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This brochure provides information about the qualifications and business practices of McGowanGroup Asset Management, Inc. If you have any questions about the contents of this brochure, please contact by telephone at 214-720-4400 or email at ismaels@themcgowangroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

Additional information about McGowanGroup Asset Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Please note that the use of the term "Registered Investment Adviser" and description of McGowanGroup Asset Management, Inc. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.

Item 2: Material Changes to Our Part 2A of Form ADV: Firm Brochure

McGowanGroup Asset Management, Inc. (MGAM) is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Below are the material changes that have occurred since our last filing:

- Since our last annual amendment filing on 03/31/2014, we have updated our total Assets Under Management (AUM) number as of 3/1/2015. Please see Item 4 (E) for these updated numbers.
- MGAM's Broker Dealer relationship with Spire Securities was terminated on 12/31/2014. Additionally, all dually registered Advisory representatives of MGAM had their registrations terminated with Spire Securities on 12/31/2014.
- MGAM now operates solely as a Registered Investment Adviser utilizing Pershing Advisor Solutions, LLC /Pershing LLC ("PAS" or "PAS/Pershing") for asset custody and clearing services.
- MGAM's updated model investment portfolios are now listed under Item 8.
- Ismael L. Sanchez joined MGAM as the new Chief Compliance Officer in June 2014.

Item 3: Table of Contents

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Item 4: Advisory Business

We specialize in the following types of services: Fee Based Advisory Services and Investment Planning and Consulting.

A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a corporation formed in the State of Texas. Our firm has been in business as an investment adviser since 2010 and is wholly owned by Spencer McGowan.

B. Description of the types of advisory services we offer.

(i) Investment Planning & Consulting:

We provide a variety of investment planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such investment planning services will involve preparing an investment plan or rendering an investment consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, and Business Planning.

Our written investment plans or investment consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written investment planning engagements, we provide our clients with a written summary of their investment situation, observations, and recommendations. Implementation of the recommendations will be at the discretion of the client.

(ii) Fee Based Asset Management Services:

We offer wrap fee programs as further described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc., based upon MGAM's multiple asset class, cash flow based, model investment portfolios. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

In order to assist clients with allocation strategy, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account. The client will be expected to notify us of any changes in his/her financial situation, investment objectives, or account restrictions that could affect their account.

(iii) Referrals to Third Party Money Managers:

Generally MGAM does not utilize third party money managers, but in select and certain instances where appropriate we may provide clients with a list of investment advisory services of third party professional portfolio management firms for the individual management of client accounts. As part of this process, we may assist clients, at our discretion, in identifying an appropriate third party money manager. We provide initial due diligence on third party money managers and ongoing reviews of their management of your account.

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

(i) Individual Tailoring of Advice to Clients:

We offer general investment advice to clients utilizing the following services offered by our firm: Fee Based Advisory Services and Investment Planning and Consulting

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. We do not manage assets through our other services.

D. Participation in Fee Based Advisory programs.

We offer wrap fee programs as further described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

Our total assets under management are Discretionary: \$540,160,401.57 and Non-Discretionary: \$14,539,907.01 as of 03/01/2015.

Item 5: Fees and Compensation

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally not negotiable.

A. Description of how we are compensated for our advisory services provided to you.

(i) Investment Planning & Consulting:

We charge on an hourly basis for investment planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees are \$1,000 for investment advisors.

(ii) Fee Based Advisory Services:

We charge our fees quarterly in advance based on account balances recorded at the end of each of the previous quarter.

(iii) Referrals to Third Party Money Managers:

MGAM does not typically utilize third party money managers, but in the instances where we do decide to use a third party money manager MGAM is paid by them when you open a managed account. The third party money managers recommended will not directly charge you a higher fee than they would have charged without us introducing you to them and they are required to provide all pertinent disclosures at the time the account is opened.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Investment Planning & Consulting:

We require a retainer of fifty-percent (50%) of the ultimate investment planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

(ii) Client Fee Based Advisory fees are due quarterly in advance.

We charge our advisory fees quarterly in advance and have them deducted direct via the custodian. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

(iii) Third Party Money Managers:

Third party money managers establish and maintain their own separate billing processes which we have no control over. In general, they will directly bill you and describe how this works in their separate written disclosure documents.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

All clients are able to access statements and confirmations free of charge electronically, but if they elect to receive them physically they are assessed \$2.00 per statement/\$1.00 per confirm by PAS.

Wrap fee clients will not incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients may pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

Wrap fee clients will receive our Form ADV, Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). Wrap fee clients will not incur transaction costs for trades. More information about this is disclosed in our separate Wrap Fee Program Brochure.

D. Commissionable Securities Sales.

We do not engage in commissionable securities sales at this time.

Item 6: Performance Based Fees & Side by Side Comparisons

We do not charge performance fees to our clients.

Item 7: Types of Clients & Account Requirements

We have the following types of clients:

- Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, limited liability companies and/or other business types.

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We require a minimum consolidation of \$500,000 within the first calendar year for our asset management service. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm.

Item 8: Methods of Analysis Investment Strategies & Risk of Loss

A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

Methods of Analysis:

- Charting;
- Fundamental;
- Technical;
- Cyclical.

Investment Strategies We Use:

- Long Term Purchases (Securities Held At Least a Year);
- Short Term Purchases (Securities Sold Within a Year);
- Trading (Securities Sold Within 30 Days);
- Short Sales;
- Margin Transactions;
- Option Writing, Including Covered Options, Uncovered Options or Spreading Strategies.

Model Investment Portfolios We Use:

Below are brief descriptions of model investment portfolios offered by MGAM. These descriptions are meant to inform clients of the current types of portfolios we offer, but the information is subject to change, without notice, upon the decision of the MGAM investment committee.

1. CashFlow Units®

The MGAM CashFlow Units discipline seeks to deliver high current income and capital appreciation above inflation. MGAM CashFlow Units seek to achieve its objective by selecting investments based upon current and estimated future cash flow from dividends and interest. The discipline may accomplish this across a variety of high cash flow yielding assets including, but not limited to:

- Mutual funds, managers or exchanged traded funds (including below investment grade bank loan and commercial paper)
- Exchange listed companies (including ADRs, GDRs)
- Money market funds

This discipline may experience exposure to the following risks: Market, Issuer/Credit, Reinvestment, Duration, Interest Rate, Call, and Liquidity.

The benchmark for this portfolio is a blend of 50% of the S&P 500 (SPY) and 50% of the Barclays Aggregate Bond Index.

2. Allocation Units

The MGAM Allocation Units discipline employs multiple asset class tactical allocation strategies based upon estimated forward returns including net portfolio income and potential capital appreciation. The discipline utilizes both fixed income and exchanged- traded investments. MGAM Allocation Units seek to achieve the objective by selecting high income producing investments at attractive discounts to net asset or par value. The discipline may accomplish this across a variety of assets classes and categories including, but not limited to:

- Safety & Income: fixed maturity investments which may include tax exempt or taxable instruments; Money market funds
- High Cash Flow: fixed income mutual funds, managers or exchanged traded funds (including below investment grade bank loan and commercial paper); debt of international or US corporations (including senior unsecured obligations)
- Growth with Income: individual companies, real estate investment trusts (REITs), master limited partnerships (MLPs), closed-end equity funds (CEFs)

This discipline may experience exposure to the following risks: Market, Issuer/Credit, Reinvestment, Duration, Interest Rate, Call, and Liquidity.

The benchmark for this portfolio is a blend of 67% S&P HY Dividend Aristocrats Index (SPHYDATR) and 33% of the S&P Municipal Bond Index (SAPIMAIN).

3. Long-Term Income Units

The MGAM Long-Term Income Units discipline seeks to deliver a high level of taxable or tax free coupon income through fixed maturity investments with a secondary objective of capital appreciation. MGAM Long-Term Income Units seek to achieve the objective by selecting primarily investment grade and high yield fixed maturity investments of various durations at attractive discounts to maturity/par value with current yields. The discipline may achieve this across a variety of fixed income assets including, but not limited to:

- Tax-exempt or taxable municipal bonds (both revenue and general obligations)
- Fixed income mutual funds, managers or exchanged traded funds (including below investment grade bank loan and commercial paper)
- US Treasuries
- Tax-exempt or taxable zero Coupon Bonds
- Money market funds
- Debt of international or US corporations (including senior unsecured obligations)

This discipline may experience exposure to the following risks: Market, Issuer/Credit, Reinvestment, Duration, Interest Rate, Call, and Liquidity.

The benchmark for this portfolio is a blend of 50% of the S&P Municipal Bond Index (SAPIMAIN), 25% of the Barclays Aggregate Bond Index and 25% of the S&P Taxable Municipal Bond Index (SPMUTT).

4. Growth Units

The MGAM Growth Units discipline seeks to provide long term capital appreciation for more aggressive investors. The Growth Units process is designed to identify companies at reasonable prices capable of delivering superior appreciation. The discipline includes, but is not limited to, flexible use of equity, debt instruments, warrants and options. Growth at a reasonable price is a discipline that estimates future revenue and profit streams versus current price multiples as part of the selection process. Tactical use of cash along with advisory recommendations on overall growth allocation size is included as part of the client review process.

This discipline may experience exposure to the following risks: Market, Liquidity, Price, Leverage and Tax.

The benchmark for this portfolio is the S&P 500 Pure Growth Index (SPXPG)

Please Note:

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

B. Our practices regarding cash balances in client accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management service, as applicable

Item 9: Disciplinary Information

There are no 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.

Item 10: Other Financial Industry Activities & Affiliations

Advisory representatives may also be licensed as insurance agents. They may offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn and may not necessarily be in the best interests of the client.

McGowan Publishing Co., Inc. ("MPC") owns the copyrights and trademarks related to NetWorth Radio and other investment publications including two prior books. Clients have purchased and or been provided copies of the two previous books. MPC has published two nationally recognized investment reference books and holds the copyrights for Spencer McGowan.

MPC owns the database of listeners utilized by our firm to solicit clients. Publications by Spencer McGowan that are available for sale would be published through MPC, a separate entity from our firm.

Item 11: Code of Ethics

Participation or Interest in Client Transactions & Personal Trading

- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities within 48 hours of buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

Item 12: Brokerage Practices/Prime Brokerage Services

- A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).
1. Research and Other Soft Dollar Benefits. If we receive non-soft dollar research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Our firm has a clearing and custodial arrangement with Pershing Advisor Solutions, LLC /Pershing LLC ("PAS" or "PAS/Pershing"). Under the arrangement with PAS, MGAM may receive non-soft dollar services which include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients but that may benefit our firm. We reserve the right to utilize other custodians if determined to be in the best interest of our client.

a. Prime Brokerage Services

Due to MGAMs affiliation with PAS, we are able to provide Prime Brokerage services to accounts that meet the minimum account balance requirement of \$100,000.00 and over. Typically these services include, but are not limited to, better margin rates, transaction rates, trade away capabilities and other traditional brokerage solutions.

- b. Explanation of when we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

As part of the arrangement described above, PAS may also make certain research

and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by PAS directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by PAS to our firm could include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by PAS to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

c. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving best execution.

As a result of receiving the services discussed above we may have an incentive to continue to use or expand the use of PAS' services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with PAS and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

PAS may charge transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds or fixed income trades). PAS enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. PAS transaction fees are generally discounted from customary retail transaction fee rates however, the transaction fees charged by PAS may be higher or lower than those charged by other custodians and broker-dealers.

2. Causing clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Our non-wrap fee program clients may pay a commission to PAS that is higher than other qualified broker dealers might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

3. Disclosure of whether we use soft dollar benefits to service all of our clients' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

We do not receive soft dollar benefits. Although the non-soft dollar investment research products and services that may be obtained by our firm will generally be used to service all of our clients.

4. Description of the types of products and services our firm or any of our related persons acquired with client brokerage commissions (or markups or markdowns) within our last fiscal year.

We are required to specifically describe to our clients the types of products or services that we are acquiring and to permit clients to evaluate possible conflicts of interest. Our description must be more detailed for products or services that do not qualify for the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that we obtain various research reports and products is not specific enough. At this time we do not receive products or services that do not qualify for safe harbor.

In addition to the benefits described in Item 12, Section A (1) of this Brochure, PAS also makes available to our firm products and services that help manage and administer clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our accounts, including accounts not maintained at PAS. While, as a fiduciary, our firm endeavors to act in our clients' best interests, Adviser's recommendation that clients maintain their assets in accounts at PAS may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by PAS, which may create a potential conflict of interest.

5. Explanation of the procedures we used during our last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits we received.

While we do not have soft dollar arrangements, all such arrangements would have to be approved in writing by our Chief Compliance Officer. A brief description of the purpose of the soft dollar arrangement outlining the benefits received by our firm and clients along with any noted concerns about increased costs to our clients and how such concerns were alleviated will be maintained on file. Our Chief Compliance Officer undertakes a review of parties which propose to pay our firm in soft dollars and analyzes a number of criteria. When deciding whether to approve or disapprove of a soft dollar relationship, the following criteria is reviewed: the broker-dealer's business

reputation and financial position and our ability to consistently execute orders professionally and on a cost effective basis, provide prompt and accurate execution reports, prepare timely and accurate confirms, deliver securities or cash proceeds promptly and provide meaningful research services that are useful to us in investment decision-making or other desired and appropriate services. Our Chief Compliance Officer also annually reviews all relationships for appropriateness, benefits to our clients, etc.

As a fiduciary, we have an obligation to obtain "best execution" of clients' transactions under the circumstances of the particular transaction. Consequently, notwithstanding the safe harbor provided under Section 28(e), no allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

6. Brokerage for Client Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage).

Our firm does not receive brokerage for client referrals.

B. Directed Brokerage

1. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer; we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.

Our firm currently custodies accounts at PAS and generally each client will be required to establish their account(s) at PAS. 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 we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Lastly, MGAM does reserve the right to utilize other custodians if determined to be in the best interest of our clients.

Special Considerations for ERISA Clients

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan.

Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

2. If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

We do not allow client-directed brokerage outside our recommendations.

3. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

Item 13: Review of Accounts or Financial Plans

- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

MGAM clients receive at least annual account reviews. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews.

Investment planning clients do not receive reviews of their written plans unless they take action to schedule an investment consultation with us. We do not provide ongoing services to investment planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We do provide written reports to clients. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to our Advisory services. As also mentioned in Item 13A of this Brochure, investment planning clients do not receive written or verbal updated reports regarding their investment plans unless they separately contract with us for a post-investment plan meeting or update to their initial written investment plan.

Item 14: Client Referrals & Other Compensation

A. If someone, who is not a client, provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

We may recommend that a client in need of brokerage and custodial services utilize PAS among others. It may be the case that the recommended broker charges a higher fee than another broker charges for a particular type of service, such as commission rates. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through such broker as our firm recommends.

In selecting a broker/dealer, we will endeavor to select those broker/dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker/dealer's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services. When consistent with our firm's fiduciary duty of best execution, the firm will direct trades to any of the suggested broker/dealers listed above.

Some clients may instruct us to use one or more particular broker/dealers for the transactions in their accounts. Clients who may want to direct our firm to use a particular broker/dealer should understand that this might prevent us from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent us from obtaining the most favorable net price and execution. Thus, when directing brokerage

Business, clients should consider whether the commission expenses, execution, clearance, and settlement capabilities that they will obtain through their broker/dealer are adequately favorable in comparison to those that our firm would otherwise obtain for our clients.

We may receive research and execution related services from PAS to assist our firm in managing its accounts. These services and products would include financial publications, pricing information and other products or services. Such research and execution related services are offered to all investment advisers who utilize these firms. However, the commissions charged by these parties may be higher than those charged by a broker who does not provide the aforementioned research and execution related services.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees for client referrals.

Item 15: Custody

Custody is defined as having any access to client funds or securities. Because MGAM generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account, MGAM is considered to have "custody" of client assets. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements all show the deduction of the management fee from the account. Otherwise, MGAM may only direct the movement of funds from one account in the client's name to another such titled account, but has no other access to funds.

When clients receive their statements from the account custodian, clients should carefully review those statements and take the time to compare them with those they receive from MGAM. If the client finds significant discrepancies, the custodian and MGAM should be notified.

Item 16: Investment Discretion

We accept discretionary authority to manage client accounts. Our clients must sign a discretionary investment advisory agreement with our firm for the management of these types of accounts. This type of agreement only applies to our Wrap Asset Management clients. We do not take or exercise discretion with respect to our other clients.

Item 17: Voting Client Securities

We are available to assist clients by consulting them on proxy voting options and procedures for voting. Only upon client request we will take proxy voting responsibility from the client. SEC Rule 206(4)-6 requires investment advisers who have voting authority with respect to securities held in their clients' accounts to monitor corporate actions and vote proxies in their clients' interests. We are required by the SEC to adopt written policies and procedures, make those policies and procedures available to clients, and retain certain records with respect to proxy votes cast.

We consider proxy voting an important right of our clients as shareholders and believe that reasonable care and diligence must be taken to ensure that such rights are properly and timely exercised. When we have discretion to vote the proxies of our clients, we will vote those proxies in your best interests and in accordance with these policies and procedures. Clients may request a copy of our written policies and procedures regarding proxy voting and/or information on how particular proxies were voted by contacting our Chief Compliance Officer by phone at 214-720-4400 or email at ismaels@themcgowangroup.com.

a. Policy for Voting Proxies.

All proxies voted by our firm will be given to our chief compliance officer to maintain voting records. Our Chief Compliance Officer will determine which accounts managed by our firm hold the security to which the proxy relates. These accounts and their share holdings will be matched to the proxies received for each security. Missing proxies or significant variances in shares held will be investigated.

We look to ensure that our firm is compliant with the new Exchange Act Rule 14a-11. In accordance with the aforementioned rule, our firm provides shareholders with the opportunity to nominate directors at a shareholder meeting under the applicable state or foreign law. Clients also have the ability to have their nominees included in the company proxy materials sent to all of our shareholders. Furthermore, the clients as shareholders also have the ability to use the shareholder proposal process to establish procedures for the inclusion of shareholder director nominations in company proxy materials.

b. Proxies Voting Guidelines.

Where voting authority exists, proxies are voted by our firm in the best interests of our clients:

- for directors and for management on routine matters;
- for a limit on or reduction of the number of directors, and for an increase in the number of directors on a case-by-case basis;
- against the creation of a tiered board;
- for the elimination of cumulative voting;
- for independence of auditors;
- for deferred compensation;
- for profit sharing plans;
- for stock option plans unless the plan could result in material dilution to shares outstanding or is excessive;
- for stock repurchases;
- for an increase in authorized shares unless the authorization effectively results in a blind investment pool for shareholders;
- for reductions in the par value of stock;
- for company name changes;
- For routine appointments of auditors.

We abstain on motions to limit directors' liability. Material issues not addressed above (e.g., mergers, poison pills, social investing and miscellaneous shareholder proposals) are dealt with on a case-by-case basis. Generally, our firm will vote according to board recommendations.

(i) Description of whether (and, if so, how) our clients can direct our vote in a particular solicitation.

Our firm will defer to client voting policies as directed. Eligible shares are monitored against ballots received from custodians, and detailed records of all issues and votes are maintained and reported to clients as requested.

(ii) How we address conflicts of interest between our firm and clients are addressed with respect to voting their securities.

We recognize that under certain circumstances we may have a conflict of interest between us and our clients. Such circumstances may include, but are not limited to, situations where our firm or one or more of our affiliates, including officers, directors and employees, has or is seeking a client relationship with the issuer of the security that is the subject of the proxy vote. We shall periodically inform our employees that they are under an obligation to be aware of the potential for conflicts of interest on the part of our firm with respect to voting proxies on behalf of funds, both as a result of our employee's personal relationships and due to circumstances that may arise during the conduct of our business, and to bring conflicts of interest of which they become aware to the attention of the proxy manager. We shall not vote proxies relating to such issuers on behalf of client accounts until we have determined that the conflict of interest is not material or a method of resolving such conflict of interest has been agreed upon by our management team. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence our decision-making in voting a proxy. Materiality determinations will be based upon an assessment of the particular facts and circumstances. If we determine that a conflict of interest is not material, we may vote proxies notwithstanding the existence of a conflict. If the conflict of interest is determined to be material, the conflict shall be disclosed to our management team and we shall follow the instructions of the management team. We shall keep a record of all materiality decisions and report them to the management team on an annual basis.

(iii) Description of how clients may obtain information from us about how we voted their securities.

Our Chief Compliance Officer will maintain files relating to our proxy voting procedures. Records will be maintained and preserved for five years from the end of the fiscal year during which the last entry was made on a record, with records for the last two years kept on our premises. Records of the following will be included in the files:

- Copies of these proxy voting policies and procedures, and any amendments thereto;
- A copy of each proxy statement that we receive, provided however that our

Firm may rely on obtaining a copy of proxy statements from the SEC's EDGAR system for those proxy statements that are available;

- A record of each vote that we cast;
- A copy of any document we created that was material to making a decision how to vote proxies, or that memorializes that decision;
- A copy of each written client request for information on how we voted such client's proxies, and a copy of any written response to any client request for information on how we voted their proxies.

(iv) How clients may obtain a copy of our proxy voting policies and procedures upon request.

The policy and procedures outlined in this item are the extent of our proxy voting policy. We do not pay for proxy voting services with soft dollars. Also, we do not charge an additional fee to vote proxies.

Item 18: Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we have not included a balance sheet for our most recent fiscal year. We have never been the subject of a bankruptcy petition at any time.