

**McGrath & Associates, Inc.  
d/b/a: Holcombe & McGrath**

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**Form ADV Part 2A  
Brochure**

March 7, 2023

This brochure provides information about the qualifications and business practices of Holcombe & McGrath. If you have any questions about the contents of this brochure please contact us at (828) 252-8228. 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. April 14, 2022

Holcombe & McGrath is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Verbal and written communications between Holcombe & McGrath and potential clients should provide the necessary information to enable clients to make the decision to hire or retain the services of our firm.

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

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated February 16, 2022 we have no material changes to report.

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## Item 4 Advisory Business

### Description of Firm

McGrath & Associates, Inc., doing business as Holcombe & McGrath, is a registered investment adviser based in Asheville, NC. We are organized as a corporation under the laws of the State of NC.

Holcombe & McGrath was founded in 2008, by owner and president, Susan McGrath. However, our roots stretch back to an earlier financial advisory firm started by Harold Holcombe in 1985. Susan joined Harold's Firm in 2002, and ultimately acquired it in 2008 after Harold's retirement.

We have been providing investment advisory services since 05/01/2008. We are owned by Susan Lee McGrath.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Holcombe & McGrath and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

This Brochure provides important information about Holcombe & McGrath, the nature and cost of our services, our compensation, and situations where our interests may conflict with our Clients, among other issues. The discussions about conflicts of interest are important because the conflicts can affect our judgment in managing your account, in choosing brokers to execute your trades, and in recommending custodians, among other important considerations.

### Description of Our Services

Holcombe & McGrath provides discretionary investment management services for client assets (the "Management Services"). We also offer separate "Financial Advisory Services" for individuals and businesses covering a wide range of financial and investment subjects.

During the initial meeting with their "Representative," which can last between thirty and ninety minutes, prospective Clients will discuss in person or by telephone the Firm's services and the prospective Client's overall financial situation, objectives, goals, and experience. After the initial meeting, the prospective Client is free to decide whether or not to enter into a Management Agreement to engage us for the Management Services or to enter into a Financial Advisory Agreement to engage us for the Financial Advisory Services. The Management Agreement and Financial Services Agreement are referred to collectively as "client agreements."

We caution Clients and prospective Clients reviewing the following information, to keep in mind that this information is necessarily general and does not address all possible details about our services. Our Representatives or management are available to answer questions not addressed below. Also, because we reserve the right to negotiate the terms of each client agreement, Clients should always refer to their individual client agreement for the specific terms and conditions that apply to them.

### Portfolio Management Services

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives.

If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We will

also have discretion over the broker or dealer to be used for securities transactions in your account. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms.

In providing account management services, we accept reasonable client restrictions on the specific securities or the types of securities that may be held in your account.

For prospective Clients interested in our Investment Management Services, the Representative will meet with the Client and obtain information regarding the Client's personal and financial situation, and the investment objective, tolerance for risk, investment time horizon, liquidity needs, and reasonable investment restrictions (all the "Suitability Information") for each of the Client's accounts to be managed through the Management Services (collectively, the "Account").

Holcombe & McGrath uses a proprietary investment philosophy and system developed after years of research and experience managing Client assets. Although our investment system is influenced by many different investment philosophies and methods, in general, it focuses on broad diversification, low costs, and a management approach that finds the probability of a more favorable investment outcome tends to improve over the long-term.

We do not require the use of our proprietary system in managing a Client's Account, and if requested, in our discretion, we may agree to use another strategy or portfolio that meets a Client's personal preferences. A Client may request, at any time, that we change the investment strategy being employed with respect to their Account. Notwithstanding the foregoing, in the event of any requested change by a Client, in our sole discretion, we reserve the right to terminate their Management Agreement if a mutually agreeable alternative cannot be identified.

The Management Agreement does not include services to implement any advice or recommendation, except with respect to assets managed (or to be managed) as part of the Management Services. Client may elect to implement any advice or recommendations, at Client's sole discretion, through professionals selected by Client (including Client's accountant, attorney, insurance agent, broker, or other financial professionals).

### **Financial Planning Services**

We offer financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad-based financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will guide you through a plan designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

Holcombe & McGrath provides separate, standalone "Financial Advisory Services" for: any Client who wishes comprehensive financial planning; or any Client who wishes limited scope or project-based financial planning services, or financial planning services that include a written report or Financial Plan. The Financial Advisory Services will be described in a written Financial Advisory Services Agreement between the Client and Holcombe & McGrath.

Once the Firm and Client have entered into the Financial Advisory Agreement, the Representative will work with the Client to collect the Suitability Information, and to the extent relevant to the engagement, information regarding insurance coverages, education plans, estate plans, retirement plans, and related or similar matters necessary to provide the Financial Advisory Services (all the "Financial Advisory Information"). The Suitability Information and Financial Advisory Information are referred to collectively as the "Client Information."

The scope of the Financial Advisory Services varies, as each engagement is individually negotiated and tailored to accommodate the specific needs of the Client. Advice may be provided through individual consultations or a written report or Financial Plan, as agreed between the Firm and Client.

### **Pension Consulting Services**

Although we do not actively seek new business for this service, our firm currently provides pension consulting services to an employee benefit plan and its fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as:

- Diversification;
- Asset allocation;
- Risk tolerance; and
- Time horizon

Our educational seminars may include other investment-related topics specific to the particular plan.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

Either party to the pension consulting agreement may terminate the agreement upon written notice to the other party in accordance with the terms of the agreement for services. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

### **Wrap Fee Programs**

We do not participate in any wrap fee program.

## **Types of Investments**

We may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

## **IRA Rollover Recommendations**

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; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

## **Assets Under Management**

As of December 31, 2022, we provide continuous management services for \$105,488,546 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis. We also manage \$5,871,112 in client assets on a non-continuous basis.

## **Item 5 Fees and Compensation**

### **Portfolio Management Services**

Our annual fee for portfolio management services is equal to 1% of the market value of your assets under our management. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion.

Our annual portfolio management fee is billed and payable, quarterly in arrears, based on the balance at end of billing period.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

You may terminate the portfolio management agreement upon Written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

All Management Fees are calculated and paid in arrears on a quarterly basis, using the aggregate value of all accounts comprising the Account, as of the Valuation Date (as defined below) for such billing quarter (the "Account Value"). Each billing quarter will be three (3) months in length and each shall begin on the first day following the end of the previous billing quarter; provided, any partial billing quarter shall be prorated based on the number of days this Agreement was in effect. Holcombe & McGrath shall have discretion on the beginning date of the initial billing quarter, to improve efficiency and administrative convenience.

Holcombe & McGrath will be compensated through the Management Fees, which will be calculated based on the Account Value, Account Type, Asset-Based Fee Rate, and Hourly-Based Fee Rate (if any) shown in the following Management Fee Table.

Except as provided below, quarterly billing periods and Account Values shall be determined by reference to the close of period asset valuations and the reporting or statement periods of the Custodian of the Account (the "Valuation Date"). If at any time a period for which we calculate Management Fees is different from a Custodian's reporting or statement period, we may adjust our calculation period so that the Valuation Date corresponds to the custodian's reporting or statement period, as we shall select on a consistent basis for each Custodian.

Management Fees differ depending on whether the "Account Type" is Standard Account or Small Account, as determined as of the Valuation Date for each billing quarter; provided, for the initial billing quarter, the determination Account Type is made by mutual agreement between Holcombe & McGrath and Client upon entering into this Agreement based on the good faith expected Account Value as of the end of the initial billing quarter. A Standard Account refers to an Account whose Account Value (the aggregate of all Accounts) meets or exceeds the Minimum Account Size as of the Valuation Date for a billing quarter; Small Account refers to an Account whose Account Value is less than the Minimum Account Size as of the Valuation Date for a billing quarter.

For purposes of fee billing, the "Minimum Account Size" is \$500,000. Determination of whether an Account is a Standard Account or Small Account is recalculated as of the Valuation Date for each billing quarter, except the initial quarter, as discussed above.

Management Fees are redetermined each billing quarter based on whether the Account Type is determined to be Standard Account or Small Account for such quarter, and if relevant, the Account Value as of the Valuation Date; provided, for the initial billing quarter, Account Type will be based on the mutual agreement of Holcombe & McGrath and Client.

<b>MANAGEMENT FEE TABLE</b>			
<b>Account Value</b>	<b>Account Type</b>	<b>Maximum Asset-Based Quarterly Fee Rate</b>	<b>Maximum Hourly-Based Fee Rate</b>
\$500,000 or Greater	Standard Account	0.250% of Account Value	Not Applicable
Less than \$500,000	Small Account	0.250% of Account Value (up to 1.00% annualized)	\$200 per hour

Clients who have agreements for Management Services executed prior to December 2016 will retain their existing fee agreements.

When calculating Management Fees, the following shall apply:

- For each billing quarter the Account qualifies as a Standard Account, Management Fees will be comprised only of Asset-Based Fees, based on the Asset-Based Quarterly Fee Rate for Standard Accounts shown in the Management Fee Table; and
- For each billing quarter the Account is a Small Account, Management Fees will be comprised of:
  - Asset-Based Fees, based on the Asset-Based Quarterly Fee Rate for Small Accounts shown in the Management Fee Table; plus,
  - If an Hourly-Based Fee Rate has been provided in the Management Fee Table, additional Hourly-Based Fees, calculated pursuant to the Management Agreement, for all Services provided the Representative pursuant to this Agreement during such billing quarter.

Management Fees shall be calculated on the basis of the actual number of days in a billing quarter (or part thereof) the Management Agreement is in effect. Management Fees will be due and payable immediately following the end of the billing quarter. Management Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of a Client.

### **Additional Fees & Expenses**

The Management Fees are separate and distinct from a number of other expenses that Accounts will incur, including, Brokerage and Investment Expenses, Investment Company Expenses, and Custodial Expenses.

As used in this Brochure, the term "Brokerage and Investment Expenses" refers to the following:

sales charges, commissions, other transaction charges, and mark-ups/downs imposed by brokers or dealers (including the custodian) who execute securities transactions for an Account on an agency or principal basis; transfer or other taxes, exchange fees, service and handling fees, electronic fund or wire transfer fees, postage and delivery expenses; costs of cash management services (including for "sweep" arrangements with 8 | P a g e respect to idle cash into bank deposit accounts or money market mutual fund accounts), and direct and indirect fees for other financial or investment services provided by brokers or custodians.

As used in this Brochure, the term "Investment Company Expenses" refers to the following:

internal management fees, operating costs, and investment expenses deducted by mutual funds, money market funds, ETF's, and UIT's (each referred to as a "fund") from their assets to operate the fund. These internal expenses also include recordkeeping fees, and transfer and sub-transfer

agent fees, among others. All of these amounts represent indirect expenses that are charged to the fund's shareholders. Mutual funds may also impose an early redemption fee if shares are redeemed within a short time period, usually within 180 days from the date of purchase. The redemption fee is generally two percent or less.

As used in this Brochure, the term "Custodial Expenses" refers to the following:

the costs Clients must pay for services provided by their Custodian for: (1) arranging for the receipt and delivery of securities that are purchased, sold, borrowed or loaned for the Account; (2) making and receiving payments with respect to Account transactions and securities; (3) maintaining custody of Account securities; and (4) maintaining custody of cash, receiving dividends, and processing exchanges, distributions, and rights accruing to the Client's account. The Custodian may be compensated through commissions or other transaction-based fees for securities transactions executed through the custodian (or its affiliates) or by asset-based fees for investments settled into the custodian's accounts, or both. The specific fees and terms of each custodian's services are described in the Client's separate agreement with the Custodian.

Holcombe & McGrath does not receive any of the Brokerage and Investment Expenses, Investment Company Expenses, or Custodial Expenses. For more information on our brokerage practices, please refer to Item 12 of this Brochure.

## **Financial Advisory Fees**

We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

You may terminate the financial planning agreement upon Written notice to our firm. If you have pre-paid financial planning fees that we have not yet earned, you will receive a prorated refund of those fees. If financial planning fees are payable in arrears, you will be responsible for a prorated fee based on services performed prior to termination of the financial planning agreement.

For Financial Advisory Services, Holcombe & McGrath will be compensated through the Financial Advisory Fees, which are calculated based on the Financial Advisory Fee Rate, provided in the Fee Schedule in the Client's Financial Advisory Agreement, based on minimum 15-minute increments for Services provided.

We charge a negotiable hourly Financial Advisory Fee Rate, up to \$200 on an hourly basis, based on minimum 15-minute increments, depending on the scope and complexity of the engagement. Client will be charged for all services, including, but not limited to, administrative work and communication with other professionals on the Clients' behalf. The specific fee arrangement will be described in the Client's Financial Advisory Agreement.

For engagements estimated to require more than 8 billable hours, the Representative will provide the Client with the Representative's good faith "Estimate" of the "Total Hours" for which the Client will be billed for the Services, within a range of 10%. Client will acknowledge in the Financial Advisory Agreement that Client understands that the "Estimated Total Hours" represents the Representative's good faith estimate of the "Total Billable Hours" for the Holcombe & McGrath to complete the Services, within a range of 10%. If at any time the Representative determines the Total Hours for which the Client will be billed will be more than 10% over the current Estimate, the Representative will notify the Client of the situation. Client may (i) authorize Representative to continue further Services upon agreement to an increase of the Estimate, (ii) accept the Services performed to date upon payment of the Financial Advisory Fees for such Services performed, and terminate the Financial Advisory

Agreement, or (iii) terminate the Financial Advisory Agreement, without receiving any of the Services, and have no obligation for any amount due to Holcombe & McGrath under the Financial Advisory Agreement. With any increase in the Estimate, these same procedures shall apply.

Financial Advisory Fees become immediately due upon completion of the agreed Services. Unless otherwise specified in the Financial Advisory Agreement, Client will be billed directly for the Financial Advisory Fees, which Client agrees to pay within ten (10) business days of receiving our invoice; provided, with Client's written consent, we will bill the Custodian of Client's investment account for our Financial Advisory Fees, and the Custodian will be authorized to pay our Financial Advisory Fees immediately upon receipt of our invoice, without further consent of the Client.

### **Pension Consulting Services**

Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

You may terminate the pension consulting services agreement upon Written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

## **General Terms and Conditions**

**Negotiability of Fees and Terms:** Holcombe & McGrath retains the discretion to negotiate fees and other terms on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fees to be charged and terms of each client agreement, including the complexity and size of the account or amount of assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. The specific fee will be identified in the client agreement between the Holcombe & McGrath and the Client.

**Termination of Client Agreement:** The Management Agreement and Financial Advisory Agreement may each be terminated by any party, at any time, by written notice to the other parties. **Client may terminate, without penalty, a Management Agreement or Financial Advisory Agreement within five business days after entering into either agreement.** For terminations occurring more than five business days after entering into either agreement, terminations are handled as follows:

- upon termination of a Management Agreement, Management Fees for the last billing quarter are calculated through the date the notified party receives notice of termination, based on the Account Value as of such date; and we may immediately bill to the custodian, and the custodian

- may immediately deduct and pay us the Management Fees from the Account;
- prior to completion of the Services, upon termination of a Financial Advisory Agreement, we will determine if Client has indicated whether Client prefers to pay for and receive the services performed through the date of termination, or to terminate the Financial Advisory Agreement without receiving the Financial Advisory Services. If Client chooses the former, we will promptly deliver or provide the Financial Advisory Services, as and to the extent of their then-existing state or condition as of such date, and invoice Client for the fee amount we informed Client would be due. Client agrees to pay any such amount within ten (10) business days of receiving our invoice. We do not accept fees paid in advance. If Client chooses to terminate the Financial Advisory Agreement without receiving the Services or making payment, then the agreement shall end and the parties' mutual obligations shall terminate.

Clients who use Charles Schwab & Co., as their custodian are able to contact Schwab Alliance, 1-800-515-2157, and request their account be delinked from our Firm. However, this will not terminate the Client's agreement with our Firm; the termination procedures in the Client's agreement with our Firm must still be followed.

After a client agreement has been terminated: Client may be charged commissions, sales charges, and transaction, clearance, settlement, and custodial charges, at prevailing rates, by their custodian and any executing or carrying broker-dealer; Client will be responsible for monitoring all transactions and assets; and Holcombe & McGrath shall not have any further obligation to monitor or make recommendations with respect to the Account or Client's assets.

**Information About Compensation from Other Sources:** At times, it may be necessary for us to recommend and work with other professionals such as accountants, attorneys, mortgage brokers, insurance agents, etc., to meet Client's objectives. Holcombe & McGrath does not receive any referral compensation or any other forms of compensation from any professional to whom Client may be referred or that may be involved in the process.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

Holcombe & McGrath provides portfolio management and investment advisory services to high net worth individuals, other individuals, and ERISA qualified retirement savings plans to for-profit and non-profit organizations.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to manage effectively.

We will generally impose a higher Management Fee Rate for Accounts under the Minimum Account Size of \$500,000, as described in Item 5, *Fees and Compensation*.

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

### Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### Other Risk Considerations

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

### **Recommendation of Particular Types of Securities**

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. Our firm or a management person has been involved in the event(s) described below.

In 2015 the North Carolina Securities Division found that McGrath & Associates Inc. (Holcombe & McGrath) had failed to complete an application to register an investment adviser representative with the state. McGrath & Associates Inc. agreed to pay a Settlement amount of \$2,500 to the State of North Carolina.

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

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
3. other investment adviser or financial planner;
4. futures commission merchant, commodity pool operator, or commodity trading adviser;
5. banking or thrift institution;
6. accountant or accounting firm;
7. lawyer or law firm;
8. insurance company or agency;
9. pension consultant;
10. real estate broker or dealer; and/or
11. sponsor or syndicator of limited partnerships.

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

Holcombe & McGrath principals and employees may purchase for their personal investment accounts any of the investments that the firm recommends to clients. For such purchases, the buyer must follow the same guidelines for investing as dictated by the company policy and procedures manual.

Holcombe & McGrath has adopted the Code of Ethics and Professional Responsibility as defined by the Certified Financial Planner Board of Standards Inc. (CFP Board). Holcombe & McGrath adheres to the seven principles of Integrity, Objectivity, Competence, Fairness, Confidentiality, Professionalism and Diligence to govern its relationship with clients. All supervised persons at Holcombe & McGrath must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Holcombe & McGrath will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Holcombe & McGrath and its clients. Clients may request a copy of the Firm's Code of Ethics by contacting Nicole Johnson at (828)-252-8228 or [Nicole@holmcg.com](mailto:Nicole@holmcg.com).

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of Charles Schwab & Co. (whether one or more "Custodian"). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Our selection of custodian is based on many factors, including the level of services provided, the custodian's financial stability, and the cost of services provided by the custodian to our clients, which includes the yield on cash sweep choices, commissions, custody fees and other fees or expenses.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

Schwab provides clients of Holcombe & McGrath with reduced trading fees, online-access to their accounts and a well-staffed, United States based customer service department available via telephone. In addition, Schwab waives all account custody fees for advisory clients. While Holcombe & McGrath does not have any formal soft dollar arrangements, as a direct benefit to Holcombe & McGrath employees, Schwab provides third- party and proprietary research on securities and online

instructional webcasts for continuing education purposes. Clients should be aware, however, that the receipt of economic benefits by Holcombe & McGrath creates a conflict of interest and may indirectly influence the firm's recommendation of Charles Schwab & Co. for custody and brokerage services. Further, while there may be an incentive for Holcombe & McGrath to use Schwab as custodian, other broker-dealer custodians under consideration offered similar benefits with comparable trading fees.

### **Research and Other Soft Dollar Benefits**

In selecting or recommending a broker-dealer, we will consider the value of research and additional brokerage products and services a broker-dealer has provided or will provide to our clients and our firm. Receipt of these additional brokerage products and services are considered to have been paid for with "soft dollars." Because such services could be considered to provide a benefit to our firm, we have a conflict of interest in directing your brokerage business. We could receive benefits by selecting a particular broker-dealer to execute your transactions, and the transaction compensation charged by that broker-dealer might not be the lowest compensation we might otherwise be able to negotiate.

Products and services that we may receive from broker-dealers may consist of research data and analyses, financial publications, recommendations, or other information about particular companies and industries (through research reports and otherwise), and other products or services (e.g., software and data bases) that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Consistent with applicable rules, brokerage products and services consist primarily of computer services and software that permit our firm to effect securities transactions and perform functions incidental to transaction execution. We use such products and services in our general investment decision making, not just for those accounts for which commissions may be considered to have been used to pay for the products or services.

The test for determining whether a service, product or benefit obtained from or at the expense of a broker constitutes "research" under this definition is whether the service, product, or benefit assists our firm in investment decision-making for discretionary client accounts. Services, products, or benefits that do not assist in investment decision-making for discretionary client accounts do not qualify as "research." Also, services, products or benefits that are used in part for investment decision-making for discretionary client accounts and in part for other purposes (such as accounting, corporate administration, recordkeeping, performance attribution analysis, client reporting, or investment decision-making for the firm's own investment accounts) constitute "research" only to the extent that they are used in investment decision-making for discretionary client accounts.

Before placing orders with a particular broker-dealer, we determine that the commissions to be paid are reasonable in relation to the value of all the brokerage and research products and services provided by that broker-dealer. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts charged by another broker-dealer that did not provide research services or products.

We do not exclude a broker-dealer from receiving business simply because the broker-dealer does not provide our firm with soft dollar research products and services. However, we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. In addition, we may not allocate soft dollar benefits to your accounts proportionately to the soft dollar credits the accounts generate. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest.

We have instituted certain procedures governing soft dollar relationships including preparation of a brokerage allocation budget, mandated reporting of soft dollar irregularities, annual evaluation of soft dollar relationships, and an annual review of our brochure to ensure adequate disclosures of conflicts of interest regarding our soft dollar relationships.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products are in addition to any benefits or research we pay for with soft dollars, and may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through Schwab. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

### **Aggregated Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "aggregated trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

### **Trade Errors**

It is our firm's policy for clients to be made whole following a trade error. However, the custodian of the client's account has adopted separate policies that differ from ours and which will control in virtually all situations. Charles Schwab & Co.'s trade error policy provides that if correction of a trade error results in an investment gain, the gain will remain in the client's account unless (i) the same error involved other client account(s) that should have received the gain, (ii) it is not permissible for the client to retain the gain, or (iii) Schwab confers with the client and the client decides to forego the gain. If the gain does not remain in the client's account and Schwab is the custodian, Schwab will donate the amount of any gain of \$100 and over to charity. Losses greater than \$100 will be paid by our firm, as the client's adviser.

In all cases of gains or losses under \$100, Schwab will pay the loss and retain any gain (if such gain is not retained in the client account) to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the clients account, they may be netted.

## Item 13 Review of Accounts

### Investment Management

Reviews of Client accounts are conducted by Susan L. McGrath, firm principal, and Robert E. Baschnagel, Financial Advisor.

We will monitor your accounts on an ongoing basis and will conduct account reviews at least annually, to ensure the advisory services provided to you are consistent with your investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or
- changes in your risk/return objectives.

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

We will provide you with periodic reports on your account performance. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Clients are provided with a statement at least quarterly from custodian Charles Schwab & Co., Inc. showing the dollar value of all assets in each account at the beginning of the quarter and the last day of the quarter. These Schwab statements also provide details for any transaction that took place in the client's account during that time period. In addition, Holcombe & McGrath provides a quarterly performance report showing the percent increase or decrease in client assets both year- to-date and from the initial date of management by Holcombe & McGrath to the present.

### Changes in Client Circumstances

Clients are advised that, depending on the service Holcombe & McGrath provides, changes in the Client's Suitability Information or Financial Advisory Information, including without limitation, information about the Client's investment objectives, tolerance for risk, investment time horizon, liquidity needs, reasonable investment restrictions, insurance coverages, or with respect to education, estate, or retirement planning, for example, may cause the current strategy or portfolio, or financial advice or service, to be rendered or become less effective in meeting the Client's needs.

Therefore, in the event of any material change in the Client's Suitability Information or Financial Advisory Information, Client should contact the Representative or our Firm promptly so that we may assist in identifying whether there is another portfolio, strategy, or other available alternative that better meets the Client's needs (there may be an additional charge for such service for Financial Advisory Service clients if we have completed, or substantially completed the service for which Client originally engaged us).

### Asset Withdrawals

Clients may withdraw account assets on notice to us, subject to the usual and customary securities settlement procedures. We design portfolios as long-term investments, carefully allocated among various assets classes, designed to achieve certain target objectives and risk parameters. Depending on the nature and size of a withdrawal, the remaining portfolio may not achieve a Client's investment

objectives or reflect the Client's risk tolerance. We may consult with Client about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level, and tax ramifications, for example.

### **Financial Planning**

We will review financial plans as needed, depending on the arrangements made with you at the inception of your advisory relationship to ensure that the advice provided is consistent with your investment needs and objectives. Generally, we will contact you periodically to determine whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss and/or disability, among others. We recommend meeting with you at least annually to review and update your plan if needed. Additional reviews will be conducted upon your request. Such reviews and updates may be subject to our then current hourly rate. Written updates to the financial plan will be provided in conjunction with the review. If you implement financial planning advice, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

## **Item 14 Client Referrals and Other Compensation**

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

From time to time our Representatives attend professional educational and networking events sponsored by financial institutions, custodians, investment companies, and broker-dealers, some of which we may recommend to our clients. Our invitation to these events is not conditioned on our clients' purchase of any investment or service and, frequently, we pay fees in order for our Representatives to attend. These events offer education, research information and insights on investment and financial topics. We disclose our attendance to these events to clients because they could be construed as a conflict of interest.

## **Item 15 Custody**

Client assets are held at a qualified custodian.

We do not directly debit advisory fees from your account and we do not exercise custody over your funds or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities. If you have a question regarding your account statement or if you did not receive a statement from your custodian, contact your custodian directly.

Clients should receive at least quarterly statements from Charles Schwab where clients' investment assets are held and maintained.

Holcombe & McGrath urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

Holcombe & McGrath receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts to be purchased or sold, Holcombe & McGrath observes the investment objective, as well as any limitations and restrictions, of the client.

Holcombe & McGrath's accounts are managed on a discretionary basis through a limited power granted by the client. When the client opens the account(s) to be managed at Charles Schwab, they sign a limited power of attorney granting Holcombe & McGrath to have trading authority and the ability to collect management fees from each account. Management fees are typically directly debited from client accounts by the qualified custodian or broker-dealer, as authorized by the client.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

We have not filed a bankruptcy petition at any time in the past ten years.

## **Item 19 Requirements for State Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.