

## **MCADAM WRAP FEE PROGRAM**

Sponsored By

**MCADAM LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of McAdam LLC (hereinafter “McAdam” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at this telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, McAdam is required to discuss the material changes which have been made to the Wrap Brochure since McAdam's last annual update. While certain information has been updated, the Firm has not made any material changes to the content of the Wrap Brochure.

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## Item 4. Services, Fees and Compensation

The McAdam Wrap Program (the “Program”) is an investment advisory program sponsored by McAdam, a registered investment adviser which has been in business since October 2014.

As of December 31, 2017, McAdam had \$331,294,834 of assets under management, all of which was managed on a discretionary basis.

This Brochure describes the business of McAdam 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 McAdam’s behalf and are subject to the Firm’s supervision.

In addition to the Program, the Firm also offers financial planning, consulting and investment management services under different arrangements than those described herein. Information about these services is contained in McAdam’s Disclosure Brochure, which appears as Part 2A of the Firm’s Form ADV.

### 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 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 McAdam 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 McAdam approves under the Program (collectively “Financial Institutions”). The final decision to custody assets with Schwab is at the discretion of the Firm’s clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. McAdam is independently owned and operated and not affiliated with Schwab.

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, McAdam assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are generally managed on a discretionary basis by either McAdam’s investment adviser

representatives or an independent investment manager (collectively “Independent Managers”), as recommended or selected by McAdam. McAdam and/or the Independent Managers generally allocates clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

When managing a client’s account on a wrap fee basis, McAdam shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. Participation in a wrap program may cost the client more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in McAdam’s Wrap Fee Program Brochure. Conflict of Interest. Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client’s account. McAdam’s Chief Compliance Officer, Edward O’Brien, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest a wrap fee arrangement may create.

## **Fees for Participation in the Program**

Investment management services are offered through the Program on a fee basis, meaning that clients pay a single annualized fee based upon assets under management. The Firm also offers advisory services outside of the Program under different fee arrangements than those discussed below.

The management fee varies depending upon the size and composition of a client’s portfolio and the type of services rendered and the representative providing services. The maximum fee will be based upon the following blended fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>FEE UP TO</u></b>
First \$250,000	2.65%
Next \$250,000	2.45%
Next \$500,000	1.90%
Next \$1,000,000	1.65%
Next \$3,000,000	1.65%
Next \$5,000,000	1.40%
Above \$10,000,000	1.40%

**Please Note: Fee Differentials-Conflict of Interest.** McAdam’s representatives determine the amount of advisory fee to be paid by the client within the parameters of the fee schedule set forth above, which could present a conflict of interest. No client will be charged more than the reflected maximum annual percentage fee. As a result, similarly situated clients could pay diverse advisory. McAdam’s advisory services could also be available from other advisers at a lesser annual percentage advisory fee. Each client should take this potential fee differential into consideration when determining whether or not to engage McAdam’s services. McAdam’s Chief Compliance Officer, Edward O’Brien, remains available to address any questions that a client or prospective client may have regarding the above potential for fee differentials and corresponding conflict of interest.

The annual fee is prorated and charged, in advance, based upon the market value of the assets being managed by McAdam on the last day of the previous billing period. While the timing of billing is negotiable and variable among clients, generally, for the initial year of services, the first fee will be for the first five months and twenty nine days. Subsequently all fees will be charged quarterly, in advance. This initial period is intended to provide McAdam with additional revenue during the more labor intensive initiation of a relationship.

Under certain engagements, the firm may adjust billing as follows: 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 term of the Program, the fee is calculated on a pro rata basis. In the event the Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance 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.), McAdam may negotiate a fee rate that differs from the range set forth above.

#### **Fee Comparison**

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A portion of the fees paid to McAdam 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. As McAdam absorbs certain transaction costs in wrap fee accounts, McAdam has a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement.

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.

#### **Fee Discretion**

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The fee schedule above is the maximum fee that will be charged. McAdam, 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 Debit**

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The Firm's Agreement and the separate agreement with any Financial Institutions generally authorize McAdam and/or the Independent Managers to debit its clients' accounts for the amount of the Program fee and to directly remit that fee to McAdam or the Independent Managers. Any Financial Institutions recommended by McAdam have agreed to send statements to clients not less than quarterly indicating all amounts disbursed from the account, including the amount of Program fees paid directly to McAdam. Alternatively, clients may elect to have McAdam send them an invoice for payment.

**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to McAdam'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 McAdam, subject to the usual and customary securities settlement procedures. However, McAdam designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. McAdam 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.

**Other Charges**

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Clients may incur certain charges imposed by third parties in addition to the Program fee. These additional charges may include fees charged by the Independent Managers, charges imposed directly by a mutual fund or exchange-traded fund ("ETF") in the account, as 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.

**Compensation for Recommending the Program**

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

**Item 5. Account Requirements and Types of Clients****No Minimum Account Requirements**

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McAdam 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 McAdam. In these instances, McAdam may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

**Types of Clients**

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Services through the Program are offered to individuals, trusts, estates, charitable organizations, corporations, business entities, and state or municipal government entities.

**Item 6. Portfolio Manager Selection and Evaluation**

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

**Portfolio Management**

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McAdam manages its clients' investment portfolios on a discretionary or non-discretionary basis.

McAdam primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, options and independent investment managers ("Independent Managers") in accordance with their stated investment objectives. In addition, McAdam may also recommend that certain eligible clients invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds).

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage McAdam 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, McAdam 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.

McAdam 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. McAdam 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 McAdam 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 McAdam 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.

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



**Use of Independent Managers**

McAdam evaluates various information about the Independent Managers in which it recommends or selects to manage client portfolios under the Program. The Firm generally reviews a variety of different resources, which may include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves, and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposures. McAdam also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other related factors. McAdam generally monitors the performance of those accounts being managed by Independent Managers by reviewing the account statements and trade confirmations produced by the Financial Institutions, as well as other performance information furnished by the Independent Managers and/or other third-party providers. The Firm does not verify the accuracy of any such performance information and does not ensure its compliance with presentation standards. Clients are advised that any performance information they receive from the Independent Managers may not be calculated on a uniform and consistent basis. Clients should compare all supplemental materials with the account statements they receive from their respective custodians.

The terms and conditions under which the client engages an Independent Manager are set forth in a separate written agreement between McAdam or the client and the designated Independent Manager. In addition to this Brochure, the client also receives the written disclosure brochure of the designated Independent Managers engaged to manage their assets.

**Financial Planning and Non-Investment Consulting/Implementation Services**

To the extent requested by a client, McAdam shall provide, for a separate fee, consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc., per the terms and conditions of a written agreement with the client. McAdam does not serve as an attorney or accountant, and no portion of McAdam's services should be construed as same. To the extent requested by a client, McAdam may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of McAdam in their separate individual capacities as representatives of Purshe Kaplan Sterling Investments ("PKS"), an SEC registered and FINRA member broker-dealer, and as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from McAdam and/or its representatives. Please Note: If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note- Conflict of Interest: The recommendation by McAdam representatives that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of PKS and/or as insurance agents, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any

securities or insurance commission products from McAdam representatives. Clients are reminded that they may purchase securities and insurance products recommended by McAdam through other, non-affiliated broker-dealers and/or insurance agencies. McAdam's Chief Compliance Officer, Edward O'Brien, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If McAdam recommends that a client roll over their retirement plan assets into an account to be managed by McAdam, such a recommendation creates a conflict of interest if McAdam will earn an advisory fee on the rolled over assets. To the extent that McAdam recommends that clients roll over assets from their retirement plan to an IRA managed by McAdam, then McAdam represents that it and its investment adviser representatives are fiduciaries under the Employment Retirement Income Security Act of 1974, or the Internal Revenue Code, or both. No client is under any obligation to roll over retirement plan assets to an account managed by McAdam. McAdam's Chief Compliance Officer, Edward O'Brien, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such rollover recommendation.

**ERISA / IRC Fiduciary Acknowledgment.** If the client is: (i) a retirement plan ("Plan") organized under ERISA; (ii) a participant or beneficiary of a Plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (iii) the beneficial owner of an IRA acting on behalf of the IRA; or (iv) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then McAdam represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by McAdam or its representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

### **Unaffiliated Private Investment Funds.**

McAdam's representatives, in their separate individual registered capacities as representatives of PKS, may also provide investment advice regarding unaffiliated private investment funds. The McAdam representative, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds on a commission compensation basis. The representative's role relative to the private investment funds shall, in conjunction with PKS, be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall generally not be included as part of "assets under management" for purposes of McAdam calculating its investment advisory fee. McAdam's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Valuation.** In the event that McAdam references private investment funds owned by the client on any supplemental account reports prepared by McAdam, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value. **Please Also Note:** As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor's fund holding(s) could be significantly more or less than the value reflected on the report. Unless otherwise indicated, the client's advisory fee shall be based upon the value reflected on the report.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by McAdam independent of engaging McAdam as an investment advisor. However, if a prospective client determines to do so, he/she will not receive McAdam's initial and ongoing investment advisory services. **Please Note:** In addition to McAdam's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Portfolio Activity.** McAdam has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, McAdam will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when McAdam determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by McAdam will be profitable or equal any specific performance level(s).

**ByAllAccounts and eMoney Advisor Platform.** McAdam, in conjunction with the services provided by ByAllAccounts, Inc. and/or eMoney, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by McAdam (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not McAdam, shall be exclusively responsible for the investment

performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, McAdam's service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if McAdam is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), McAdam does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If McAdam were asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and McAdam shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that McAdam provide investment management services for the Excluded Assets, the client may engage McAdam to do so pursuant to the terms and conditions of the Investment Advisory Agreement between McAdam and the client. Additionally, the eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by McAdam. Finally, McAdam shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without McAdam's assistance or oversight

**Client Obligations.**

In performing its services, McAdam shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify McAdam if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising McAdam's previous recommendations and/or services.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by McAdam) will be profitable or equal any specific performance level(s).

**Side-By-Side Management**

McAdam 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**

McAdam primarily utilizes a fundamental methods of analysis. Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For McAdam, 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**

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McAdam manages client assets on a discretionary or non-discretionary basis. McAdam 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, and Independent Managers in accordance with their stated investment objectives.

McAdam tailors its advisory services to the individual needs of clients. McAdam consults with clients initially and 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. McAdam ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

**Risks of Loss**

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*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 McAdam’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 McAdam will be able to predict those price movements accurately or capitalize on any such assumptions.

*Mutual Funds and Exchange-Traded Funds (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.

## *Use of Independent Managers*

As stated above, McAdam may select certain Independent Managers to manage a portion of its clients' assets. In these situations, McAdam continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, McAdam generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

## *Use of Private Collective Investment Vehicles*

McAdam recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

## *Real Estate Investment Trusts (REITs)*

McAdam may recommend an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

## **Voting of Client Securities**

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

## **Item 7. Client Information Provided to Portfolio Managers**

In this Item, McAdam is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. Clients participating in the Program generally grant McAdam the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. McAdam may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Independent Managers' investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

## **Item 8. Client Contact with Portfolio Managers**

In this Item, McAdam is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with McAdam.

## **Item 9. Additional Information**

### **Disciplinary Information**

McAdam 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**

#### *Registered Representatives of a Broker-Dealer*

Certain of the Firm's Supervised Persons are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS") and may provide clients with securities brokerage services under a separate commission-based arrangement. A conflict of interest exists to the extent that McAdam recommends the purchase of a security and its Supervised Person receives a portion of the commissions paid to PKS. McAdam has procedures in place to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned.

#### *Licensed Insurance Agents*

Certain of McAdam's Supervised Persons are licensed insurance agents and in such capacity may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. A

conflict of interest exists to the extent that McAdam recommends the purchase of insurance products where its Supervised Person receives 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.

**Conflict of Interest:** The recommendation by McAdam representatives that a client purchase a securities (as a representative of PKS) or insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from McAdam representatives. Clients are reminded that they may purchase securities and insurance products recommended by McAdam through other non-affiliated broker-dealers and/or insurance agents. McAdam's Chief Compliance Officer, Edward O'Brien, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

## **Code of Ethics**

McAdam 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. McAdam'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 McAdam'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 will 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:

- 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 McAdam to request a copy of its Code of Ethics.

## **Account Reviews**

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McAdam monitors its clients' investment portfolios on a continuous and ongoing basis, and conducts regular account reviews at least quarterly. 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 McAdam and to keep McAdam informed of any changes thereto. McAdam contacts ongoing investment advisory clients at least annually to review its previous services and recommendations, and to discuss the impact resulting from any changes in their financial situation and/or investment objectives.

## **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions. From time-to-time or as otherwise requested, clients in the Program may also receive written or electronic reports from McAdam and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare any supplemental reports they receive from McAdam and/or the Independent Managers with the account statements they receive from the Financial Institutions.

## **Client Referrals**

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McAdam does not currently compensate any non-related party for client introductions.

## **Receipt of Economic Benefit**

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McAdam receives without cost from Schwab computer software and related systems support, which allow McAdam to better monitor client accounts maintained at Schwab. McAdam receives 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 McAdam, but not its clients directly. In fulfilling its duties to its clients, McAdam endeavors at all times to put the interests of its clients first. Clients should be aware, however, that McAdam'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.

Specifically, McAdam can receive the following benefits from Schwab:

- Credits to be used toward the Firms Supervised Persons' attendance at conferences related to the Firm's advisory business.
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Receipt of research, pricing information and other market data, to facilitate payment of McAdam's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting;
- 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.

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 the Firm's clients' assets are maintained in accounts at Schwab Advisor Services.

#### *Directed Brokerage*

In the event that the client requests that McAdam recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct McAdam to use a specific broker-dealer/custodian), McAdam generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging McAdam to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with McAdam setting forth the terms and conditions under which McAdam shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that McAdam considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with McAdam, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by McAdam's clients shall comply with McAdam's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where McAdam determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although McAdam will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. To the extent that a client engages McAdam on a non-wrap fee basis, the brokerage commissions or transaction fees charged by the

designated broker-dealer/custodian are exclusive of, and in addition to, McAdam's investment management fee. McAdam's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

#### *Trade Aggregation*

Transactions for each client generally will be effected independently. In limited circumstances, at the Firm's discretion, McAdam may purchase or sell the same securities for several clients at approximately the same time. McAdam 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 McAdam'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 McAdam'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. McAdam 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 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**

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McAdam 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.

**ANY QUESTIONS: McAdam's Chief Compliance Officer, Edward O'Brien, remains available to address any questions regarding this Part 2A.**