



ADV Part 2A  
May 12, 2020

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This Brochure provides information about the qualifications and business practices of **McLean Asset Management Corporation** (“MAMC”). If you have any questions about the contents of this Brochure, please contact us at 703-827-0636 or [compliance@mcleanam.com](mailto:compliance@mcleanam.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.

**McLean Asset Management Corporation** is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about **McLean Asset Management Corporation** also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for MAMC is 108067.

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## Item 2 – Material Changes

This Item of the Brochure discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. Since our last annual amendment filing on 03/16/2020 our brochure has been materially revised as follows:

- Ownership has been updated in Item 4.
- Item 12 and Item 14 have been updated to include TD Ameritrade, iRebal disclosures.

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

Currently, our Brochure may be requested by contacting your personal investment advisor representative at 703-827-0636 or via email at [compliance@mcleanam.com](mailto:compliance@mcleanam.com). Our Brochure is also available on our website: [www.mcleanam.com](http://www.mcleanam.com).

Additional information about us is available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website provides information about any person affiliated with MAMC who is registered, or is required to be registered, as an investment adviser representative of MAMC.

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## Item 4 – Advisory Business

McLean Asset Management Corporation (“MAMC”) is a registered investment adviser which was founded in 1984. MAMC is an independent adviser firm which provides investment management services and consulting services to a broad range of clients, including individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities. The principal owners of MAMC are Alex Murguia, Dean and Karen Umemoto, and The Robert T. French Revocable Trust of 2016. The trustees of The Robert T. French Revocable Trust of 2016 are Robert and Virginia French.

MAMC provides balanced global equity and global fixed income investment management services to its clients. At the beginning of a client relationship, MAMC consults with the client to obtain detailed financial information and other pertinent data to determine the appropriate investment guidelines, risk tolerance, and other factors that will assist in developing an effective investment management program tailored to the client’s specific needs. MAMC manages the client’s account(s) on an individualized basis, taking into consideration a client’s goals, investment objectives, client mandated restrictions, risk tolerance, net worth, net income, and other various suitability factors. Further restrictions and guidelines may be imposed by a client which will affect the composition and performance of portfolios. For these reasons, performance of portfolios within the same investment objective may differ and clients should not expect that the performance of their portfolios will be identical with other MAMC clients.

In addition, depending upon a client’s specific circumstances and needs, MAMC may provide clients additional services such as income planning, college planning, retirement planning, risk management counsel, establishment of and counsel on retirement plans, and review of assets outside direct management by MAMC.

A client may choose to have MAMC provide one or more of the services described below for the management of the client’s portfolio of assets. Each client is advised that any change in the client’s financial situation or investment objectives must be immediately conveyed by the client to MAMC to ascertain whether the agreed upon services/recommendations continue to be suitable and prudent for the client. The scope of the services to be provided to a client is governed by a written agreement between MAMC and the client.

The services that MAMC provides include the following:

**Investment Supervisory Services.** A client may identify specific assets to be managed by MAMC on a discretionary or non-discretionary basis, granting MAMC the authority to act as the client’s agent to supervise, manage, and buy/sell assets on the client’s behalf consistent with the agreed upon investment strategy. For clients electing a non-discretionary relationship, trades will only be executed after obtaining the client’s approval. In the event of a major market correction in either direction or negative news about a specific security or management of a security, we will be unable to effect transactions in your account without first obtaining your consent. For clients with discretionary relationship, MAMC considers the client’s investment objectives, but does not consult with client before taking any action in implementing the investment strategy which MAMC and the client have previously agreed upon.

**Non-Discretionary Recommendations without Agent Authority.** A client may identify specific assets to be managed by MAMC on a non-discretionary basis (i.e. without granting MAMC agent authority). MAMC reviews assets on a regular basis and makes recommendations to the client with respect to such assets as MAMC deems appropriate in light of the client's investment objectives. However, the client is solely responsible for determining whether to follow any recommendations made by MAMC, and for implementing any recommendations MAMC makes with respect to such assets.

**Subadviser Services.** MAMC may also act as a subadviser to advisers unaffiliated with MAMC. These third-party advisers would outsource portfolio management services to MAMC. This relationship will be memorialized in each contract between MAMC and the third-party advisor.

**Additional Financial Services and Consultation.** In addition to managing the client's investment portfolio, MAMC may consult with clients on various financial areas including income and estate tax matters, business sale structures, education funding, retirement planning, establishment and design of retirement plans and trusts, among other things. MAMC is not a law or accounting firm. No associated person of MAMC acts as a lawyer or accountant. Neither MAMC nor its associated persons prepare estate planning documents or provide legal advice.

**Employer-Sponsored Retirement Plans.** Investment management and advisory services are also provided to qualified employer-sponsored retirement plans where MAMC may serve as a fiduciary under ERISA §3(21) or 3(38).

As an ERISA §3(21) fiduciary, MAMC acts in a non-discretionary capacity, making recommendations to the plan sponsor regarding the plan investments, assists in the development of an investment policy statement based upon the plan's goals and objectives; provides participant education; advises the plan regarding its fiduciary obligations; and assists with ongoing plan operations, as needed.

Where MAMC has been appointed an investment manager under ERISA §3(38), MAMC possesses discretionary authority to select, monitor and replace the investment options made available to the plan participants according to the goals and investment objectives of the plan. MAMC will also design and maintain asset allocation model portfolios comprised of designated investment alternatives available to the plan participants. Plan participants have the option to select an asset allocation model portfolio or construct their own customized portfolio of funds.

Each plan chooses its own third party administrator to provide administrative and record keeping services. MAMC may make a referral to outside administrators if requested by the client; however, MAMC has no financial interest in and receives no compensation for such referrals.

## **MISCELLENIOUS DISCLOSURES**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by a client, MAMC may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. MAMC does not serve as a law firm, accounting firm, or insurance agency, and no portion of MAMC's services should be construed as legal, accounting, or insurance implementation services. Accordingly, MAMC does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, MAMC may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they

are 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 made by MAMC 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.

**Use of Mutual Funds.** While MAMC may recommend allocating investment assets to mutual funds that are not available directly to the public, MAMC may also recommend that clients allocate investment assets to publicly-available mutual funds that the client could obtain without engaging MAMC as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging MAMC as an investment adviser, the client or prospective client would not receive the benefit of MAMC's initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. MAMC may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of MAMC's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. MAMC's Chief Compliance Officer, Kim Newsom, remains available to address any questions that a client or prospective client may have regarding the above.

**Retirement Rollovers-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 MAMC recommends that a client roll over their retirement plan assets into an account to be managed by MAMC, such a recommendation creates a conflict of interest if MAMC will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by MAMC. MAMC's Chief Compliance Officer, Kim Newsom, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

**Non-Discretionary Service Limitations.** Clients that determine to engage MAMC on a non-discretionary investment advisory basis must be willing to accept that MAMC cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that MAMC would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, MAMC will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

#### **Assets Under Management.**

As of December 2018, MAMC had \$743,675,192 of assets under management, of which \$660,405,052 are discretionary and \$83,270,140 are non-discretionary.

## Item 5 – Fees and Compensation

The specific manner in which fees are charged by MAMC is established in a written agreement between MAMC and the client. Clients whose accounts predate this document are subject to fee arrangements which may differ from the current fee arrangements, discussed below.

**Fees for Standard Investment Management Services.** Generally, the fee for standard investment management services is based upon the average daily balance of assets under management in the client's portfolio during the previous calendar quarter. MAMC's fee schedule for the provision of investment management services is negotiable, but is generally as follows:

| Value of Assets Under Management    | Annual Fee | Quarterly Fee |
|-------------------------------------|------------|---------------|
| First \$1,000,000                   | 1.25%      | .3125%        |
| From \$1,000,000.01 to \$2,500,000  | 1.00%      | .2500%        |
| From \$2,500,000.01 to \$5,000,000  | .80%       | .20%          |
| From \$5,000,000.01 to \$10,000,000 | .70%       | .1750%        |
| Greater than \$10,000,000           | .50%       | .1250%        |

The minimum quarterly fee for standard investment management services is \$3,125.00. See below for a complete description of additional terms regarding our minimum fees.

**Additional Financial Services and Consulting Services Fees.** MAMC may provide clients with a broad range of consulting services on an hourly or flat rate fee basis. Such services may include analysis of an existing portfolio, tax planning, retirement planning, consideration of asset allocation adjustments, or advice regarding assets not subject to investment management by MAMC. MAMC may require a retainer for its consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The consulting fees are negotiable and clients can expect to pay rates between \$250 and \$1,000 per hour or between \$1,000 and \$50,000 depending upon the scope and complexity of the engagement. The rate for these services will be determined and agreed upon in a separate agreement prior to the start of work for the client.

**Fees for Subadviser Services.** MAMC may also act as a subadviser to unaffiliated third-party advisers and MAMC would receive a share of the fees collected from the third-party adviser's client. The fees charged are negotiable and will not exceed any limit imposed by any regulatory agency. This relationship will be memorialized in each contract between MAMC and the third-party adviser. Payment of Subadviser Fees Subadviser fees may be withdrawn from client's accounts or clients may be invoiced for such fees, as disclosed in each contract between MAMC and the applicable third-party adviser.

**Fees for Tax-Managed Core Equity Strategies.** If consistent with the agreed upon investment plan, a portion of client's investment assets may be managed using MAMC's Tax-Managed Core Equity strategies in a separately managed account. MAMC generally charges a management fee ("Core Fee") which is in addition to the fees for standard investment management services, set forth above. The annual fee is generally .40% or .10% per quarter. Generally, the Core Fee is based upon the average daily balance of the assets under management invested in one or more of the Tax Managed Core Equity strategies as during the previous calendar quarter. MAMC reserves the right to impose minimum fees and account sizes for these strategies. MAMC's compensation is separately negotiated with each recipient of the Tax-Managed Core Equity Strategy.



**Fees for Employer-Sponsored Retirement Plans.** The fee for services rendered to qualified employer-sponsored retirement plans are dependent on a variety of factors, including, but not limited to, the size of the plan, location of the plan and whether travel is required, number of requested meetings or participant education seminars, and the scope of work required to onboard and implement the plan's investment options. All compensation and specific fee details will be predetermined and disclosed in the investment advisory agreement with the plan sponsor at account inception.

When MAMC serves as a plan's investment manager and works jointly with independent registered investment advisers who serve as the plan's ERISA §3(21) fiduciary, MAMC's fees will be separately negotiated with each plan sponsor, but will generally be based upon the assets under management as of the end of the last day of the previous quarter.

MAMC does not control the timing of fee calculations by a plan's independent third party administrator which may calculate the fees based upon account balances up to ten (10) days before the end of a calendar quarter. The third party administrators to the plans are independent from and not affiliated with MAMC, and are selected by each plan client to provide administrative and/or record keeping services. The minimum quarterly fee for MAMC's employer-sponsored retirement plan services when other advisory firms are involved is generally \$750.

**Third Party Fees.** MAMC's fees do not include brokerage commissions, transaction fees, and other related costs and expenses which may be separately charged to a client. These charges are imposed by custodians, brokers, and other third parties, such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are in addition to MAMC's fee, and MAMC shall not receive any portion of these third party commissions, fees, and costs. MAMC does not accept any fees from the sale of securities, including the sale of mutual funds. Item 12 further describes the factors MAMC considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

#### Manner of Payment and Calculation of MAMC Fees.

**General.** MAMC management fees, except those related to employer-sponsored retirement plans, are payable quarterly, in advance. In general, management fees are based on the average daily balance of an account's assets under management during the previous calendar quarter. If management services commence after the start of a calendar quarter, the initial fees are based upon the average daily balance from the day MAMC begins management of account assets through the last business day of the calendar quarter that an account was opened. In determining an Account's average daily balance, MAMC will value securities that are listed on a national securities exchange or on NASDAQ at the last quoted sales price, on the valuation date, on the principal market where the securities are traded. For other securities or investments, its value shall be determined by MAMC, utilizing good faith, to reflect fair market value.

By written agreement with MAMC and/or the independent custodian of client's assets, the client may authorize the custodian, on a quarterly basis, to deduct from the client's account the fees due to MAMC and remit them directly to MAMC. Alternatively, a client may choose to receive a quarterly invoice for payment of fees to MAMC. Irrespective as to the method of payment, clients may request a copy of their invoice. If fees are deducted from a client's account, client also receives a statement from the custodian



reflecting all fees disbursed from client's accounts and paid to MAMC. Each client also receives a quarterly investment report from MAMC which reflects the disbursement of the fees. (See Item 13 for more information regarding client reports.)

Per the written agreement between MAMC and a client, either party may terminate an investment advisory agreement by delivery of a written notice to the other party in accordance with the time period set forth in the agreement. Upon termination, MAMC ceases management of assets and any discretionary authority granted by client to MAMC ceases, unless otherwise agreed upon by client and MAMC. Within 30 days after the effective date of termination any unapplied fees will be refunded, on a pro-rata basis, less any applicable fees which may be charged to MAMC for the liquidation of assets in a client's account.

Under certain circumstances, management fees may be negotiable depending upon family relations or individual circumstances. The principals, investment adviser representatives and employees of MAMC, and their family members (such as husband, wife, children and parents) are not charged management fees or are charged a reduced fee for MAMC management of personal accounts.

**Employer-Sponsored Retirement Plans.** With respect to management fees for employer-sponsored retirement plan services, clients are billed based on the timing and amount negotiated between MAMC and the plan sponsor.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

MAMC does not charge any performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

MAMC provides portfolio management services to a broad range of clients, including individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable institutions, foundations, endowments, and other business entities. Generally, MAMC requires a minimum account size of \$250,000.00. A minimum account of \$500,000 is generally required for investment in a Tax Managed Core Equity strategy (a discussed in Item 8). In addition, MAMC provides services to employer-sponsored retirement plans. Generally, the minimum account size for these services is \$500,000.

MAMC, in its sole discretion, may charge a lesser fee for its services or waive or reduce its minimum fees based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

MAMC measures an investor's goals, and time horizon through a client interview process to ascertain an investment strategy that is best suited to fit the client's needs. MAMC then designs an investment and risk management strategy to help the client achieve his or her financial goals.

In developing a client specific investment strategy, a number of factors are taken into consideration. MAMC views a client's assets as a single integrated portfolio and, generally, recommends that the portfolio be diversified across several asset classes. Tax efficiency is important, but is not the sole consideration in developing a strategy. Attention to investment expenses and numerous other factors related to individual investment selection are also considered.

Investment strategies may include long-term and short-term purchases depending upon the individual needs of the client. The concept of asset allocation, or spreading investments among a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities), is a guiding principle when developing investment strategies. Asset allocation seeks to achieve the most efficient diversification of assets, to minimize risk while not sacrificing the effectiveness of the portfolio to yield the client's objectives. Since MAMC believes that risk reduction is a key element to long-term investment success, asset allocation principles are a key part of MAMC's overall approach in providing investment advice to clients.

MAMC's recommendations provide exposure to broad asset classes. The major asset classes MAMC commonly recommends are US Large Capitalization Stocks, US Small Capitalization Stocks, Foreign Stocks, Short and Intermediate Fixed Income Securities, Cash and Cash Equivalents. Excluding retirement plan investment options, we generally recommend no-load mutual funds or Exchange-Traded Funds (ETFs) that represent either an index or managed portfolio of individual securities diversified within the target asset class. We will also purchase a basket of stocks representative of an underlying index through our "Tax-Managed Core Equity Strategies" (discussed below). When recommending a specific fund, our criteria include: pure no-load, expense ratio, performance, style, tenure, market capitalization, turnover ratio, and inception. Recommendations for or purchases of investments will be based on publicly available reports and analysis. In the case of mutual funds, recommendations will be based on reports and analysis of performance and managers, and certain computerized and other models for asset allocation. MAMC also utilizes many sources of public information which include financial news and research materials.

MAMC can also provide a socially responsible investment approach for socially conscious clients. MAMC has developed an internal socially responsible model that uses a screening approach to help a client avoid investing in certain stocks involved in areas such as gambling, tobacco, alcohol, healthcare, adult content, military weapons, stem cells, child labor and the country of Sudan. MAMC may utilize third-party research to assist with the filtering of non-socially responsible investments.

MAMC routinely rebalances client accounts. Periodic rebalancing is a disciplined way, over time, to maintain the portfolio risk profile. Depending on the client's individual circumstances, or in periods where there is high volatility, more frequent account reviews and rebalancing may be necessary.

MAMC's analysis is based on a number of factors including those derived from commercially available software technology, securities rating services, general market and financial information, due diligence reviews, and specific investment analysis that clients may request. MAMC's main sources of information include commercially available investment services, financial newspapers, periodicals and issuer-prepared information. MAMC also receives research from consultants, including economists affiliated with Dimensional Fund Advisors ("DFA"). DFA provides historical market analysis, risk/return analysis, and continuing education to MAMC. MAMC's investment advice is based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. MAMC's investment approach is firmly rooted in the belief that markets are efficient and that investors' returns are determined principally by asset allocation

decisions, not by market timing or stock selection. MAMC focuses on developing globally diversified portfolios, principally through the use of passively managed mutual funds.

**Risk of Loss.** Investing in securities involves risk of loss that clients should be prepared to bear. MAMC in no way guarantees performance or results. All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual equity securities and bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

Although all investments involve risk, MAMC's investment recommendations seek to limit risk through broad global diversification and investment in high quality fixed income securities. MAMC's investment philosophy is designed for investors who desire a buy and hold strategy, with an investment time horizon of a minimum of five (5) years, and preferably longer.

Certain funds utilized by MAMC may contain international equity and/or fixed income securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

**Tax-Managed Core Equity Strategy.** The strategy seeks to manage the tax impact of a client's investments through a separately managed Equity account in order to meet the client's long-term goals of managing tax liability and controlling risk. Where a client has a concentrated stock position and depending upon a client's particular circumstances, such as the client's tax situation, liquidity needs and risk tolerance, MAMC may utilize a covered-call option strategy to generate a modest income stream while reducing significant exposure of the concentrated stock position.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's evaluation of MAMC or the integrity of MAMC's management. There have been no criminal or civil actions related to investments or an investment related business against MAMC or any of its personnel. On November 27, 2012, MAMC entered into a consent order and agreed to pay an administrative fine to the State of New Hampshire Bureau of Securities whereby MAMC agreed to register in New Hampshire a Virginia-based investment adviser representative who was providing investment advisory services to New Hampshire residents. It was also agreed that MAMC would pay past fees and a fine for not registering the adviser representative in New Hampshire prior to November 2012.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Neither MAMC, nor any of our employees, is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither MAMC, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

MAMC is affiliated with another registered investment adviser, Retirement Researcher, LLC, through common ownership and control. It is expected that MAMC and its representative may recommend Retirement Researcher, LLC's services to certain of its clients. No client of MAMC is under any obligation to use the services of Retirement Researcher, LLC. **Please Note:** The recommendation by MAMC or any of its representatives that a client engage Retirement Researcher, LLC for advisory services presents a conflict of interests, as MAMC or its representatives could have the incentive to make such a recommendation based on funds received, rather than on a particular client's needs. Clients are reminded that they are under no obligation to engage Retirement Researcher, LLC and are free to engage other unaffiliated investment advisers.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

MAMC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to compliance, conflicts of interest, the protection of confidential client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at MAMC must acknowledge the terms of the Code of Ethics annually, or as amended.

A copy of the MAMC's Code of Ethics is available to any client or prospective client upon request.

Neither MAMC nor any associated person recommends, buys or sells for client accounts, securities in which MAMC or any related person has a material financial interest.

## **Item 12 – Brokerage Practices**

**Research and Other Soft Dollar Benefits.** With respect to client portfolios managed on a discretionary basis, MAMC will have the client's written authority to determine which securities are to be bought and sold on a client's behalf, the amount of the securities to be bought and sold, the timing of such transactions, and (absent specific client direction) the broker to be used for executing the transaction(s). MAMC's discretion is based upon a "limited trading authorization agreement" that the client approves when the client's account is opened, or when MAMC is added as adviser to an existing account. All existing and new accounts are registered in the name of the client, not MAMC. MAMC recommends TD Ameritrade Institutional, Fidelity Brokerage Services LLC (CRD# 7784) and Charles Schwab & Co., Inc.

MAMC participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent (and unaffiliated) SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services, which include custody of securities, trade execution, and clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.) MAMC also participates in the institutional program offered by Charles Schwab & Co., Inc. ("Schwab"). Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like MAMC. Schwab and TDA are referred to as the "Custodians". The Custodians provide MAMC and its clients with access to institutional

brokerage-trading, custody, reporting, and related services many of which are not typically available to retail customers. The Custodians also makes available various support services. Some of these services help MAMC manage or administer our clients' accounts while others help us manage and grow our business.

and

TDA offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. MAMC receives some benefits from TDA through its participation in the TDA Program. (Please see further disclosures below for details.)

As disclosed above, MAMC participates in the Programs and will generally recommend their Custodians to clients for custody and brokerage services. The Custodians will serve as the primary custodians for securities and cash held in client accounts over which MAMC possesses discretionary authority. There is no direct link between MAMC's participation in the Programs and the investment advice it provides clients, although MAMC receives economic benefits through its participation in the Programs that are typically unavailable to its retail investors. MAMC regularly reviews the Programs to ensure that its recommendation is consistent with its fiduciary duty. Benefits MAMC may receive from the Custodians include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; discounts on compliance, marketing, research, technology, and practice management products or services provided to MAMC by third party vendors.

TDA may pay for business consulting and professional services received by MAMC's related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for MAMC's personnel to attend conferences or meetings relating to the TDA Program or to TDA's advisor custody and brokerage services. Some of the products and services made available through the TDA Program may benefit MAMC, but may not benefit its client accounts. These products or services may assist MAMC in managing and administering client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help MAMC manage and further develop its business enterprise. These benefits received by MAMC or its personnel through participation in the TDA Program do not depend on the amount of brokerage transactions directed to TDA, and do not influence the investment advice it gives to its clients. As part of its fiduciary duties to clients, MAMC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by MAMC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence MAMC's recommendation of TDA for custody and brokerage services. In addition, soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

The availability of these services from Schwab benefits MAMC because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that



our recommendation of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above and not Schwab's services that benefit only us. We do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

We have also entered into a Client Benefit Confirmation Agreement with Schwab that permits MAMC an opportunity to visit and receive training with Schwab's service and trading group in Phoenix. The tour permits us to take certain MAMC employees for a tour and individualized training sessions. All expenses for this tour will be paid for by Schwab.

MAMC also receives from TDA certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the TDA Program. Specifically, the Additional Services include paying for a portion of expenses associated with a portfolio analysis and optimization system offered by Orion.

MAMC considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation, and the quality of services provided. For example, in selecting TDA as the broker and custodian for certain of its current and future client accounts, MAMC takes into consideration its arrangement with TDA as to obtaining price discounts for TDA's automatic portfolio rebalancing service for advisors known as "iRebal." MAMC pays a standard annual license fee for use of TDA's iRebal services, which fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TDA platform or are committed to be placed on it. **Please Note:** The fee reduction provided by TDA in connection with its iRebal services and the partial payment of Orion fees by TDA may give MAMC an incentive to request that you maintain your account with TDA based on MAMC's interest in receiving said fee reduction and partial payment, rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. MAMC may believe, however, that its selection of TDA as custodian and broker is in the best interests of its clients based on the factors discussed above.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). If MAMC does not maintain the relevant level of taxable assets on the TDA platform, MAMC may be required to make a payment to TDA calculated on the basis of the shortfall.

TDA provides the Additional Services to MAMC in its sole discretion and at its own expense, and MAMC does not pay any fees to TDA for the Additional Services. MAMC and TDA have entered into a separate agreement to govern the terms of the provision of the Additional Services.

MAMC's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to MAMC, TDA and Schwab most likely considers the amount and profitability to them of the assets in, and the trades placed for, MAMC's client accounts, maintained with them. TDA, in its sole discretion, has the right to terminate its agreement with MAMC to provide Additional Services, if certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TDA, MAMC may have an incentive to recommend to its clients that the assets under management by MAMC be held in custody with TDA and to place transactions for client accounts with TDA. MAMC's receipt of Additional

Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

MAMC generally recommends portfolios consisting of passively managed mutual funds offered by Dimensional Fund Advisors (“DFA”). DFA provides MAMC software and may provide assistance with client presentations and seminars. DFA also maintains a web based referral service which provides client referrals to registered investment advisers including MAMC.

**TD Ameritrade Referral Service.** MAMC may receive client referrals from TDA through its participation in TD Ameritrade AdvisorDirect (“AdvisorDirect”). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, MAMC may have been selected to participate in AdvisorDirect based on the amount and profitability to TDA of the assets in, and trades placed for, client accounts maintained with TDA. TDA is a discount broker-dealer independent of and unaffiliated with MAMC and there is no employee or agency relationship between them. TDA has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TDA does not supervise MAMC and has no responsibility for MAMC’s management of client portfolios or MAMC’s other advice or services. MAMC pays TDA an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to MAMC (“Solicitation Fee”).

MAMC will also pay TDA the Solicitation Fee on any advisory fees received by MAMC from any of a referred client’s family members, including a spouse, child or any other immediate family member who resides with the referred client and hired MAMC on the recommendation of such referred client. MAMC will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TDA onto its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

MAMC’s participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TDA and whose client accounts are profitable to TDA. Consequently, in order to obtain client referrals from TDA, MAMC may have an incentive to recommend to clients that the assets under management by MAMC be held in custody with TDA and to place transactions for client accounts with TDA. In addition, MAMC has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TDA or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. MAMC’s participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

**TDA President’s Council.** A MAMC principal serves on the TD Ameritrade Institutional President’s Council (“Council”). The Council consists of independent investment advisors that advise TDA on issues relevant to the independent advisor community. The Council meets in person on average 1-2 times per year and conducts periodic conference calls on an as needed basis. At times, Council members are provided confidential information about TDA initiatives. Council members are required to sign confidentiality agreements. TDA does not compensate Council members. However, TDA pays or reimburses Council members for travel, lodging and meal expenses incurred in attending Council meetings. The benefits received by MAMC or its personnel by serving on the Council do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic



benefits by MAMC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence MAMC's recommendation of TDA for custody and brokerage services.

**Directed Brokerage.** As discussed above, MAMC typically recommends custodial services offered by the Custodians. MAMC does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and MAMC will not seek better execution services or prices from other broker-dealers or be able to aggregate the client's transactions for execution through other broker-dealers with orders for other accounts managed by MAMC. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event that the client directs MAMC to effect securities transactions for the client's accounts through a specific broker-dealer, the client may incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through clearing arrangements that may be available through MAMC.

MAMC believes that the products and services offered by TDA, Schwab, and TIAA are competitive in the market place for similar services offered by other broker-dealers or custodians. Furthermore, MAMC is of the opinion that the arrangement with TDA as to the iRebal service does not affect MAMC's independent judgment in recommending or maintaining TDA as the broker or custodian for client accounts.

Irrespective of the benefits received from the Custodians or TIAA, MAMC seeks to effect transactions on the basis of best execution. "Best execution" does not simply mean effecting transactions at the lowest possible commission rate, transaction cost and price, but includes a number of factors mentioned herein. MAMC seeks to effect transactions at a price, commission and transaction cost (e.g., mark-up or mark-down) that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. MAMC considers various factors in its determination to recommend the Custodians, which include, but are not limited to, the nature of the portfolio transaction, the size of the transaction, broker's trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities, access to a particular trading market, security conditions (e.g., liquidity, volatility), and the value of research it provides.

On an annual basis, MAMC assesses and reviews best execution statistics made available by the Custodians, as part of its best execution review. While there is no one standard of what determines best execution, speed of transaction, execution price, price improvement opportunities and liquidity are typically the factors that MAMC considers most important.

To the best of our knowledge, the Custodians and TIAA seek the best execution that is reasonably available under current market conditions for client orders. In addition, the Custodians and TIAA must regularly and rigorously evaluate the orders they receive to determine which markets, market makers, or Electronic Communication Networks offer the most favorable terms of execution.

With respect to employee benefit retirement plan clients participating on the encore401k platform, or where MAMC provides pension consulting services, MAMC does not arrange for execution of mutual fund and securities transactions. Transactions under such plans are executed directly through employee plan participants.

As part of its turnkey asset management program, MAMC arranges for the execution of transactions in accounts maintained by clients of independent investment advisors in the same manner as for MAMC client accounts, as described above.

**Trade Corrections.** Where a trading error in a client account is caused by MAMC, MAMC will be responsible for and reimburse client for losses resulting from the trade correction. In instances where multiple trades are corrected at the same time for the same client, MAMC will net the results of each correction against each other. Gains received during these corrections may be used to offset losses resulting from other corrections within the total trade error correction. MAMC may also correct trade errors by reallocating a purchased security to another client(s) account(s) in situations in which MAMC determines such allocation will be in the clients' best interest. Per policy of TDA, if a correction of an error caused by MAMC results in a net gain (net gains are defined as positive error account balances resulting from trade corrections), the gain will be automatically moved to a designated TDA error account, and subsequently donated to charity.

**Aggregation of the Purchase or Sale of Securities.** For its Tax Managed Core strategy, MAMC will aggregate trades of securities when advantageous. Mutual fund transactions are executed at the end of each trading day, and receive the net asset value ("NAV") representing the fund's per share market value. Transaction costs are not saved by aggregating orders in almost all circumstances in which MAMC arranges transaction.

## **Item 13 – Review of Accounts**

Account assets are supervised continuously by investment adviser representatives of MAMC. The review process includes assessment of client's objective; evaluation of the investment strategies in use; assessment of the need to rebalance the portfolio; and monitoring the portfolio. Additional reviews may be warranted due to a change in client's financial situation or investment objectives that MAMC is made aware of, or market/economic conditions.

With respect to employer-sponsored retirement plans, MAMC reviews plan offerings based upon contractual undertakings with the plan sponsor or designated fiduciary.

MAMC clients are provided with written investment performance reports on a quarterly basis. The reports include portfolio performance review, transactional history, current positions and market value, interest, dividends, and management fees deducted from the account(s).

Additionally, the account custodian provides account statements to clients on a monthly basis. Clients are encouraged to compare the reports issued by MAMC with the statements provided by account custodian(s).

An employee benefit retirement plan client receives performance reports from its record keeper or other third party service provider.

## Item 14 – Client Referrals and Other Compensation

MAMC may compensate people, including but not limited to, certified public accounting firms, investment advisers, and mutual fund sponsors for client referrals. As part of such a referral program, MAMC complies with Rule 206(4)-3 of the Investment Advisers Act of 1940.

As disclosed under Item 12 above, Advisor participates in TD Ameritrade’s Institutional customer program and MAMC may require clients to maintain accounts with TD Ameritrade/ recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between MAMC’s participation in the program and the investment advice it gives to its Clients, although MAMC receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving MAMC participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to MAMC by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by MAMC’s related persons and may also pay or reimburse expenses (including travel, lodging, meals [and entertainment] expenses for MAMC’s personnel to attend conferences.) Some of the products and services made available by TD Ameritrade through the program may benefit MAMC but may not benefit its Client accounts. These products or services may assist MAMC in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help MAMC manage and further develop its business enterprise. These benefits received by MAMC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by MAMC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the MAMC’s choice/recommendation of TD Ameritrade for custody and brokerage services.

As discussed under Item 12, MAMC participates in TDA and Schwab’s institutional program where MAMC receives from these custodians certain economic benefits that may or may not be offered to any other independent investment advisers participating in the respective program. In addition, MAMC participates in TDA’s AdvisorDirect program and pays Solicitation Fees for client referrals. See Item 12 for further details. Persons who become clients through any referral program are not charged higher fees than those who are not referred through such a program.

(“MAMC”) considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation, and the quality of services provided. In selecting TD Ameritrade, Inc. as the broker and custodian for certain of its current and future client accounts, Advisor takes into consideration its arrangement with TD Ameritrade as to obtaining price discounts for TD Ameritrade’s automatic portfolio rebalancing service for advisors known as “iRebal”.

The standard iRebal annual license fee applicable to Advisor is \$ (Note: Refer to Schedule B – Annual License Fee List and insert amount of applicable license fee). That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TD Ameritrade Institutional platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD Ameritrade Institutional platform will bring fee reductions of up to \$ per year for each of as many as three years or more (Note: Refer to top of this Schedule C and insert terms of applicable discounted license fee structure).

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute “plan assets” of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). If Advisor does not maintain the relevant level of taxable assets on the TD Ameritrade Institutional platform, Advisor may be required to make a penalty fee payment to TD Ameritrade calculated on the basis of the shortfall.

Although Advisor believes that the products and services offered by TD Ameritrade are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect Advisor’s independent judgment in selecting or maintaining TD Ameritrade as the broker or custodian for client accounts.

## Item 15 – Custody

MAMC is not a custodian but does engage in certain activities that result in being deemed to have custody or possession of client funds or securities under Advisers Act Rule 206(4)-2. In circumstances where MAMC may be deemed to have custody, we will comply with the requirements of Rule 206(4)-2.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts on a no less than quarterly basis. Clients are advised to carefully review these statements. Those clients to whom MAMC provides investment advisory services may also receive a quarterly report from MAMC summarizing account activity and performance.

**Please Note:** To the extent that MAMC provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by MAMC with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the MAMC’s advisory fee calculation.

Custody is also disclosed in Form ADV because MAMC has authority to transfer money from client account(s), which constitutes a standing letter or authorization (SLOA). Accordingly, MAMC will follow the safeguards specified by the SEC rather than undergo an annual audit.

## Item 16 – Investment Discretion

With respect to accounts that MAMC manages on a discretionary basis, the client grants MAMC a “limited power of attorney” at the outset of an advisory relationship, authorizing MAMC to select the identity and amount of securities to be bought or sold on the client’s behalf. In all cases, however, such discretion is to be exercised in a manner consistent with the agreed upon investment objectives for the particular client account.

When selecting securities and determining amounts, MAMC observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to MAMC in writing.

## Item 17 – Voting Client Securities

**General.** Except for client assets held in MAMC’s Tax-Managed Core Equity strategies and certain employer-sponsored retirement plan clients (discussed in Item 8, above), as a matter of firm policy and practice, MAMC does not have authority to and does not vote proxies on behalf of its clients. Clients are instructed to inform their custodian that MAMC should not be designated as the party to receive information on voting client proxies. The obligation to vote client proxies shall remain with the client. Clients shall in no way be precluded from contacting MAMC for advice or information about a particular proxy vote. However, MAMC shall not be deemed to have proxy-voting authority solely as a result of providing such advice to clients.

Should MAMC inadvertently receive proxy information for a security held in a client’s account, MAMC will immediately forward such information on to the client, but will not take any further action with respect to the voting of such proxy. Upon termination of the advisory relationship, MAMC shall make a good faith and reasonable attempt to forward proxy information inadvertently received by MAMC on behalf of clients to the forwarding address provided by clients to MAMC. Clients are solely responsible for taking any action in legal proceedings regarding securities owned or previously owned by clients. MAMC does not advise or review any documentation related to such legal actions, including, but not limited to, proofs of claim in class action suits.

**Proxy Voting – Tax-Managed Core Equity Strategies & Certain Employer-Sponsored Retirement Plan Clients.** MAMC shall exercise proxy voting authority only over securities separately held and managed in a client account per one or more of MAMC’s Tax-Managed Core Equity strategies or when expressly agreed upon, in writing, between MAMC and an employer-sponsored retirement plan.

Aligned with our investment philosophy and in keeping with our fiduciary obligations to our clients, this policy is based on MAMC’s passive investment management approach.

As a registered investment adviser, MAMC has a fiduciary duty to act solely in the best interest of its clients. As part of this duty, MAMC recognizes that it must exercise voting rights in the best interest of clients.

It is the general policy of MAMC to support management of the companies in which it invests and will cast votes in accordance with management’s proposals. However, MAMC reserves the right to depart from this policy in order to avoid voting decisions that are believed may be contrary to our clients’ best interests.

Clients may obtain a copy of MAMC's complete voting policies and procedures and information about how the Firm voted a client's proxies by contacting MAMC by telephone at (703) 827-0636 or by e-mail at [compliance@mcleanam.com](mailto:compliance@mcleanam.com).

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MAMC's financial condition. MAMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.