

Item 1 – Cover Page

Wrap Account Program brochure



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This wrap account program brochure provides information about the qualifications and business practices of McIlrath & Eck, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser at 360.657.8600. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

The Adviser is registered as an investment adviser with the U.S. Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the U.S. Securities and Exchange Commission published “Amendments to Form ADV” which changes the form of the disclosure document that SEC-registered advisers are required to provide to clients. This brochure, dated April 1, 2011, has been prepared according to the SEC’s new requirements and rules.

In the future, this Item 2 will discuss only specific material changes that are made to this brochure and provide you with a summary of the changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days after the close of our fiscal year.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

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## Item 4 – Services, Fees and Compensation

### Advisory Services

#### McIlrath & Eck, LLC

The Adviser is a limited liability company organized in WA.

#### Investment Management

At McIlrath & Eck, we develop and implement comprehensive financial and estate planning solutions that allow our clients to take charge of their lives and to create the lifestyle they want. We strive to provide personalized care, prompt service and proactive wealth management by merging investment management and retirement planning/consulting services to achieve each client's individual financial goals and objectives. In contrast to many investment management programs, our clients do not incur commissions or other transaction charges imposed by brokers, dealers and banks, etc.

We endeavor to understand each client's current financial situation, existing resources, financial goals, and tolerance for risk. Based on the foregoing, we propose an investment approach and monitor it on a day-to-day basis.

#### How Investments are Selected

Asset allocation and risk management drive our investment strategy and are the bedrock of the portfolios we construct and manage. We believe that proper asset allocation is an ongoing dynamic and disciplined process.

In constructing our portfolios and making recommendations, we consider a large universe of investment opportunities and vehicles. For example, our suggested approach may involve the use of stocks and bonds, exchange traded funds, mutual funds and other types of managed accounts and securities.

Not all accounts managed within an investment strategy will contain identical holdings. Differences occur based on capital additions/withdrawals. We may purchase different funds and/or securities within an asset class depending on availability and timing of money being deposited by the client. Also, clients may transfer in securities positions with instructions to hold these securities rather than trade them.

Even though the prime objective is to grow your assets safely, the selection of any investment strategy mentioned above does not guarantee against loss of principal. Investing in securities, whether directly or through managed accounts, involves risk of loss that you should be prepared to bear.

## Proxy Voting

Thor McIlrath and Sam Eck are responsible for our decisions on proxy voting. Clients are permitted to place reasonable restrictions on our voting authority. However, in the absence of specific voting guidelines, we attempt to vote proxies for the securities held in client accounts in the client's best interest. Our policy is to vote all proxies from a specific issuer the same way for each client absent specific instructions and/or restrictions. In so doing, we generally cast proxy votes in favor of proposals that we believe increase shareholder value.

You may obtain information from us concerning how we voted any proxies on your behalf. You also may obtain a copy of our complete proxy voting policies and procedures upon request.

## **Advisory Fees**

Our management fee is as follows:

<u>Account Value</u>	<u>Annualized Management Fee Rate (Standard)</u>
Less than \$1,000,000	1.50%
\$1,000,001 to \$2,000,000	1.25%
Accounts over \$2,000,000	1.10%

We do not receive performance-based fees.

We generally require that clients maintain a minimum of \$250,000 in assets under management. However, this minimum may be waived in our sole discretion. If we elect to waive the minimum and accept an account less than \$250,000, the management fee will be 2%. Once the account reaches \$250,000, the standard fee schedule applies. Exceptions may be made to the published fee schedule under certain circumstances pursuant to a negotiated fee agreement with the client.

Fees are calculated quarterly and paid quarterly in advance based on the market value of the Account at the end of the previous quarter. If a client withdraws funds or terminates an account, any fees, commissions or other expenses associated with rebalancing or liquidating the account's holdings may be assessed to the account. Either the client or McIlrath & Eck may terminate the investment advisory agreement at any time by providing two weeks written notice to the other party. Full refunds will only be made in cases where cancellation occurs within five days of signing our investment advisory agreement. After five business days, clients will receive a pro-rata refund.

Clients do not incur transaction charges (except for brokerage charges to the extent that trades are conducted through brokers or dealers other than who we choose). However, you may pay custodial fees, advisory fees charged by sub-managers and charges imposed directly by mutual funds and exchange traded funds or index funds, which charges are disclosed in each fund's prospectus.

Fees will be automatically deducted from your account in accordance with the following process for your protection:<sup>1</sup>

- The custodian sends statements no less frequently than quarterly showing all disbursements from the account, including the amount of the advisory fee; and
- Each client provides written authorization for us to be directly paid on these terms.

### **Other Compensation**

With each client's consent, most of our client accounts utilize the services of one or more qualified custodians with whom we have various master account relationships, generally an independent and unaffiliated FINRA-registered broker-dealer and/or a NYSE/SIPC member. These custodians offer services to independent investment advisors which include custody of securities, trade execution clearance and settlement of transactions.

Under our arrangements with these custodians, we receive brokerage, custody, and other related services which are not available to non-institutional clients. These services assist us in managing and administering clients' accounts. They may include software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitates trade execution and allocates aggregated trade orders for multiple client accounts; (iii) provides research, pricing and other market data; (iv) facilitates payment of fees from client accounts; and (v) assists with back-office functions, recordkeeping and client reporting.

Some custodians also offer other services intended to help us manage and further develop our advisory practice. These services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources and access to consultants and other third party service providers who provide a wide array of business related services and technology.

The custodians generally do not charge you separately for custody services. They are usually compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through them or that settle into their accounts.

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<sup>1</sup> Fees for clients who prefer to pay their fees in a different manner will be due upon receipt of our fee invoice.

Our receipt of the foregoing economic benefits from the various custodians with whom we have institutional relationships raise potential conflicts of interest. Each custodian most likely considers the amount and profitability to them of the assets in, and trades placed for, our client accounts. The custodians have the right to terminate these services in their sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain these services from custodians, we may have an incentive to recommend to our clients that the assets under our management be held in custody with such custodians and to place transactions for your account with such custodians. Our receipt of these services does not diminish our duty to act in your best interest.

The advice we offer you may involve investment in mutual funds and/or exchange traded funds (“ETFs”). All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders (described in each fund’s prospectus). Such fees will generally include management fees and other fund expenses. We advise you to review all fees charged by mutual funds, ETFs, McIlrath & Eck and others to fully understand the total advisory fees you may be paying.

A wrap account program may not be suitable for all your investment needs, and your decision to participate in a wrap fee program should be based on your individual financial circumstances and investment goals.

The benefits under a wrap account program depend, in part, upon the size of your account and the number of transactions likely to be generated in the account. For example, wrap accounts may not be suitable for accounts with little activity or accounts comprised principally of fixed income securities.

Participating in a wrap account program may cost more or less than the cost of purchasing the same services separately from a broker or dealer.

## **Item 5 – Account Requirements and Types of Clients**

We provide investment advice to individuals, institutions, pension and profit-sharing plans, trusts, estates and charitable organizations.

We generally require that clients maintain a minimum of \$250,000 in assets under management. Although we may waive this minimum on a case-by-case basis, we believe this minimum capital is required to properly and prudently diversify a client’s portfolio.

## **Item 6 – Portfolio Manager Selection and Evaluation**

Thor McIlrath and Sam Eck are the only persons providing investment advice to our clients.

Mr. McIlrath, born 1969, attended the following universities: Columbia College, American College and the College for Financial Planning. He earned his CFP from American

College. He held various positions as a registered representative and branch manager of various broker-dealers prior to co-founding McIlrath & Eck.

Mr. Eck, born 1944, is a practicing attorney. He has an undergraduate degree and holds a juris doctorate degree, both from the University of Texas. Prior to forming McIlrath & Eck, he spent approximately 37 years in private law practice. Mr. Eck provides some legal analysis to clients as part of our financial planning services.

Brian O. Wyatt, born 1971, holds an Associate of Arts degree from Yakima Valley Community College and a B.S. degree from Central Washington University. Prior to joining McIlrath and Eck, he was a controller with Drotzman, an interstate trucking company.

We do not require particular qualifications that our personnel must meet as to education or business experience. Rather, we select personnel involved in giving investment advice based on criteria that takes into account many factors relating to their overall experience, qualifications and integrity. In addition, all personnel involved in giving investment advice must meet the examination or experience requirements of the states in which they provide investment advisory services.

If a client expresses a preference for a portfolio manager we will accommodate that request. Portfolio managers may be changed at the client's request or on our initiative either to balance workload or to match a client's particular needs with the portfolio managers' varying areas of expertise and/or experience.

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

When you establish an investment advisory account with us, one of our investment advisers (Thor McIlrath or Sam Eck) will discuss with you your current financial situation, return objectives, risk tolerance, investment restrictions and other relevant information. It is your responsibility to provide accurate and complete information. The failure to do so could affect the services we provide. We enter into an investment management agreement with each client which discloses the investment style we will use to manage your account.

We do not share or disclose client information to nonaffiliated third parties except as permitted or required by law or as necessary to open and service your account. We are committed to safeguarding the confidential information we receive from clients.

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

Clients may contact and consult directly with us during regular business hours, which are Monday through Friday, 8:00 a.m. to 4:00 p.m., Pacific time. There are no restrictions on client access to us—clients may contact us as often as is necessary to discuss their account and other financial needs.

We continuously review the performance of individual portfolios and portfolio managers. No independent third parties are used to monitor performance. We attempt to measure performance in all client accounts on a uniform and consistent basis but may alter our

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methodology in unusual cases, such as when a client portfolio holds private investments, restricted securities, control securities or other difficult-to-value assets.

## **Item 9 – Additional Information**

### Disciplinary Information

We have no legal or disciplinary events to report involving McIlrath & Eck LLC, Mr. McIlrath, Mr. Eck or Mr. Wyatt.

### Code of Ethics

We have adopted a code of ethics (“Code of Ethics”) for all of our employees describing our high standard of business conduct and fiduciary duties to our clients. As a fiduciary, we have a responsibility to act solely in the best interest of each of our clients at all times. This fiduciary duty is considered the core principle for our Code of Ethics.

Our employees and persons associated with us are required to follow the Code of Ethics. Subject to satisfying the Code of Ethics and applicable laws, our officers and employees may trade for their own accounts in securities which are purchased for our clients. Among other things, 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 your best interest and (ii) implementing the decisions while, at the same time, allowing employees to invest for their own accounts. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

You may request a copy of the firm's Code of Ethics by contacting us.

### Review of Accounts

*Portfolio Reviews and Rebalancing* of the client’s portfolio are undertaken: (1) periodically, (2) upon request, and (3) upon a substantial asset class decline, under the following adopted policies and procedures:

Investment management accounts are reviewed daily. All client account reviews are performed by Mr. McIlrath or Mr. Eck to ascertain if the values in any asset class have strayed beyond their account’s target minimums or maximums and for purposes of meeting a client’s cash flow needs. Even if one of more asset classes fall outside their target minimums or maximums, we may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, etc.

Additional portfolio reviews are undertaken upon request by the client, such as when additional cash or securities are added to the investment portfolio.

### Portfolio Reports Provided to Clients.

We provide periodic performance reports and overviews to each client. Monthly or quarterly statements from the account custodian(s) are sent to each client directly from the corresponding brokers, banks, mutual funds, partnership sponsors etc., which hold the client's investments. These statements disclose the assets in the custodian's custody.

**We strongly encourage you to review the monthly or quarterly account statements you receive from custodians and McIlrath & Eck.**

### Use of Solicitors

We do not directly or indirectly compensate anyone for client referrals.

### Financial Information

We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients, and we have not been the subject of a bankruptcy proceeding.