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## **WRAP FEE PROGRAM BROCHURE**

### **Part 2A of Form ADV – Appendix A**

**September 1, 2022**

This wrap fee program brochure provides information about the qualifications and business practices of McDonald Partners LLC. If you have any questions about the contents of this brochure, please contact us at 866-899-2997 or you may email us at [compliance@mcdonald-partners.com](mailto:compliance@mcdonald-partners.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.

McDonald Partners LLC is a registered investment adviser. Registration as 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 McDonald Partners LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Material Changes

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We discuss below only material changes which we believe are important in terms of disclosure since the Firm's last filing of our Form ADV Part 2A Brochure on March 30, 2022. The update was filed on the SEC's Investment Advisors Public Disclosure Website (IAPD), [www.adviser.info.sec.gov](http://www.adviser.info.sec.gov).

This Form ADV Part 2A Brochure has been updated to reflect the following material change:

- Item 9 – Disciplinary Information reflecting the Firm signing a Letter of Acceptance, Waiver and Consent("AWC") with FINRA on June 22, 2022.

We will ensure that the Client receives a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide the Client with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting us at 866-899-2997 or you may email us at [compliance@mcdonald-partners.com](mailto:compliance@mcdonald-partners.com).

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## Item 4 Services, Fees, and Compensation

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Founded by Thomas McDonald in 2005, McDonald Partners LLC (“McDonald Partners” or the “Firm”) is a dually registered investment adviser and broker-dealer headquartered in Cleveland, Ohio with offices throughout Northern Ohio and Michigan. McDonald Partners provides a variety of investment management services through its Financial Advisors to individual and institutional clients, including banks, pension and profit-sharing plans, trusts, estates, charitable organizations, and business entities. These services are provided on a personalized basis with investment programs tailored to reflect each client’s specific circumstances. These tailored services may include restrictions of industry (i.e., gambling, tobacco, etc.), income needs, and tax planning, to name a few. We work with you to design an investment portfolio and style that will meet your personal goals.

McDonald Partners has four wealth management groups: CapTrust Financial Advisors, Mansour Wealth Management, MRT Asset Management, and Goodman Financial Group/Goodman Wealth Advisors. The first three groups are separate legal entities. The financial advisors in all of these groups are investment adviser representatives and registered representatives of McDonald Partners. Goodman Financial Group/Goodman Wealth Advisors is used as a “doing business as” by that team.

Throughout this brochure, we refer to McDonald Partner’s investment adviser representatives as Financial Advisors.

McDonald Partners charges a single fee based on the value of the Client’s assets under management. The single fee includes portfolio management, trading commissions, and custody services. Clients are required to establish brokerage accounts at a qualified custodian, RBC Correspondent Services (“RBC CS”), our clearing broker-dealer. RBC CS is not affiliated with McDonald Partners.

McDonald Partners provides various types of advisory programs including wrap programs, financial planning, retirement plan consulting services, and participant education, and other customized portfolio management services. This brochure describes McDonald Partners’ Flex Program (“Flex Program”). For more information about McDonald Partner’s advisory services and programs other than the Flex Program, please contact your investment advisor representative (“Financial Advisor”) for a copy of a similar brochure that describes such service or program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You should have a conversation with your Financial Advisor and read this and similar brochures carefully, as they explain our services in detail.

Regardless of which program you select, our advisory process begins with a data collection process to help our Financial Advisors understand, among other things, your short- and long-term financial objectives, risk tolerance, tax status, current investment holdings, and asset allocation. Our Financial Advisors will analyze current investment holdings as to their potential place in your

investment strategy and make several recommendations for potential improvements to align the current portfolio with the proposed investment strategy.

### **Business Continuity Plan**

Our Firm's business continuity plan ("the Plan") is designed to meet the needs of our clients and minimize potential disruption in services during an emergency or disaster. The protocols and capabilities within the plan include:

- Sufficient technical infrastructure and network capacity to support employees working from home in specific areas, or companywide
- Secure, remote access for employees
- Videoconference capabilities in place for employees
- Redundancy capabilities within each of our business units

### **Public Health Crisis**

McDonald Partners activated the Plan in response to the COVID-19 Pandemic ("the Pandemic"). As of the date of this Brochure, the Firm continues to utilize the Plan as needed in response to state and local requirements, as well as any changes in the pandemic itself. When deemed necessary we will take the following actions to protect our employees, our clients and to ensure our business continuity:

- Restricting non-essential business travel
- Recommending employees avoid large, in-person gatherings
- Closing our office and requiring our employees to work from home
- Conducting all client and firm meetings via teleconference or videoconference

We will continue to monitor the latest developments and updates for the Pandemic from the [World Health Organization](#) and the [Centers for Disease Control and Prevention](#).

### **Flex Account**

We offer the McDonald Partners Flex Account. Our Flex accounts can be non-discretionary (you work alongside your Financial Advisor) as well as discretionary (your Financial Advisor has your permission to manage your account without your consent as to what/when/how much or what price to buy or sell securities in your account). The Flex account offers advisory services along with transaction, clearing, and custodial services for one fee based on the assets under management, and is considered a wrap-fee program. This is different from non-wrap-fee management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis. Based upon information from you during an initial

interview, your Financial Advisor will construct a portfolio of securities based on your specific individual needs, risk tolerance and investment objectives. Your portfolio can include some or all of the following investment vehicles: load or no-load mutual funds, exchange-traded fund (ETFs), stocks, bonds, cash, cash equivalents, closed-end funds, and other securities as appropriate for your individual needs.

The Flex Account program includes access to an assigned Financial Advisor. Financial Advisors are available during business hours and may be reached via telephone, email or in person at the Firm's offices.

Client assets are held at RBC CS, which is not affiliated with McDonald Partners.

**In determining whether to establish a Flex account, a Client should be aware that the overall cost to the Client of McDonald Partners' Flex Account may be higher or lower than the Client might incur by purchasing separately the types of securities available through the Flex Account Program. To compare the cost of the Flex Account with unbundled services, the Client should consider the turnover rate in his or her selected investment strategies, trading activity in the account, standard advisory fees, and brokerage commissions that would be charged at other broker-dealers and investment advisers.**

### **Hegarty Asset Management**

One of the investment options offered in the Flex Account is a proprietary asset management program, Hegarty Asset Management, operating as a division of McDonald Partners. This option is called "Core." It is a large capitalization discipline investing in a blend of both growth and value companies. The portfolio typically owns between 40-50 companies diversified among the eleven major sectors of the Standard & Poor's 500 Index. This index also represents the performance benchmark. Key "Core" portfolio characteristics include discounted valuation on a price-book, price-sales, and price- earnings basis. Companies in the portfolio have projected 3-5 year earnings, revenue and dividend growth well above that projected for the market. The risk and volatility profile is moderate with a beta below that of the S&P 500 Index.

"Core" is available to both McDonald Partners Financial Advisors and other investment advisory firms. The fee to Hegarty Asset Management is competitive with other third-party managers. Although the Flex program requires a minimum initial investment amount of \$25,000, the minimum account size required to invest in Hegarty Asset Management is \$250,000. Exceptions may be granted in the discretion of Bill Hegarty, the portfolio manager.

Bill Hegarty, Chief Investment Officer of McDonald Partners, is the portfolio manager. He has over 35 years of investment research and portfolio management experience. Details regarding Mr. Hegarty experience are outlined in his Form ADV Part 2B Supplement.

Conflict of Interest: Because McDonald Partners earns compensation from Hegarty Asset Management for assets placed, this constitutes a conflict of interest. Individual representatives of the Firm do not earn additional compensation, however, from a business aspect, the additional compensation presents a conflict of interest for which you end up paying more or less for those

same services. Please discuss all fee arrangements with your Financial Advisor or if you have any questions regarding this conflict of interest, please contact our compliance department.

### Fees and Compensation

The Firm charges a single fee based on the value of the Client's assets under management. The single fee includes portfolio management, trading commissions, and custody services. The Client authorizes McDonald Partners to debit the advisory fee directly from the Client's investment account. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

Listed below are the maximum fees charged for McDonald Partners Flex Accounts:

#### Fixed Income Only Accounts:

On the first \$500,000	1.75% annually
On the next \$550,000	1.25% annually
On the next \$1,000,000	1.00% annually
Asset above \$2,000,000	0.75% annually

#### Equity/Balanced Accounts:

On the first \$500,000	3.00% annually
On the next \$500,000	2.50% annually
On the next \$1,000,000	2.00% annually
On the next \$2,000,000	1.50% annually

#### Option Trades

\$ 9.00 per trade + \$0.50 per option contract (minimum \$3.00)

#### ACCESS Accounts

\$ 9.00 per trade transaction fee + 0.04% (\$40 minimum) fee for performance reporting

Depending on specific circumstances, fees may be subject to negotiation. McDonald Partners will not change any fees without prior written notice and acceptance of the client. The Financial Advisor's Fee is included in the total investment management fee charged by the Firm and is paid by the Firm to the Financial Advisor.

For Clients of the Goodman Financial Group/Goodman Wealth Advisors, the advisory fee on client assets invested in IPOs and secondaries is waived for a period of one year. The Financial Advisors

that purchase IPOs and secondaries on behalf of client accounts receive a selling concession in their role as registered representative of McDonald Partners as broker-dealer.

For Clients of CapTrust Financial Advisors that are invested in Michigan municipal tax-free bonds, CapTrust Financial Advisors have determined that it is cheaper for the Client to purchase these securities in a brokerage account, where the Financial Advisor receives a commission on the trade, as opposed to placing the asset in the Client's advisory account and charging a fee based on the Client's assets under management. In the event the Client does not have a brokerage account with McDonald Partners, Michigan municipal tax-free bonds can be purchased in the Client's advisory account and the advisory fee is not charged on those assets. The Financial Advisor will still receive a commission for the purchase or sale of the bonds.

The account-level advisory fee on Client assets invested in the Funds is waived until such time that the total dollar amount of advisory fees waived equals or exceeds the placement fee charged for those Funds where McDonald Partners received a placement fee. The fees to be charged on these assets are based on the fair value of the Funds and will not exceed the maximum advisory fees set forth in Item 5 Fees and Compensation. In most cases, the assets in the Funds are not publicly traded and are valued by McDonald Partners in accordance with its valuation policy.

In the event of account termination of our services, you will only be charged for the days your account was under management. You may terminate this agreement with us at any time by written notice to us.

Account termination notices should be sent to McDonald Partners LLC, 1301 East 9th Street, Suite 3700, Cleveland, OH 44114 or by email to your Financial Advisor at his or her respective email address. The client can also terminate the Investment Management Agreement within five days of execution and receive a full refund of any fees charged under the program. However, in such case, the client will be responsible for fees and/or commissions charged on trades executed prior to the receipt of such notice by McDonald Partners.

Fees are computed and payable quarterly or monthly in arrears (unless you have negotiated a different payment arrangement) on the valuation of your assets under management on the last day of the quarter, depending on the agreement between the Client and McDonald Partners. The value on the final day of the quarter, or month, as the case may be, is multiplied by the portion of your annual fee attributable to that month or quarter (calculated by dividing the annual fee by 365 days (or 366 days in a leap year) then multiplying the quotient by the number of days in the given month or quarter). Fees will automatically be deducted from your account on or about the 15th day following the end of each quarter or month, as the case may be, unless you have arranged for an alternative method of payment. The fee does not include certain dealer markups or markdowns, odd lot differentials, transfer taxes, exchange fees (among which SEC fees are included), and any other fees required by law. The valuation used to calculate the fee is provided by RBC CS for publicly traded securities.

### **Valuation Policy**

When determining market value of an account for the purpose of calculating advisory fees,



McDonald Partner's policy is as follows: For all publicly traded securities held in client accounts, the Firm relies on the daily prices received from the clients' custodians. For investments in private funds that are not managed by McDonald Partners or its affiliates, the Firm relies on the valuations provided by the issuer of the private fund. Depending on the type of private fund and the underlying investment, valuations can be reflected as cost until such time as the issuer provides an updated valuation. For the Funds, McDonald Partners values any non-publicly traded assets using its valuation policy

#### **Information about Compensation related to Private Investment Funds.**

McDonald Partners serves, through affiliated entities, as manager to seven private funds (the "Funds"): MP DPI LLC, MP127 LLC, MPCF II LLC, MPCF III LLC, MPCF LLC, Eden Rock Montenegro LLC, and ERM Resort LLC. McDonald Management LLC, a wholly owned subsidiary of McDonald Partners, is the manager of these private funds. For the Funds, McDonald Management LLC receives no compensation for its advisory services aside from reimbursement of its reasonable expenses. Please see the discussion of fees paid by MPCF III LLC below.

**This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only using a confidential private placement memorandum.**

With respect to MP127 LLC, MPCF LLC, MPCF II LLC, MP DPI LLC, Eden Rock Montenegro LLC and ERM Resort LLC, McDonald Partners served as placement agent and received placement fees of ranging from 3% to 5% of the gross proceeds of the offerings, as morefully described in the private placement memorandum for each fund.

With respect to MP DPI LLC, McDonald Partners paid the Fund's organizational, legal, and accounting costs and other expenses and fees related to the Underlying Investment and the Fund's operation out of the placement agent fees it received for acting as the placement agent for the Underlying Offering, including the proceeds of the Fund Offering. McDonald Partners received compensation in the form of warrants to purchase shares of Diasome's common stock for its financial advisory services.

With respect to Eden Rock Montenegro LLC, McDonald Management LLC can receive a carried interest as owner of Class B Units, if such units are issued. This interest will only be distributed after each Class A Member has been paid a preferred return and all of its capital contributions have been repaid.

With respect to ERM Resort LLC, McDonald Management LLC can receive a carried interest as owner of Class B Units, if such units are issued. This interest will only be distributed after each Class A Member has been paid a preferred return and all of its capital contributions have been repaid.

With respect to MPCF III, McDonald Management, as fund manager, can receive a 20% carry following the full return of capital to the limited partners in the funds. Additionally, once certain

conditions are satisfied, the Fund will pay to McDonald Partners a fee for management and administrative services equal to 1% of the aggregate offering proceeds. McDonald Partners does not receive a placement fee for its services as placement agent for this Fund.

The account-level advisory fee on Client assets invested in the Funds is waived until such time that the total dollar amount of advisory fees waived equals or exceeds the placement fee charged for those Funds where McDonald Partners received a placement fee. The fees to be charged on these assets are based on the fair value of the Funds and will not exceed the maximum advisory fees set forth in Item 5 Fees and Compensation. In most cases, the assets in the Funds are not publicly traded and are valued by McDonald Partners in accordance with its valuation policy.

Mutual fund managers charge certain fees for their services and products. Those fees are in addition to the investment management fees paid to the Firm and are separate and distinct from the investment management fees charged by the Firm. These fees and expenses are described in the prospectuses for each mutual fund. Some mutual funds charge front-end or back-end loads (also known as initial or deferred sales charges), investment management fees, other fund expenses and distribution fees ("12b-1 fees").

Mutual funds provide for the payment of certain Rule 12b-1 and other similar asset-based charges ("12b-1" fee). Typically, all or a portion of the 12b-1 fee is paid by a mutual fund company to the Firm, as outlined in the applicable prospectus, potentially creating an incentive, and thus a conflict of interest, for the Firm or your Financial Advisor to recommend a mutual fund that will pay a 12b-1 fee as opposed to one that does not. We address this conflict of interest by (1) offering Advisor share class Mutual Fund positions for new purchases in Client accounts (when available), and (2) crediting any 12b-1 fees that we receive related to a mutual fund held in an advisory account back to the Client Account.

Many mutual fund companies offer advisory, institutional, or other share classes that do not have a sales load or assess 12b-1 fees. Many mutual funds offer multiple classes of shares which are available based on various eligibility requirements as dictated by the fund company. RBC CS or the Firm will decide which share classes to offer in the Firm's Clients based on such eligibility requirements, the availability of share classes under the distribution agreements available to the Firm through RBC CS, and other considerations. In most cases, we recommend the lowest expense ratio share class offered by the fund company and available through RBC CS, but in some cases, we can choose to recommend a higher-cost share class. It should be noted that, in certain instances, certain share classes are not available to us through RBC CS and there may be a cheaper alternative available to you should you qualify for it and purchase it elsewhere.

Accordingly, the client should review both the fees charged by the funds and the applicable program fee charged by the Adviser to fully understand the total amount of fees to be paid and to thereby evaluate the Advisory services being provided.

Cash balances in Client accounts are invested in money market mutual funds including, as permitted by law, those with which we have agreements to provide administrative, distribution, and other services and for which we receive compensation for the services rendered. Clients who participate in a program may pay more or less for the services described in this brochure and the

RBC CS Brochure than if they purchased such services separately.

McDonald Partners has a revenue sharing agreement with RBC CS whereby McDonald Partners receives a rebate based on McDonald Partners' monthly average daily balance in RBC Insured Deposit Accounts. McDonald Partners also receives payments from RBC CS based on the Firm's monthly average balance in the U.S. Government Money Market Fund. If, however, the U.S. Government Money Market Fund waives 50 basis points or more of its fees, then McDonald Partners will not receive any payments. The U.S. Government Money Market Fund is available for balances that exceed the FDIC insurance coverage limit.

Both of these arrangements calculate the payments to McDonald Partners using the Federal Funds rate. When that rate is zero, the Firm does not receive any payments. As of the date of this Brochure, McDonald Partners receives less than 5% of its revenue from these arrangements.

The RBC Insured Deposit Account and the U.S. Government Money Market Fund are cash sweep options for client accounts with assets of \$5,000,000 or more. Clients can select from these and other sweep options when establishing their account at RBC CS.

### **Retirement Plan & Account Advisory Services**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you:

- When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.
- The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:
  - Meet a professional standard of care when making investment recommendations (give prudent advice).
  - Never put our financial interests ahead of yours when making recommendations (give loyal advice).
  - Avoid misleading statements about conflicts of interest, fees, and investments.
  - Follow policies and procedures designed to ensure that we give advice that is in your best interest.
  - Charge no more than is reasonable for our services.
  - Give you basic information about conflicts of interest.

## Item 5 Account Requirements and Types of Clients

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The Flex program requires a minimum initial investment amount of \$25,000, which may be subject to negotiation, as determined by McDonald Partners. The minimum account size required to invest in Hegarty Asset Management is \$250,000. Exceptions may be granted in the discretion of Bill Hegarty, the portfolio manager.

The Flex program is available for a variety of clients, including individuals, pension, and profit-sharing trusts, foundations, charitable organizations, and other institutional clients.

## Item 6 Portfolio Manager Selection and Evaluation

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All Flex Accounts are managed by Financial Advisors of the Firm. Financial Advisors may select third-party asset managers (“Portfolio Managers”) that are available on the RBC CS platform. In identifying and choosing Portfolio Managers, we only select those Portfolio Managers that have met the eligibility criteria set by RBC CS, which includes an evaluation of the financial and organizational stability of the firm and product, historical performance results, experience, and other factors.

RBC CS uses the following minimum screening criteria deemed to be basic thresholds for operational viability for Portfolio Managers:

- Three years of operating and performance histories
- \$75 million of firm assets under management
- \$25 million of product assets under management
- Three years of portfolio management tenure
- Reasonable management fees and expenses

Investment managers meeting these criteria are then subjected to a more rigorous fundamental review. An initial evaluation of each product’s risk and return record is performed to identify the most attractive candidates. Strategies are compared to an appropriate benchmark or a peer group consisting of managers with similar mandates. In general, products exhibiting superior long-term absolute and/or risk-adjusted investment results receive further consideration.

Portfolio Managers are subjected to a more rigorous evaluation focused on four fundamental categories:

- Firm and Product
- Investment Professionals
- Investment Approach
- Performance

RBC CS also performs Initial and ongoing due diligence and maintains a Watch List to communicate potential issues.

In selecting third-party Portfolio Managers, Financial Advisors consider some of the following:

- Risk/return statistical data from multiple sources such as Zephyr Style Advisor, MorningStar and FI360;
- Review Portfolio Manager materials provided by RBC CS;
- Review responses by the Portfolio Manager to our Request for Proposal;
- Evaluate and compare risk/return statistics to appropriate benchmarks, peer groups and/or investment managers available through RBC platform; and
- Review management fees and account minimums.

Information that we gather regarding third-party Portfolio Managers is believed to be reliable and accurate, but we do not independently verify it.

Note that certain portfolio decisions involve investing in or recommending an investment in securities issued by pooled investment vehicles, e.g., mutual funds, ETFs and private funds. Outside portfolio managers make investment management decisions for those vehicles. As previously discussed, McDonald Partners also provides investment advisory services, through its affiliates, to seven private investment funds (the “Funds.”) Client assets may also be invested in the Funds.

Advisory Business: See Item 4 of this Wrap Fee Program Brochure for information about our wrap fee advisory program.

Individual Tailoring of Advice to Clients: We offer individualized investment advice to clients utilizing the services described in Item 4 of this Wrap Fee Program Brochure.

Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types or Securities: On a limited basis, clients may specify such restrictions. However, clients should be aware that such restrictions may limit access to specific investment programs and services we offer.

Participation in Wrap Fee Programs: 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. We do not manage wrap fee accounts differently from non-wrap fee accounts.

Performance-Based Fees & Side-By-Side Management: McDonald Partners does not charge performance-based fees except as disclosed in the offering documents for the private funds it, or its affiliates, advise.

Methods of Analysis, Investment Strategies & Risk of Loss: Securities analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

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

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

**Technical and Cyclical Analysis:** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. In cyclical analysis, a type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Technical and cyclical analyses do not consider the underlying financial condition of a company or market. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

**Mutual Funds and/or ETF Analysis:** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

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

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

The main sources of information include financial periodicals, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Your personal investment strategy is based upon the risk and objectives you discuss with your Financial Advisor before investing and ongoing throughout the year. You may change your objectives at any time. Your investment strategy may consist of asset allocation analysis, long-term purchasing, short-term purchasing, trading, short sales, margin transactions, and option trading strategies. It is important to update your Advisor promptly when any of your personal

and or financial situations change so that your goals and objectives can be updated accordingly.

## **Risks**

There is no guarantee that investment strategy will meet the intended objectives and all investments carry the risk of loss. Our approach to your investment strategy is to monitor your portfolio with the risk of loss in mind.

Depending on the types of securities you invest in, you may face the following risks:

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

**Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or declining market value.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Cyclical Risk:** The risk of business cycles or other economic cycles can adversely affect the returns of an investment, an asset class, or an individual company's profits. Cyclical risks exist because the broad economy has been shown to move in cycles – periods of peak performance followed by a downturn, then a trough of low activity. Between the peak and trough of a business or other economic cycle, investments may fall in value to reflect the uncertainty surrounding future returns as compared with the recent past.

**Liquidity Risk:** When consistent with a client's investment objectives, guidelines, restrictions, and risk tolerances, Advisor may invest portions of Client portfolios in illiquid securities, subject to applicable investment standards. Investing in an illiquid (difficult to trade) security may restrict its ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities. Limited Partnerships are relatively illiquid may require long waiting periods for investment return. Some may be subject to significantly less regulation than public investments.

**Fixed Income Risks:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in financial markets.

**Equity Risks:** The prices of equity investments fluctuate daily and at any given time. An investor has no assurance that they will be able to recoup their investment. Equity securities are subject to market risk, that is, as perceptions of a company's business prospects change, the actions of both buyers and sellers are affected. A dividend-paying stock may decrease or even cease to pay a dividend based on overall profitability. In the event of bankruptcy, common stockholders have a residual claim on company assets upon dissolution and therefore are the final class of investor to receive payment on their initial investment.

**Foreign and Emerging Markets Risk:** Investments in securities of foreign issuers may involve risks including adverse fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments, and reduced legal protection. Public information may be limited with respect to foreign and emerging markets issuers; foreign and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to the U.S. companies. Brokerage commissions and other transaction costs on foreign and emerging markets securities exchanges are generally higher than in the U.S. Other foreign taxes could decrease the net return on foreign investments.

**Small/Mid-Cap Risk:** Stocks of small or small emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

**Diversification Risk:** Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility.

**Options Risk:** Options involve risks and are not suitable for everyone. Options trading can be speculative in nature and carry a substantial risk of loss, including the loss of principal.

**High-Yield Risk:** (sometimes called "Junk" Bonds) Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these



securities.

**Structured products Risk:** These products often involve a significant amount of risk and should only be offered to Clients who have carefully read and considered the product's offering documents, as they are often based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

**Sociopolitical Risk:** This involves risk related to political and social events such as a terrorist attack, war, pandemic, or elections that could impact financial markets. Such events, whether actual or anticipated, can affect investor attitudes and outlooks, resulting in system-wide fluctuations in stock prices.

**Real Estate Investment Trusts (REITs):** Investment in REITs are subject to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local or general economic condition, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses.

**Public Health Risk:** Certain countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu, and, most recently, the coronavirus. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, has a negative impact on the economy, and business activity in any of the countries in which the Adviser may invest and thereby adversely affect the performance of the client account.

### **Voting Client Securities**

As a registered investment adviser, McDonald Partners has made the determination that it will not vote customer proxies or outsource voting to a third-party proxy voting service. This means that each client is responsible for making their own proxy voting decisions for the securities in their account(s).

Clients wishing additional information regarding proxy voting may contact their investment adviser representative or submit a request in writing to Compliance Department at McDonald Partners LLC, 1301 East 9th Street, Suite 3700, Cleveland, OH 44114 (requests may also be submitted via email to [Compliance@mcdonald-partners.com](mailto:Compliance@mcdonald-partners.com))

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

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The portfolio managers for the Flex Account Program are Financial Advisors with McDonald Partners. Based upon information from you during an initial interview, your Financial Advisor will construct a portfolio of securities based on your specific individual needs, risk tolerance and investment objectives. Your portfolio can include some or all of the following investment vehicles: load or no-load mutual funds, exchange-traded funds (ETFs), stocks, bond, cash, cash equivalents, closed-end funds, and other securities as appropriate for your individual needs.

## Item 8 Client Contact with Portfolio Manager

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Clients are always free to contact their Financial Advisor with any questions or concerns they have about their portfolios or other matters.

## Item 9 Additional Information

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### Disciplinary Information

On October 24, 2016, McDonald Partners paid a fine to the State of Arkansas for failure to register its Arkansas branch with the state and prevent unregistered sales agents from selling securities without registration. This fine was ordered by the state and has been paid and completed. The information was reported on the firm's registration through CRD Form BD.

On February 23, 2018, McDonald Partners signed a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA related to violations of the Securities and Exchange Act ("SEA") Rule 10b-9 and FINRA Rule 2010 in connection with two securities offerings. Additionally, there was a violation of SEA 15c2-4 and MSRB Rule G-14. The Firm was censured and paid of fine of \$50,000.

On February 26, 2019, McDonald Partners signed a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA relating to violations of MSRB Rule G-14 (failure to report municipal securities transactions to the MSRB's Real-Time Transaction Reporting system), Rule 15c3-1 of the Securities Exchange Act and FINRA Rule 2010 (conducting a securities business while failing to maintain its required minimum net capital), Rule 17a-3(a)(11) of the Securities Exchange Act, and FINRA Rules 4511 and 2010 (preparation of an inaccurate general ledger, trial ledger and net capital computation). FINRA imposed a censure and fined the Firm \$22,500. The fine was paid in full on March 22, 2019, and all conditions have been satisfied.

On June 22, 2022, McDonald Partners signed a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA relating to violations of Rule 10B-9 of the Securities Exchange Act of 1934, Rule 15c3-1 of the Securities Exchange Act and FINRA Rules 4110(b)(1) and 2010 (conducting a securities business while failing to maintain its required minimum net capital), and FINRA Rules 3110 and 2010(failing to conduct reasonable due diligence). FINRA imposed a censure and fined the Firm \$100,000 and ordered the firm pay \$170,000 plus interest in partial restitution to clients.

For detailed information on the above, visit FINRA's Broker Check on FINRA.org web site.

Without admitting or denying the findings, on August 31, 2021, McDonald Partners LLC ("McDonald Partners" or the "Firm") consented to sanctions and to the entry of findings by the Securities and Exchange Commission ("SEC") that it violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 206(2) and 206(4) of the Advisers Act, and Rules 206(4)-2 and 206(4)-8 thereunder.

The findings discussed McDonald Partners' role as placement agent for securities offered by two

private investment vehicles (“PIVs”) advised by McDonald Management LLC, a wholly-owned subsidiary of McDonald Partners. These PIVs were established to invest in a Montenegrin entity that was formed to develop a resort in Montenegro. Between September 2013 and through January 2017, McDonald Partners sold securities issued by the PIVs to investors, including its advisory clients. The findings state that in October 2016, McDonald Partners became aware of allegations that the executive director of the Montenegrin entity, who was not affiliated with the Firm, had misappropriated some of the PIVs’ funds. After being confronted by the Firm’s principals, the individual acknowledged that he had used some of the PIVs’ funds for personal expenses. Upon the advice of its then-legal counsel, McDonald Partners did not disclose the misappropriation to existing PIV investors and raised additional funds from six advisory clients in early 2017.

McDonald Partners has paid to the SEC disgorgement, prejudgment interest and civil penalties in the amount of approximately \$195,000. The Firm engaged a consultant for two years to provide advice and direction with respect to the drafting and performance of policies and procedures to ensure compliance with Rule 206(4)-2 (the “Custody Rule”).

### Other Financial Industry Activities

#### **Broker-Dealer Registration and Registered Representatives**

McDonald Partners is a registered broker-dealer, member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). McDonald Partners is also an investment adviser registered under the Investment Advisers Act of 1940, as amended, and is registered with the U.S. Securities and Exchange Commission.

Certain of the executive officers, Financial Advisors and other employees of McDonald Partners are separately licensed as registered representatives of McDonald Partners. These individuals, in their separate capacity, can affect securities transactions for which they or the broker-dealer may receive separate, yet customary compensation.

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

McDonald Partners serves as General Partner to seven private investment companies, through a wholly-owned affiliate. These private investment companies include MP DPI LLC, MPCF LLC, MPCF II LLC, MPCF III LLC, MP127 LLC, Eden Rock Montenegro LLC and ERM Resort LLC (the “Funds”). Investors in these partnerships paid placement or other fees to McDonald Partners. These fees were determined prior to investment and disclosed in the private placement memorandum. General partners or other related persons can be compensated in other ways in connection with the partnerships. McDonald Partners and its affiliates can receive investment management fees and performance fees as disclosed in the offering documents for the Funds.

Some of the Firm’s Financial Advisors, employees, and their spouses currently have invested in

the Funds managed by McDonald Partners. As of March 31, 2021, the total investment of these individuals is less than five percent of the total value of the Funds.

MP DPI LLC, one of the Funds managed by a McDonald Partners affiliate, invests in the common stock of Diasome Pharmaceuticals Inc. ("Diasome"). Thomas McDonald, Non-executive Chairman and Owner of McDonald Partners is a Diasome Board Member. Mr. McDonald received warrants in consideration for his role with the Diasome Board of Directors. Mr. McDonald is also the president of MP DPI, LLC.

Thomas McDonald, manager of the affiliated entity that manages many of the Funds, McDonald Management LLC, also serves as President of MPCF LLC, MPCF II LLC, and MPCF III LLC. MPCF LLC, MPCF II LLC, and MPCF III LLC invest in Caymus Funding Inc. Mr. McDonald has been granted common stock in the portfolio company, Caymus Funding Inc., under a service agreement for his role on the Board of Directors of Caymus Funding Inc. Tim Norton, a Financial Advisor with the Firm, has also been granted common stock in Caymus Funding, Inc. for serving on its Board of Directors.

Because investment in these types of entities may involve certain additional degrees of risk, they will only be recommended to accredited investors when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

**Futures and Commodity Registration.** McDonald Partners is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

**Licensed Insurance Producers.** Certain of McDonald Partners Supervised Persons (including its Financial Advisors), in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. While McDonald Partners does not sell such insurance products to its clients, McDonald Partners does permit its Supervised Persons, in their individual capacities as licensed insurance agents, to sell insurance products to their clients. A conflict of interest exists to the extent that McDonald Partners recommends the purchase of insurance products where McDonald Partners' Supervised Persons receive insurance commissions or other additional compensation.

**Jaqueline M. Hummel:** Jaqueline M. Hummel is the Chief Compliance Officer for McDonald Partners LLC for its investment advisory business. She is a securities attorney and is licensed to practice law in Ohio and Massachusetts. Ms. Hummel is a Senior Principal Consultant at ACA Group, a firm specializing in providing regulatory compliance consulting services to registered investment advisers, broker-dealers, investment companies, and private funds.

#### [Code of Ethics, Participation in or Interest in Client Transactions and Personal Trading](#)

The Code of Ethics is based on the principle that McDonald Partners, its Financial Advisors and its

employees owe a fiduciary duty to its clients and a duty to comply with federal and state securities laws and all other applicable laws. These duties include the obligation of Access Persons to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise to take unfair advantage of their relationship with clients. In certain circumstances, our employees are permitted to purchase and sell for themselves securities identical to those they may recommend to you. Your Financial Advisor may also trade in a security for his or her own account that is directly opposite of the advice recommended to you. There is an inherent conflict of interest between our fiduciary of best execution for our clients and the apparent self-interest of employees trading in the same securities contemporaneously. When trading for themselves, Financial Advisors must comply with all fiduciary provisions outlined in the McDonald Partners Code of Ethics.

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

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to the compliance department at [compliance@mcdonald-partners.com](mailto:compliance@mcdonald-partners.com), or by calling us at 866-899-2997.

### Review of Accounts

McDonald Partners monitors Client accounts as part of an ongoing process while regular account reviews with Clients are conducted on at least an annual basis. Client accounts are reviewed periodically for investment objective, financial plan adherence and overall asset allocation by the Financial Advisor associated with the account. All account trades are reviewed daily by compliance personnel for any red flags in conjunction with the above, and if any discrepancies are noted, they are discussed with the associated Financial Advisor on the account.

Performance reports may be sent out annually (at a minimum) to advisory clients that participate in the Flex Account Program or Hegarty Asset Management Accounts. These reports are sent directly from the home office or by the Financial Advisor either in person or by the US mail. Some clients will receive the reports electronically if they so indicate.

At least annually, we will request in writing that you update your Financial Advisor with any changes to your financial status, investment objectives, risk tolerance or other important information.

### Client Referrals and Other Compensation

McDonald Partners and our Financial Advisors receive client referrals which may come from current clients, our attorneys, employees, accountants, and personal relationships. Currently the Firm does not compensate for referrals.

McDonald Partners has a revenue sharing agreement with RBC CS whereby McDonald Partners receives a rebate based on McDonald Partners' monthly average daily balance in RBC Insured Deposit Accounts. McDonald Partners also receives payments from RBC CS based on the Firm's monthly average balance in the U.S. Government Money Market Fund. If, however, the U.S. Government Money Market Fund waives 50 basis points or more of its fees, then McDonald Partners will not receive any payments. The U.S. Government Money Market Fund is available for balances that exceed the FDIC insurance coverage limit. Both of these arrangements calculate the payments to McDonald Partners using the Federal Funds rate. When that rate is zero, the Firm does not receive any payments. As of the date of this Brochure, McDonald Partners receives less than 5% of its revenue from these arrangements.

The RBC Insured Deposit Account and the U.S. Government Money Market Fund are cash sweep options for client accounts with assets of \$5,000,000 or more. Clients can select from these and other sweep options when establishing their account at RBC CS.

Your Financial Advisor receives a selling concession when purchasing new issue securities for your account. The selling concession is a separate payment made directly from the issuer of the security to the Financial Advisor as additional compensation. This payment is not added or related to the advisory fee you pay.

Many mutual funds pay registered representatives of broker-dealers 12b-1 fees, which are additional fees charged by mutual funds for promotion, distributions and/or marketing expenses of the fund's shares. Any 12b-1 fees received by McDonald Partners are rebated back to the client account.

Periodically mutual fund companies help the Firm pay for Client functions and defray the cost of Firm meetings. Although these expenses are paid to the service providers in connection with these activities, a conflict of interest exists for McDonald Partners in the selection and recommendation of the mutual funds from the fund companies that sponsor these events. For more information, ask your Financial Advisor which product sponsors, if any, helped pay for Client functions.

McDonald Partners has a referral agreement with a broker-dealer that provides investment banking services. The broker-dealer agrees to pay a portion of its fee to the Firm for a referral that results in an engagement to provide investment banking services.

### Financial Information

McDonald Partners does not solicit prepayment of more than \$1200 in fees, per client, six months or more in advance. McDonald Partners has not been the subject of a bankruptcy petition at any time during the past ten years.