized manner in accordance with the client’s risk tolerance and investment objectives on a discretionary basis. The fee schedule for this service:

*Equity and Balanced Accounts*

\$25,000 - \$1,000,000 2.25% of assets

\$1,000,000 - \$2,000,000 2.00% of assets

Over \$2,000,000 1.75% of assets

*Fixed Income Accounts*

\$25,000 - \$500,000 2.25% of assets

\$500,000 - \$1,000,000 2.00% of assets

\$1,000,000 - \$2,000,000 1.75% of assets

5. **ManagerxChange Managers Program (MMP)** MMP is a comprehensive fee program primarily utilizing outside independent investment advisers who manage model-based portfolios on a discretionary basis. MMP provides asset consulting services in connection with the selection of the third party investment advisers, taking into consideration the client's investment objectives, financial situation, risk tolerance, and reasonable investment guidelines. MMP also provides asset allocation, ongoing consultations and performance measurement reporting. The fee schedule for this service:

\$25,000 - \$499,999	2.00% of assets
\$500,000 - \$999,999	1.75% of assets
Over \$1,000,000	1.50% of assets

*Fees and Compensation for MAPS, SAS, LMK, AC Services, and MMP*

Clients compensate MAFM quarterly or monthly, in advance, for services in accordance with the fee schedules shown above. The fees are negotiable and the negotiated fee is included in the advisory agreement. The fee may represent the following account fees and charges: the investment management fees of MAFM and any designated MAPS, SAS or MMP Manager, brokerage commissions, custodial charges, account statements, and Periodic Review and Analysis. The initial fee will be based upon the initial deposit into the account and will be prorated to the end of the calendar quarter. Thereafter, the quarterly fee will be payable at the beginning of the quarter and be based upon the market value of the account of the previous quarter-end. If the Agreement is terminated after it has been in effect for 12 months, the client will receive a pro-rata refund representing the period from the termination to quarter-end. If the Agreement is terminated by client during the first 12 months, client will receive a prorated refund of management fees paid, but will be responsible for any brokerage commission generated during the process of liquidating the securities held in the account. Brokerage commissions generated by client termination of the Agreement during the first 12 months shall be discounted. No refunds will be made in the case of a partial withdrawal from the account.

Representatives who recommend a wrap fee program to a client receive compensation as a result of the client's participation in the program. The amount of the compensation may be more or less than what the representative would receive if the client participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services. Representatives may therefore have a financial incentive to recommend the wrap fee program over other available programs or services.

These fees are guidelines and are negotiable. Fees may vary based upon several factors including, but not limited to, the size of the account, types of security positions held, trading frequency, the type of strategy utilized, and the range and frequency of supplemental services provided. Fees are comprehensive and include managers' fees, trading costs, custodial charges and periodic reports to the client.

Participation in the described programs may cost the client more or less than purchasing such services separately. Relevant factors bearing on the relative cost of the programs when considering the alternative of purchasing the services separately include the trading activity in the account, and the corresponding brokerage commissions charged for execution of trades in addition to the fees charged for investment advisory services under the program. The program fees described herein include not only the fee for MAFM, but also all custody and brokerage commissions for transactions executed through MACC, unless otherwise noted.

Unless indicated to the contrary, the client will be billed at the rate indicated on their signed Agreement. Future rates are subject to negotiation upon request.

Mid Atlantic Financial Management, Inc. pays a portion of the total fee to the third party investment adviser. The third party investment adviser's portion of the fee can range from .10% to 1.5% based upon the style of management and the asset class. For example, equity management may be more expensive than fixed income management. Mid Atlantic Financial Management, Inc.'s portion of the fee is usually the amount paid by the client net of the third party investment adviser's fee. From Mid Atlantic Financial Management, Inc.'s portion of the fee, Mid Atlantic Financial Management, Inc. pays the trading and custodial charges, if any. Mid Atlantic Financial Management, Inc. also pays the Investment Advisor Representative (IAR) from Mid Atlantic Financial Management, Inc.'s portion of the fee. The IAR's compensation from the fee may be more than the IAR would have received if the client had participated in other Mid Atlantic Financial Management, Inc. programs or if the client had paid separately for investment management, consulting, custody, brokerage, and other services. Therefore, the IAR may have a financial incentive to recommend these services over other services.

MAFM compensates certain individuals and firms for client referrals to MAFM. Such fees are negotiated on a case-by-case basis with the individuals providing the referrals. A number of factors determine the negotiated "solicitor fee", including aggregate revenues anticipated, complexity of the engagement, and the extent of service provided by the solicitor.

MAFM is not compensated on the basis of the share of capital gains upon, or capital appreciation of, the funds or any portion of the funds of the client.

Clients are advised that certain MAFM investment advisory programs invest in mutual funds or exchange traded funds. If the client's account holds mutual funds or exchange traded funds, the client may be paying an additional fee to the mutual fund manager,

exchange traded fund, or money market. Clients should refer to the applicable mutual fund or exchange traded fund prospectus for information on applicable charges, expenses and fees.

Mid Atlantic Capital Corporation (MACC), MAFM's related broker dealer, charges a service fee of up to \$3.95 per trade depending on the fee schedule chosen by the client. This service charge is meant to offset non-transaction related internal costs and costs that National Financial Services, LLC, MACC's clearing broker, charges MACC. After the fee schedule selection, this fee is not negotiable. MAFM benefits indirectly from this service fee as MAFM and MACC are under common ownership by Mid Atlantic Capital Group, Inc.

Mid Atlantic Financial Management, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Mid Atlantic Financial Management, Inc. may only charge fees for investment advice about products for which our firm and/or our employees do not receive any commissions or 12b-1 fees.

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

MAFM's clients include individuals, pension, profit sharing, and other qualified retirement plans; trusts, estates, and charitable organizations; and corporations and business entities.

The minimum recommended amount of assets to be managed for these services is as follows:

Mid Atlantic Portfolio Solutions - \$100,000

Separate Account Solutions - \$100,000

LMK Advisors - \$100,000

Advisor's Choice - \$25,000

ManagerxChange Managers Program - \$25,000

Each outside manager within the Mid Atlantic Portfolio Solutions and Separate Account Solutions services can set their own minimum assets to be managed and therefore minimum assets could be substantially higher.



This account size may be negotiable under certain circumstances. Mid Atlantic Financial Management, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Pre-existing advisory clients are subject to Mid Atlantic Financial Management, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

## **ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Manager Selection**

*Mid Atlantic Portfolio Solutions (MAPS) and ManagerxChange Managers Program (MMP) Platforms* - Our prospective manager evaluation process entails a thorough review of the manager's qualitative and quantitative attributes. The qualitative review includes criteria such as manager tenure, prior investment experience, educational background, number of employees, employee turnover, assets under management, Form ADV review, risk controls, management fee, minimum investment, investment objective and investment process. The quantitative review may include evaluation of the manager's style drift, peer group performance, performance relative to highly correlated indices, standard deviation, drawdowns, turnover, tracking error and number of positions held. Managers that have been selected are reviewed in the same manner on an ongoing basis. Recommendations to invest with a specific manager are based on each client's particular level of risk aversion and desired performance objectives in an attempt to meet the client's overall portfolio objective. During the ongoing review, managers experiencing a qualitative or quantitative flag will be placed on our Watch List for further analysis. Reasons a manager may be placed on the Watch List include: key investment personnel turnover, breach of risk controls, poor relative performance, excessive trading etc. In certain circumstances, managers may be removed from the program. Removed managers will be replaced with managers covering the same asset class (small, mid or large) and investment bias (value, core or growth). Client manager replacement recommendations are based on the client's particular level of risk aversion and desired performance objectives in an attempt to meet the client's overall portfolio objective.

*Separate Account Solutions (SAS) Platform* -The manager selection and review process for the SAS Platform is the same as detailed above for the MAPS and MMP Platforms, however we do not have the ability to remove managers from this platform in the event they fail to meet our due diligence standards. If we flag a manager on this platform for qualitative or quantitative reasons, it is placed on our Watch List. If the manager requires removal it is placed on our Remove List and can no longer be included for future clients. Clients invested with a manager on our Remove List are given replacement recommendations

based on the client's particular level of risk aversion and desired performance objectives in an attempt to meet the client's overall portfolio objective.

### Manager Performance

Mid Atlantic Portfolio Solutions (MAPS) and ModelxChange Managers (MMP) Platforms - We generally use the Morningstar Separate Accounts Database. Morningstar calculates returns by geometrically linking the return streams. We then take these return streams for each respective manager and net out a hypothetical annual fee paid quarterly. Performance results are composite returns showing total returns that are calculated assuming reinvestment of dividends, income and capital appreciation.

SAS Platform - The SAS Platform calculates returns by geometrically linking the return streams. We do not post the performance on this platform it is provided by NFS through Envestnet. Envestnet is responsible for the calculation of returns. Returns are shown gross of fees (unless otherwise noted). Performance results are composite returns showing total returns that are calculated assuming reinvestment of dividends, income and capital appreciation.

A majority of the managers on both the MAPS, SAS, and MMP Platforms hire accounting firms to verify their composite performance. These verification reports are typically made available to the public. Managers often prepare and present these reports in compliance with the Global Investment Performance Standards (GIPS). The MAPS, SAS, and MMP Platforms do not require managers to have GIPS compliant track records.

We do not verify the returns reported to Morningstar Separate Accounts Database or SAS/Envestnet. If a given manager does not report to Morningstar we receive the performance directly from the manager. When gathering return data directly from the manager, we ask that they give us gross composite quarterly returns, however we do not verify whether or not they are error free. The SAS Platform also does not verify returns on the platform and return data is collected based on data received from the manager and other sources.

### Related Persons as Portfolio Managers

Several of our related persons act as portfolio managers for a wrap fee program. For those that act as advisors under our Advisors Choice Program with a wrap fee, client assets are managed directly by the related party, and not through the MAPS or SAS programs, and therefore do not generally use outside managers. If an outside manager is used, that manager is subject to the due diligence and evaluation process as MAPS and SAS program managers described above. All other portfolio manager recommendations are based on impartial research. We believe any conflicts of interest are mitigated, as we review all managers on the platforms using the same due diligence and evaluation process.

## Performance Based Fees

Mid Atlantic Financial Management, Inc. does not charge performance-based fees for any of its Wrap Fee Programs.

## Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis:** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis:** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis:** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis:** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has

demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis:** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### Risk of Loss

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2)

making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. We do not offer any consulting assistance regarding proxy issues to clients.

## **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

MAPS Platform - Managers that have signed the Mid Atlantic Portfolio Solutions (MAPS) Agreement and are available on the MAPS platform, have direct access to the client's respective account held at the custodian through Wealthscape.com (an NFS sponsored web site). Portfolio managers use Wealthscape to reconcile cash and place trades for the client's account. Portfolio managers also have access to the respective client's monthly brokerage statements. These statements list the client's name, address and account number. Through Wealthscape portfolio managers also have access to the client's account summary. The account summary details the clients name, address, partial tax identification number/social security number, occupation, date of birth, e-mail address, marital status, number of dependents, partial driver's license number and driver's license state of issuance. If the client's information changes it is immediately reflected in Streetscape, and if material, the manager would be notified of the change. Changes to client information are updated on an ongoing basis throughout the year.

SAS Platform – Managers on the SAS Platform also have access to their respective client's information as detailed in the account set-up process. Client information includes name, address, partial tax identification number/social security number, occupation, date of birth, e-mail address, marital status, number of dependents, partial driver's license number and driver's license state of issuance. If the client's information changes it is immediately reflected on the SAS Platform and Streetscape, and if material, the manager would be notified of the change. Changes to client information are updated on an ongoing basis throughout the year.

MMP Platform – Managers that have signed the ManagerxChange Managers Program (MMP) Agreement and are available on the MMP platform, have direct access to the client's respective account held at the custodian, Mid Atlantic Trust Company (MATC), through secure.macg.com (TNS), a MATC sponsored web site. Portfolio managers use TNS to view the client's account. Account information that is available to the Portfolio manager includes account balance, security positions, cash and trade activity history, monthly statements and the account profile summary. If the client's information changes it is immediately reflected in TNS. Changes to client information are updated on an ongoing basis throughout the year.

## **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients are not restricted from contacting any of the participating portfolio managers on the wrap fee programs.

## **ITEM 9. ADDITIONAL INFORMATION**

### *Disciplinary Information*

We are required to disclose any legal or disciplinary events that are material to a client's, or prospective client's, evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

### *Other Financial Industry Activities and Affiliations*

Management personnel of Mid Atlantic Financial Management, Inc. are separately licensed as registered representatives of Mid Atlantic Capital Corporation, an affiliated broker-dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

Mid Atlantic Financial Management, Inc. recommends to clients the use of Mid Atlantic Capital Corporation for services relating to the execution and clearing of trades for client accounts. Comprehensive investment fees are also utilized with respect to client assets in which Mid Atlantic Capital Corporation provides execution and clearing services for the account.

Mid Atlantic Financial Management, Inc. and registered representatives receive commissions for executing securities transactions in client accounts with Mid Atlantic Capital Corporation. While it is Mid Atlantic Capital Corporation's general policy to reduce transaction charges for securities transactions in Mid Atlantic Financial Management, Inc. client accounts, clients are advised that Mid Atlantic Capital Corporation's transaction charges may be higher than the commissions the client might pay if the transactions were executed at other broker/dealers.

Mid Atlantic Financial Management, Inc.'s investment management and advisory services invest in mutual funds. A client that invests in mutual funds is subject to the payment of 12b-1 and/or shareholder servicing fees for distribution to the broker as set forth in the prospectuses of those mutual funds. When Mid Atlantic Capital Corporation is used as the broker/dealer to effect the transaction in mutual funds, it may receive the 12b-1 and/or shareholder servicing fees. Mutual funds are sold by prospectus only.

Mid Atlantic Financial Management, Inc. is under common control with Mid Atlantic Trust Company ("MATC"), a South Dakota non-depository trust company which handles the custody, directed trustee, paying agent, and reporting services for corporate retirement plans, and asset custody for some clients of Mid Atlantic Financial Management, Inc. as

recommended by their personal advisor. While Mid Atlantic Financial Management, Inc. is not directly compensated by MATC for revenue generated due to this arrangement, it does benefit indirectly, due to the companies being under common control.

While Mid Atlantic Financial Management, Inc. and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Management personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Mid Atlantic Financial Management, Inc. and/or Management personnel of Mid Atlantic Financial Management, Inc. are related, through common ownership and control, to Select Opportunity Fund, LP (SOP), a company formed to create and package limited partnerships (or similar pooled investment vehicles hereinafter referred to as "entities") for investment purposes. Mid Atlantic Financial Management, Inc. or one or more of our related persons also act as general partner or manager of these entities. A list of these affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Associated Persons of Mid Atlantic Financial Management, Inc. and registered representatives of Mid Atlantic Capital Corporation are entitled to a percentage of the general partner's annual management fee on a perpetual basis, for recommending to their clients limited partnerships for which Mid Atlantic Financial Management, Inc. serves as the general partner. These arrangements range from 0% to 1% of the total fees. Due to the nature of compensation agreements, a conflict of interest may arise or exist for representatives recommending partnerships or trusts to potential clients.

In addition, our firm serves as the investment adviser to SOP. Advisory clients of our firm are solicited to invest in this entity; however, because investment in this type of entity may involve certain additional degrees of risk, it will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Clients are under no obligation to invest in SOP or to implement any advisory recommendations.

Management personnel of our firm are also Officers of Mid Atlantic Capital Corporation a registered broker/dealer. In their capacity as supervisory principals of Mid Atlantic Capital Corporation, they devote time to the oversight of the operations of the broker/dealer.

Mid Atlantic Financial Management, Inc. is under common control with Mid Atlantic Properties Corporation ("Properties"), an entity which creates and packages private securities offerings. Properties may, from time to time, develop offerings in which Mid Atlantic Financial Management, Inc.'s clients may invest. Properties is a separate entity

whose business and conduct are entirely separate and unrelated to the business of Mid Atlantic Financial Management, Inc.

Clients should be aware that the receipt of additional compensation by Mid Atlantic Financial Management, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Mid Atlantic Financial Management, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

As previously disclosed, we recommend the services of various registered investment advisers to our clients. In exchange for this recommendation, we receive a referral fee from the selected investment adviser. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. We will only recommend advisers that pay us a referral fee.

We are aware of the special considerations required under Rule 206(4)-3 (the "cash solicitation" rule) of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed



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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Mid Atlantic Financial Management, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Mid Atlantic Financial Management, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [ksmith@macg.com](mailto:ksmith@macg.com), or by calling us at 412-391-7077.

Mid Atlantic Financial Management, Inc. is the General Partner (GP) of Select Opportunity Fund, LP (the Fund). The GP has primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the Fund. Mid Atlantic Financial Management, Inc. and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business. Mid Atlantic Financial Management, Inc. and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Fund, but could be allocated between the business of the Fund and other of our business activities and those of our affiliates.

Investments in the Fund may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the Fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. Mid Atlantic Financial Management, Inc. manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund offering and organizational documents.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

### *Review of Accounts*

**Reviews:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed periodically. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. These accounts are reviewed by the respective portfolio manager.

**Reports:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide periodic reports summarizing account performance, balances and holdings.

Under the AC program, the client grants, in writing, investment discretion to an investment adviser representative (IAR) of MAFM or another Registered Investment Adviser. When investment discretion is granted to an IAR under MAFM's Services Agreement, Kyle Smith, Senior Vice President of Product Management, supervises the IAR. IARs may apply for and receive consent to manage assets under the AC program. After this approval is granted, trades for the IAR's AC clients are reviewed by a supervisor or compliance officer who has suitability and other relevant client information available. Total portfolio reviews are conducted as necessary.

### **Manager of Managers Program**

**Reviews:** The performance of the registered investment adviser(s) selected to manage client portfolios within our Manager of Managers Program is continually monitored by Mid Atlantic Financial Management, Inc. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These programs are reviewed by: Kyle Smith, Senior Vice President of Product Management and Bill Woods, Vice President and Director of Research.

**Reports:** In addition to the monthly statements and confirmations of transactions that these clients receive from their respective broker-dealer, Mid Atlantic Financial Management, Inc. provides our Manager of Managers Program clients with reports as requested at the inception of the advisory relationship.

## Selection and Monitoring of Third-Party Money Managers

**Reviews:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Mid Atlantic Financial Management, Inc. will provide reviews on a periodic basis.

These managers are reviewed by Kyle Smith, Senior Vice President of Product Management and Bill Woods, Vice President and Director of Research.

**Reports:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

Mid Atlantic Financial Management, Inc. will provide these client accounts with reports as requested at the inception of the advisory relationship.

## *Client Referrals*

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is Mid Atlantic Financial Management, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## *Financial Information*

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that is deemed to have custody, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Mid Atlantic Financial Management, Inc. has no additional financial circumstance to report.

Mid Atlantic Financial Management, Inc. has not been the subject of a bankruptcy petition at any time.