

## INVESTMENT MANAGEMENT AGREEMENT

This investment management agreement (the "Agreement") is made on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ between the undersigned party,

CLIENT(s): \_\_\_\_\_ whose mailing address is \_\_\_\_\_  
\_\_\_\_\_

(hereinafter referred to as "you" or "your"), and MerCap Advisors, Inc., a registered investment adviser, whose mailing address is 73 Chestnut Road, Suite 400, Paoli PA 19301 (hereinafter referred to as "us," "we," or "our").

**1. Scope of Engagement.** You hereby appoint us as your investment adviser to perform the services hereinafter described and we accept such appointment under the terms and conditions hereinafter stated. We shall be responsible for the investment and reinvestment of those assets that you designate to be subject to our management as set forth on Exhibit A (the "Assets" or "Account") in accordance with your investment needs, goals and objectives as set forth on Exhibit B.

You hereby appoint us as your attorney-in-fact and grant us limited power-of-attorney with discretionary trading authority over your Account to buy, sell, or otherwise effect investment transactions involving the Assets. We are authorized, without your prior consultation, to buy, sell, and trade in stocks, bonds, mutual funds, index funds, exchange traded funds, and other securities and/or contracts relating to the same, on margin (only if a separate written margin authorization has been granted), including investing Assets in short-term money-market instruments when we deem necessary, and to give instructions in furtherance of such trading authority to the broker-dealer of the Account ("Broker-Dealer") and the custodian of the Assets ("Custodian").

We are authorized to delegate the active discretionary management of all or part of the Assets to one or more independent investment managers and/or investment management programs (collectively referred to as "Independent Managers") based upon your stated investment objectives without prior consultation with you or your prior consent. Such Independent Managers shall have all of the same authority relating to the management of your Accounts as is granted to us in this Agreement. In addition, in our discretion, we may grant such Investment Managers full authority to delegate such discretionary authority to additional Investment Managers. For access to certain Investment Managers, we may be required, and you hereby authorize us, to enter into management agreements on terms and conditions deemed appropriate. Such agreements may include fees in addition to our Management Fees.

The Independent Managers shall have limited power-of-attorney and trading authority over those Assets we direct to them for management and they shall be authorized to buy, sell, and trade in Securities in accordance with your investment objectives as communicated by us and to give instructions in furtherance of such trading authority to the Broker-Dealer and the Custodian.

We are authorized to terminate or change Independent Managers when, in our sole discretion, we believe such termination or change is in your best interest. We will continue to render services to you relative to the supervision of the Independent Managers and ongoing monitoring and review of Account performance, Asset allocation, and investment objectives, for which services we shall be paid our Management Fee.

In the provisions of services to your Accounts, we may utilize third-party service providers to perform tasks such as Account billing and reporting, trade order implementation and other administrative services. Unless otherwise specifically and expressly indicated in this Agreement, you

acknowledge and understand that the service to be provided by us under this Agreement is limited to the management of the Assets and does not include financial planning or any other related or unrelated services. To the extent that you desire any services outside the scope of this Agreement, the specific nature of the services required shall be set forth in a separate written agreement for which services we shall be paid a separate and additional fee.

**2. Management Fees.** Our annual fee for the services provided under this Agreement ("Management Fee") shall be a percentage of the market value of the Assets under our management in accordance with the fee schedule attached hereto as Exhibit C. The Management Fee shall be prorated and paid quarterly, in advance, based upon the market value of the Assets on the last day of the previous quarter as valued by the Custodian. The Management Fee for the initial quarter shall be calculated on a pro rata basis commencing on the day the Assets are initially designated to us for management under this Agreement. No portion of the Management Fee shall be based on capital gains or capital appreciation of the Assets except as provided herein and provided for under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and analogous state securities laws. No increase in the Management Fee shall be effective without our receiving your signature acknowledging and consenting to the change in Management Fee. We are hereby authorized to agree to such additional advisory or other related fees ("Additional Fee") in connection with the selection and appointment of additional Investment Managers as it may reasonably determine provided that (i) such Additional Fees are no more than the fees such Investment Managers would charge other clients under similar circumstances, regardless of where such client relationships originated and (ii) we receive no portion of such Additional Fees under any circumstances. You acknowledge and agree that the Additional Fees may increase or decrease over time due to changes in asset level and/or Investment Managers, and you authorize us to consent to such changes on your behalf.

You hereby direct and authorize us and/or the Independent Manager(s) to invoice the Custodian for the Management Fee and the Additional Fees (the "Fee Statement") and direct and authorize the Custodian to deduct the amount stated in the Fee Statement from one or more of your Accounts. Prior to having the fees deducted via the Custodian, MerCap Advisors, Inc. will: (a) Obtain client written authorization; (b) Send the qualified custodian written notice of the amount of the fee to be deducted from the client's account; and (c) Sends the client a written invoice itemizing the fee, including any formulae used to calculate the fee, the time period covered by the fee, and the amount of assets under management on which the fee was based. You also direct, and authorize us and/or the Independent Manager(s) to instruct the Custodian to send you a statement, at least quarterly, indicating all amounts disbursed from

your Accounts including the Management Fee and the Additional Fees paid from the particular Account. You acknowledge that it is your responsibility to verify the accuracy of the calculation of the Management Fee and Additional Fees and that the Custodian will not determine whether the Management Fee and Additional Fees are accurate or properly calculated. You acknowledge and agree that if there is not enough liquid cash in your accounts, we or our designee will instruct the relevant custodian to liquidate the necessary positions in such accounts to cover the amount of the fees under this Agreement.

If Assets are deposited to or withdrawn from an Account after the inception of a quarter that exceed \$25,000, the Management Fee payable with respect to the Assets will be prorated based on the number of days remaining in the quarter. Clients may withdraw Assets from the Account after providing us with notice. All withdrawals are subject to customary securities settlement procedures. For partial withdrawals in excess of \$25,000 within a billing period, we shall credit our unearned Management Fee towards the next quarter's Management Fee.

In addition to our Management Fee, you may also incur certain charges imposed by unaffiliated third parties. Such charges may include, but are not limited to, fees charged by Independent Manager(s), custodial fees, brokerage commissions, transaction fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund purchased for the Account which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), fees imposed by variable annuity providers and disclosed in the annuity contract, certain deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Although not a material consideration in recommending and/or selecting a particular mutual fund for the Account, we and/or our Advisory Affiliates (as defined in Section 3 below) may receive a portion of the 12b-1 distribution fees or other fees imposed by the mutual fund and paid by the mutual fund or one of their affiliates, provided that receipt of such payment is not prohibited under ERISA (as defined in Section 18 below).

**3. Execution of Brokerage Transactions.** Unless directed otherwise, we will arrange for the execution of securities brokerage transactions for the Assets through a broker-dealer that we reasonably believe will provide "best execution." In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of the Broker-Dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive commission rates, we may not necessarily obtain the lowest possible commission rates for Account transactions.

Certain of our Advisory Affiliates (as defined in Form ADV) are also registered representatives of MerCap Securities, LLC ("BD") and are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the broker-dealer provides written consent. Therefore, clients are advised that certain Advisory Affiliates may be restricted to conducting securities transactions through BD unless they first secure written consent from BD to execute securities transactions through a different broker-dealer. Absent such written consent or separation from BD, these Advisory Affiliates are prohibited from executing securities transactions through any broker-dealer other than BD under BD's internal supervisory policies. Registrant is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit. When such Advisory Affiliate executes transactions through BD, they may receive a portion of the brokerage commissions and/or transaction fees charged to you by BD, provided that receipt of such payment is not prohibited under ERISA.

Consistent with obtaining best execution, transactions for your Account

may be directed to registered broker-dealers in return for research products and/or services that assist us in our investment decision-making process. Such research generally will be used to service all of our clients, but brokerage commissions paid by you may be used to pay for research that is not used in managing your Account. Thus, you may pay the Broker-Dealer a greater commission than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "batch" such orders to obtain best execution, negotiate more favorable commission rates, or allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that we aggregate client orders for the purchase or sale of securities, including securities in which our Advisory Affiliates may invest, we shall do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the Securities and Exchange Commission. We shall not receive any additional compensation or remuneration as a result of the aggregation. We shall endeavor to process all Account transactions in a timely manner, but neither represent nor warrant that any such transaction shall be processed or effected by the Broker-Dealer on the same day as requested.

You may direct us in writing to use a particular broker-dealer ("Directed Broker") to execute some or all transactions for your Account (referred to as "directed brokerage"). In that case, you will have the sole responsibility to negotiate terms and arrangements for the Account with the Directed Broker and we will not seek better execution services or prices from other broker-dealers or be able to "batch" transactions for execution through other broker-dealers with orders for other accounts we manage. As a result, you may pay higher commissions or other transaction costs, greater spreads, or receive less favorable net prices on transactions for the Account than would otherwise be the case.

**4. Custodian.** We shall not maintain physical custody of your Assets; instead your Assets will be held in the custody of a Custodian meeting the requirements of a "qualified custodian" under Rule 206(4)-2 of the Advisers Act. We are authorized to give instructions to the Custodian with respect to all investment decisions regarding the Assets and the Custodian is hereby authorized and directed to effect transactions, deliver securities, make payments and otherwise take such actions as we shall direct in connection with the performance of our obligations with respect to the Assets. The fees charged to you by the Custodian are exclusive of, and in addition to, the Management Fee and other charges, discussed herein.

**5. Risk Acknowledgement.** We do not guarantee the future performance of your Account, any specific level of performance, the success of any investment recommendation or strategy that we may recommend, or the success of our overall management of the Account. You understand that our investment recommendations for your Account are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable.

**6. Adviser Liability.** Except as otherwise provided by law, neither we nor any of our employees, affiliates, representatives or agents shall be liable for (a) any loss that you may suffer by reason of any investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence, and diligence under the circumstances that a person acting in a fiduciary capacity would use, (b)

any loss arising from our adherence to your written or oral instructions, or (c) any act or failure to act by the Custodian, any Broker-Dealer to which we direct transactions for the Account, or by any non-party, or (d) any loss that you may suffer by reason of any decision made or other action taken by any Independent Manager. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing in this Agreement will waive or limit any rights that you may have under those laws.

If the Account contains only a portion of your total assets, we shall not be responsible for: (i) any of your assets not set forth on Exhibit A to this Agreement; or (ii) diversification of all of your assets.

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**7. Proxies.** Unless we agree otherwise in writing, we are precluded from and you shall be responsible for: (a) directing the manner in which proxies solicited by issuers of securities you beneficially own shall be voted, and (b) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the securities in the Account. You authorize and direct us to instruct the Custodian to forward to you copies of all proxies and shareholder communications relating to the Assets.

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**8. Reports.** We will provide you with a report that may include such relevant Account and/or market related information such as an inventory of Account holdings and Account performance as you may reasonably request from time to time. You will also receive confirmations of each transaction executed for the Account and a brokerage statement no less than quarterly directly from the Custodian. Clients are provided with transaction confirmation notices and regular summary account statements directly from the Broker-Dealer or Custodian for the client accounts. The custodian may also provide a report that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance.

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**9. Non-Exclusivity.** You acknowledge and understand that we shall be free to render investment advice to others and that we do not make our services available exclusively to you. We (and our Advisory Affiliates, employees, representatives, and agents) may have or take the same or similar positions in specific investments for our own accounts, or for the accounts of other clients, as we do for you. Nothing in this Agreement shall put us under any obligation to purchase or sell, or to recommend for purchase or sale for the Account, any security which we (or our Advisory Affiliates, employees, representatives, and agents) may purchase or sell for our own accounts or for the account of any other client, unless in our sole determination, such investment would be in the best interest of the Account.

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**10. Notices.** Any notice, correspondence, or other communication required in connection with this Agreement will be deemed effective upon receipt if delivered to either party at their address listed above unless (a) either party has notified the other party of another address in writing, or (b) you have consented in writing to receive such notice, correspondence, or other communication from us by electronic delivery (e.g., e-mail). Except for decisions regarding the purchase and/or sale of specific investments, all of your directions to us (including notices, instructions, and directions relating to changes in your investment objectives) shall be in writing. We may rely upon any such direction, notice, or instruction unless and until we have been advised in writing of changes thereto.

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**11. Assignment.** Neither party may assign this Agreement without the written consent of the other party. Both parties acknowledge and agree that transactions that do not result in a change or actual control of management shall not be considered an assignment.

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**12. Confidentiality.** Except as required by applicable law, rule or regulation, or in order to implement your investment objectives or perform the services contemplated by this Agreement, both parties agree

to treat information provided in connection with this Agreement as confidential.

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**13. Receipt of Disclosures.** You hereby acknowledge receipt of our Privacy Policy Notice and a copy of our written disclosure statement as set forth on Part 2A & Part 2B (Brochure Supplement) of Form ADV (Uniform Application for Investment Adviser Registration); if a wrap fee client, Form ADV Part 2A Appendix I, or otherwise meeting the requirements of Rule 204-3 of the Advisers Act. If using a third party manager, you acknowledge having also received their Form ADV, Part 2A and applicable schedules.

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**14. Client Conflicts.** If this Agreement is with more than one client, our services shall be based upon the joint goals as communicated to us by the joint-clients, collectively. Thereafter, we are authorized to rely upon instructions and/or information we receive from either joint-client, unless and until such authorization is revoked in writing to us. We shall not be responsible for any claims or damages resulting from such reliance or from any change in the status of the relationship between the joint-clients.

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**15. Arbitration.** Subject to the conditions and exceptions noted below and to the extent not inconsistent with applicable law, in the event of any controversy, dispute or claim arising out of or relating to this Agreement, both parties agree to submit the dispute to arbitration before a single arbitrator in accordance with the Commercial Rules of the American Arbitration Association then in effect. The prevailing party shall be entitled to reasonable attorneys' fees, costs and expenses.

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**You understand that this agreement to arbitrate does not constitute a waiver of your right to seek a judicial forum where such waiver would be void under federal or applicable state securities laws.**

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**16. Death or Disability.** If you are a natural person, your death, disability or incompetence will not terminate or change the terms of this Agreement. However, your executor, guardian, attorney-in-fact or other authorized representative may terminate this Agreement by giving us proper written notice.

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**17. Client Representations and Warranties.** You represent that you have the full legal power and authority to enter into this Agreement and that the terms of this Agreement do not violate any obligation or duty to which you are bound, whether arising out of contract, operation of law, or otherwise. If you are an entity (e.g., corporation, partnership, limited liability company, or trust), this Agreement has been duly authorized by the appropriate corporate or other action and when so executed and delivered shall be binding in accordance with its terms. You agree to promptly deliver such corporate resolution or other action authorizing this Agreement at our request.

You acknowledge that you have provided us with the information set forth on the Client Profile and represent that such information is a complete and accurate representation of your financial position and of your investment needs, goals, objectives, and risk tolerance at the time of entering into this Agreement and warrant that you will promptly inform us in writing if and when such information becomes incomplete or inaccurate during the term of this Agreement.

You also agree to provide us with any other information and/or documentation that we may request in furtherance of this Agreement or related to your investment needs, goals, objectives, and risk tolerance for the Account, either directly from you or through your designated attorney, accountant, or other professional advisers. You acknowledge that we are authorized to rely upon any information received from such attorney, accountant, or other professional adviser and are not required to verify the accuracy of the information.

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**18. Retirement or Employee Benefit Plan Accounts.** This section applies to an Account that is a pension or other employee benefit plan (a "Plan") governed by the Employee Retirement Income Security Act of

1974, as amended ("ERISA").

If the Account is part of a Plan and we accept appointment to provide advisory services to such Account, we acknowledge that we are a "fiduciary" within the meaning of Section 1002(21) of ERISA (but only with respect to the provision of services described in Section 1 of this Agreement). We represent that we are registered as an investment adviser and duly qualified to manage Plan assets under applicable regulations.

If the Account is subject to a Plan and we are appointed as an investment adviser by the Plan's sponsor, named fiduciary, trustee, or other fiduciary under ERISA (either of the foregoing, a "Plan Fiduciary"), the Plan Fiduciary represents that (A) our appointment and services are consistent with the Plan documents, (B) the Plan Fiduciary has furnished us true and complete copies of all documents establishing and governing the Plan and evidencing their authority to retain us, (C) the Plan Fiduciary agrees to provide us with a list of persons or entities which you consider to be a "disqualified person," as that term is defined in Section 4975 of the Internal Revenue Code, as amended, or a "party in interest," as that term is defined in Section 1002(14) of ERISA, and (D) if the Plan Fiduciary has directed us to use a certain broker-dealer, we are unable to seek best execution for transactions in the Account and the Account may incur higher brokerage fees than if we were authorized to direct transactions to another broker-dealer that could provide best execution. The Plan Fiduciary further represents that they will promptly furnish us with any amendments to the Plan, and acknowledges and agrees that, if any amendment affects our rights or obligations, such amendment will be binding on us only with our prior written consent.

If the Account contains only a part of the assets of the Plan, you and the Plan Fiduciary understand that we will have no responsibility for the diversification of all of the Plan's investments and we will have no duty, responsibility or liability for assets that are not in the Account. If ERISA or other applicable law requires bonding with respect to the assets in the Account, the Plan Fiduciary will obtain and maintain at the Plan's expense bonding that satisfies this requirement and covers us and any of our affiliates.

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**19. Entire Agreement.** This Agreement and the Exhibits annexed hereto, which Exhibits are incorporated herein by reference and made a part hereof, constitute the entire Agreement between the parties and supersedes all understandings, agreements (oral and written), or representations with respect to the subject matter hereof. This Agreement may only be amended, revised or modified with our written consent. Each party acknowledges that no representation, inducement or condition not set forth herein has been made or relied upon by either party.

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**20. Waiver.** No failure by us to exercise any right, power, or privilege that we may have under this Agreement shall operate as a waiver thereof. Further, no waiver of any deviation from, or breach of, this Agreement by you shall be deemed to be a waiver of any subsequent deviation or breach.

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**21. Severability.** If any provision of this Agreement is deemed to be invalid or unenforceable or is prohibited by the laws of the state or jurisdiction where it is to be performed, this Agreement shall be considered divisible as to such provision and such provision shall be inoperative in such state or jurisdiction. The remaining provisions of this Agreement shall be valid and binding and of full force and effect as though such provision was not included.

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**22. Terms of Agreement and Termination.** By entering into this Agreement you agree to comply with the terms and conditions contained herein, and agree and acknowledge that we have the right to modify this Agreement at any time. We will provide you with notice of any such modifications and such modification shall thereafter become effective unless you provide us with notice of your intention to terminate the

Agreement. You further agree to abide by any rules, procedures, standards, requirements or other conditions that we may establish in connection with your Account or this Agreement. This Agreement shall have an initial term of one-year, unless terminated by either party in writing as provided below. On the one-year anniversary date, and thereafter, this Agreement shall renew automatically without action by either party unless terminated pursuant to this Section 22. We shall contact you at least annually to review our previous services and/or recommendations and to discuss the impact resulting from any changes in your financial situation and/or investment objectives.

You shall have five (5) business days from the date of execution of this Agreement to terminate our services without penalty. This Agreement will continue in effect from the date set forth above and may be terminated at any time upon receipt of written notice to terminate by either party to the other, which written notice must be manually signed by the terminating party. Termination of this Agreement will not affect (i) the validity of any action previously taken by us under this Agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination of this Agreement; or (iii) your obligation to pay us fees that have already been earned under this Agreement. Upon the termination of this Agreement, we will not have any continuing obligation to take any action. If you terminate this Agreement after the commencement of a calendar quarter billing period, the unearned portion of the Management Fee will be promptly refunded.

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**23. Governing Law, Venue, and Jurisdiction.** To the extent not inconsistent with applicable federal law, this Agreement and any dispute, disagreement, or issue of construction or interpretation arising hereunder whether relating to its execution, its validity, the obligations provided herein or performance shall be governed or interpreted according to the laws of the State in which the client is domiciled without regard to choice of law considerations except for the Section entitled Arbitration, which shall be governed by the Federal Arbitration Act. Any action, suit or proceeding arising out of, under or in connection with this Agreement seeking an injunction or not otherwise submitted to arbitration pursuant to this Agreement shall be brought and determined in the appropriate federal or state court in the Client's state of residence and in no other forum. The parties hereby irrevocably and unconditionally submit to the personal jurisdiction of such courts and agree to take any and all future action necessary to submit to the jurisdiction of such courts in any such suit, action or proceeding arising out of or relating to this Agreement.

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**24. Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

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**25. Section or Paragraph Headings.** Section headings herein have been inserted for reference only and shall not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part any of the terms or provisions of this Agreement.

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**26. Third-Party Beneficiaries.** You acknowledge and agree that any Investment Managers appointed and retained by us or an Investment Manager appointed by another Investment Manager are intended third party beneficiaries of this Agreement. Such Investment Managers are not liable to you for any investment or recommendation made, or any investment advice given, or any other investment action taken or omitted, except to the extent such loss is caused by gross negligence, a breach of fiduciary duty, or an intentionally illegal or wrongful act by such Advisor. Notwithstanding the foregoing, federal and state securities laws impose certain liabilities under certain circumstances on persons who act in good faith, and so nothing herein shall constitute a waiver or limitation of any rights which you may have under federal or state securities laws.

By each party executing this Agreement they acknowledge and accept their respective rights, duties, and responsibilities hereunder. This Agreement is only effective upon our execution below.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION THAT MAY BE ENFORCED BY THE PARTIES.

Client Signature(s) \_\_\_\_\_ Date \_\_\_\_\_

Client Signature(s) \_\_\_\_\_ Date \_\_\_\_\_

Printed Client Name \_\_\_\_\_

Printed Client Name \_\_\_\_\_

MERCAP ADVISORS, INC.

Printed Advisor Name \_\_\_\_\_

Advisor Signature \_\_\_\_\_ Date \_\_\_\_\_

**TRUSTED CONTACT PERSON**

I name the following individual as my trusted contact person on my investment accounts, if necessary. The Firm or Representative is authorized to contact the following "Trusted Contact Person."

<b>Name:</b>	<b>Phone:</b>	<b>Email:</b>
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**Relationship to Account Owner:**

*I understand that MerCap or my Investment Adviser may contact the Trusted Contact Person(s) and disclose information about my account to address possible financial exploitation; to confirm the specifics of my current contact information or health status or the identity of any legal guardian, executor, trustee, or holder of a power of attorney; or as otherwise permitted by FINRA rules.*

**Schedule of Assets and Accounts**

**Assets and Accounts Under Management**

Name on Account	Custodian	Account Number

**Assets and Accounts Excluded From Management**

Name on Account	Custodian	Account Number

*For all Assets and Accounts set forth in this table, MerCap Advisors, Inc. is relieved of all responsibility for performing any services whatsoever.*

**Client Acknowledgement:**

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Client Initials	Date	Client Initials	Date

General Information		
Primary Client Name	Primary Client's SSN # / Tax ID #	Primary Client's Date of Birth
Secondary Client Name	Secondary Client SSN # / Tax ID #	Secondary Client Date of Birth
Relationship	E-mail address	Electronic Delivery of Statements? If YES, include mother's maiden name. <input type="checkbox"/> Yes <input type="checkbox"/> No <b>Mother's Maiden Name:</b>
Mailing Address		
City, State, Zip	Home Phone	Business Phone
Legal Address		Fax Number
Primary Client's Country of Citizenship	Secondary Client's Country of Citizenship	\$ _____ % Annual Household Income Tax Bracket
Primary Client's Occupation / Employer	Secondary Client's Occupation / Employer	\$ _____ Net Worth (excluding primary residence)

Investment Experience	Description of Assets	
	PRIMARY CLIENT	SECONDARY CLIENT
STOCKS	_____ yrs	Assets initially to be placed under management (approx.): \$ _____
BONDS	_____ yrs	Total liquid assets (net liquid & current assets in all accounts): \$ _____
MUTUAL FUNDS	_____ yrs	

Investment Time Horizon	Financial Objective
The portfolio should be structured to meet financial objectives over a period of: <input type="checkbox"/> 1 to 3 years <input type="checkbox"/> 4 to 7 years <input type="checkbox"/> 8 to 10 years <input type="checkbox"/> more than 10 years ( _____ yrs)	Which one of the following best describes your attitude toward your investments over your investment time horizon? <i>(Please initial in the space provided)</i> <input type="checkbox"/> My goal is <b>capital preservation</b> . I am adverse to short-term loss and can accept only minimal fluctuations in my portfolio value. My investment objective is <b>fixed income</b> . <input type="checkbox"/> My primary goal is <b>capital preservation</b> and my secondary goal is <b>capital growth</b> . I am willing to accept a low level of fluctuation in my portfolio value. My investment objective is <b>income with growth</b> . <input type="checkbox"/> My primary goal is <b>capital growth</b> and my secondary goal is <b>capital preservation</b> . I am willing to accept a moderate level of fluctuation in my portfolio value. My investment objective is <b>capital appreciation with income</b> . <input type="checkbox"/> My goal is <b>capital growth</b> . I am modestly concerned with the level of fluctuation in my portfolio. My investment objective is <b>capital appreciation</b> . <input type="checkbox"/> My only goal is <b>aggressive capital growth</b> . I am not concerned with the level of fluctuation in my portfolio value. My investment objective is <b>aggressive growth</b> .

Risk Attitude										
The graph below represents your attitude towards risk with respect to the assets you are placing under our management. You understand and accept that any one component of your portfolio may be more or less volatile or aggressive than the entire portfolio. <i>Circle the most appropriate number.</i>										
①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	
Low Volatility			Medium Volatility				High Volatility			
Represents lower volatility than the broad equity market. Often requires a position in cash, bonds, and treasuries that could be significant at time to protect capital. Returns will be expected to be lower than equity markets.			The broad equity market is represented by the S&P 500 and indicates a stock portfolio generally invested in stocks with larger capitalization.				Represents higher volatility than the broad equity market. Often requires a position in smaller stock, emerging market securities or alternative investments. You would expect a premium on your return for the additional risk.			

Client Acknowledgement:

Client Initials	Date	Client Initials	Date

**Schedule of Fees**

The annual fee is charged as a percentage of assets under management, and generally, fees received by us will not exceed the amounts noted below, according to the following fee schedule:

Managed Assets	Maximum Annual Fee
First \$2,000,000	1.50%
Next \$3,000,000	1.00%
Above \$5,000,000	0.75%

We shall provide the services described in the Agreement to which this Exhibit C is attached for an annual Management Fee based upon the following fee schedule:

**Fee Schedule (Assets Managed by Us)**

Assets	Annual Fee
First \$ _____	_____ %
Next \$ _____	_____ %
More than \$ _____	_____ %

The annual fee for selection and monitoring of recommended advisers is charged as a percentage of assets under management, and generally, fees received by us will not exceed the amounts noted below, according to the following fee schedule. Our fee includes the fee of the recommended adviser, which typically ranges from 0.375% - 1.00% of the client's managed assets on an annual basis.

Managed Assets	Maximum Annual Fee
First \$2,000,000	2.50%
Next \$3,000,000	2.00%
Above \$5,000,000	1.75%

**Fee Schedule (Assets Managed by an Independent Manager/Third-Party Manager)**

Assets	Annual Fee
First \$ _____	_____ %
Next \$ _____	_____ %
More than \$ _____	_____ %

As discussed in the Agreement, the Management Fee is billed on a quarterly basis in, advance, based upon the market value of the Assets on the last day of the previous quarter as valued by the Custodian.

If you have entered in a separate written Financial Planning/Investment Consulting Agreement with us, the fees for the Financial Planning/Investment Consulting Agreement shall be offset against the foregoing Management Fee.

**Client Acknowledgement:**

Client Initials	Date	Client Initials	Date





**RECEIPT OF FORM ADV, PART 2A  
& PART 2B (BROCHURE SUPPLEMENT)**

In accordance with Rule 204-3 of the Investment Advisor Act of 1940 (The Act), client acknowledges that client has received and has had an opportunity to read and agree to Advisor’s Form ADV, Part 2A and Part 2B (Brochure Supplement).

- MERCAP ADVISORS, INC.**
- \_\_\_\_\_ **(THIRD-PARTY MANAGER)**

\_\_\_\_\_  
Client Signature Date

\_\_\_\_\_  
Joint Client Signature Date

\_\_\_\_\_  
Client Name (Please Print)

\_\_\_\_\_  
Joint Client Name (Please Print)

Investment Advisor Representative:

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Name (Please Print)



## RECEIPT OF FIRM'S PRIVACY POLICY NOTICE (PPN)

In accordance with Rule 204-3 of the Investment Advisor Act of 1940 (The Act), client acknowledges that client has received and has had an opportunity to read and agree to Firm's Privacy Policy Notice (PPN).

- MERCAP ADVISORS, INC.**
- \_\_\_\_\_ **(THIRD-PARTY MANAGER)**

\_\_\_\_\_  
Client Signature Date

\_\_\_\_\_  
Joint Client Signature Date

\_\_\_\_\_  
Client Name (Please Print)

\_\_\_\_\_  
Joint Client Name (Please Print)

Investment Advisor Representative:

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Name (Please Print)

**Part 2A of Form ADV: *Firm Brochure***

**MerCap Advisors, Inc.**

73 Chestnut Road, Suite 400

Paoli, PA 19301

Telephone: 610-616-3013

Facsimile: 610-647-1244

Email: [info@mercapadvisorsinc.com](mailto:info@mercapadvisorsinc.com)

Website: [www.mercapadvisorsinc.com](http://www.mercapadvisorsinc.com)

October 1, 2018

This brochure provides information about the qualifications and business practices of MerCap Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 610-616-3013 or [info@mercapadvisorsinc.com](mailto:info@mercapadvisorsinc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about MerCap Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 170092. Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2    Material Changes**

Since the last filing of our firm brochure that was dated March 20, 2018, the firm has had no material changes to report.

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## Item 4 Advisory Business

MerCap Advisors, Inc., formerly known as S&G, Inc., (hereinafter “MCA”, we, us, our, ours) which is located in Paoli, Pennsylvania, is a Georgia corporation, formed in December 2013. MCA is registered as an investment adviser with the Pennsylvania Department of Banking and Securities and various other states’ securities divisions as required.

MCA is a wholly owned subsidiary of SFA Holdings, Inc. (“SFAH”). SFAH is also the parent company of The Strategic Financial Alliance, Inc. (“SFA”), a broker/dealer and SEC-registered investment adviser and MerCap Securities, LLC (“MCS”), a broker/dealer. SFA offers securities and advisory products and services to the general public through its independent financial advisors in offices throughout the United States. MCS conducts business as a broker/dealer offering mutual funds and variable life insurance or annuities. MCA, MCS and SFA will share certain staff.

Dale Pope is the President of MCA and the President of MCS.

We provide a platform for individuals providing investment advice (each, an “Investment Professional”) to share resources, ideas and research. Each Investment Professional is committed to MCA’s Process of Building and Maintaining Wealth:

1. Understand a client’s goals and risk
2. Analyze the macroeconomic environment to provide rational expectations on future economic conditions
3. Build a sound foundation by matching investment products to the economic environment
4. Identify “relative value”—what is over valued and what is under valued in the marketplace

Within this framework, each Investment Professional has his or her own investment selection process and approach to investing. Different Investment Professionals may provide different advice to clients with similar financial situations and investment goals. Each Investment Professional may provide any or all of the services listed below. While each Investment Professional will inform the client of the specific services he or she will provide, the client should carefully review the description of services below to fully understand which services the client will receive.

### PORTFOLIO MANAGEMENT

We provide continuous advice to individual clients and businesses regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and may generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities, including 529 college savings plans
- Mutual fund shares
- Exchange-traded funds
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **SELECTION AND MONITORING OF THIRD-PARTY MONEY MANAGERS**

We also offer advisory management services to our clients through our Selection and Monitoring of Third-Party Money Managers service.

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established.

Based on the client's individual circumstances and needs we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client, the investment philosophy of the selected registered investment adviser, and the fairness and competitiveness of the selected registered investment adviser's fee. Clients should refer to the selected registered investment adviser's Disclosure Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account. Once we determine the most suitable investment adviser(s) for the client, we provide the selected adviser(s) with information about the client's investment goals, tolerance for risk, and

any reasonable restrictions on the account. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs.

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's needs, we may suggest that the client contract with a different registered investment adviser. Under this scenario, our firm assists the client in selecting a new registered investment adviser. The independent investment advisers we may recommend will not be hired or terminated without receiving the client's prior consent unless the client has granted us the discretionary authority to do so in the management agreement.

Prior to introducing clients to another investment adviser, we will be responsible for determining the following:

- a) Whether the investment adviser is registered with the Pennsylvania Department of Banking and Securities under Section 301 of the Pennsylvania Securities Act of 1972 (1972 Act);
- b) Whether the investment adviser is relying on an exclusion from the definition of investment adviser under Section 102(j) of the 1972 Act;
- c) Whether the investment adviser is relying on an exemption from registration under Section 302(d) of the 1972 Act; or

When the investment adviser is registered with the Securities and Exchange Commission, that the investment adviser has filed a Notice Filing with the Pennsylvania Department of Banking and Securities under Department Regulation 303.015(a).

## **PRIVATE WEALTH MANAGEMENT**

Our firm is the sponsor of Private Wealth Management ("PWM"), an investment advisory service program. Our firm's Investment Professionals may offer the investment advisory services described here to their clients and potential clients. Different Investment Professionals may offer only some of the following services. Each client should ask his or her Investment Professional which services are being considered for the client.

Private Wealth Management provides clients access to continuous management of their investment portfolios through one or more of the following investment management programs:

- Advisor as Portfolio Manager
- Separately Managed Account Program ("SMA")
- Mutual Fund Wrap Program(s)
- ETF Wrap Program(s)
- Multi-Manager Account Program ("MMA")
- Unified Managed Account Program ("UMA")
- Investnet Reporting Service

The Advisor as Portfolio Manager and SMA programs are offered on a fee plus commission basis or on a wrap fee basis. Clients interested in obtaining these services on a wrap fee basis should refer to our Form ADV Part 2A Appendix 1 Wrap Fee Brochure. We manage



wrap fee accounts the same as non-wrap accounts. We receive a portion of the wrap fee for our services.

Mutual Fund Wrap Programs, ETF Wrap Programs, MMA and UMA are offered on a wrap-fee basis only. Clients interested in learning about these services should refer to our Form ADV Part 2A Appendix 1 Wrap Fee Brochure.

As part of the PWM program, we have engaged certain Third-Party Managers (“TPM’s”) to provide various administrative services to PWM clients. TPMs include these services to both wrap and non-wrap clients at no additional cost to the client. TPM’s may also provide additional services to PWM program clients including:

- Assessment of the client's investment needs and objectives
- Investment policy planning
- Development of an asset allocation strategy designed to meet the client's objectives
- Recommendations to MCA on suitable style allocations
- Identification of appropriate managers and investment vehicles suitable to the client's goals
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria
- Engagement of selected asset managers and investment vehicles on behalf of the client
- Ongoing monitoring of individual asset manager's performance and management (for approved SMA managers and mutual funds only)
- Review of client accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations to MCA for account rebalancing, if necessary
- Online reporting of client account(s) performance and progress

Once the client selects an Investment Professional and an advisory relationship is initiated, the Investment Professional will obtain information from the client on the client's financial background, prior investment experience, investment objectives, goals and restrictions, if any, and risk tolerance, among other things. This review also considers the suitability and appropriateness of the PWM investment account for the client. Our firm and the Investment Professional maintain the client profile information. Clients are advised to update their profile information any time changes to their financial situation and/or investment objectives occur. When this happens our firm and Investment Professionals may require clients to complete an investor profile questionnaire to ascertain whether the account and its investments remain suitable and appropriate.

Once an advisory relationship is established, there are no restrictions on a client's ability to contact either our firm or their Investment Professional. The Investment Professional will contact the client periodically to determine if there have been any changes in their financial information so that the management of the account may be adjusted accordingly. In the event any information is received by our firm directly from the client, that information is communicated promptly to the Investment Professional.

The information provided by the client is forwarded to the TPM(s) for review. The TPM(s) will analyze the information and recommend to MCA an appropriate strategy based on the client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. The TPM's research team uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums.

The TPM(s) will then propose an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes.

Each Investment Professional managing a PWM account chooses his/her own research methods, investment style, and management philosophy. The investment strategies utilized by an Investment Professional in implementing the investment services provided to clients may include long and short-term purchases.

### ***Advisor as Portfolio Manager Program***

Within the Advisor as Portfolio Manager Program, the Investment Professional will direct the investment and reinvestment of client assets in the Private Wealth Management account ("Program Account"). The Program Account will be managed by the Investment Professional in accordance with an investment style selected by the Client, and subject to the Client meeting the program minimum account size. Clients will receive the program sponsor's disclosure document (Form ADV Part 2A and/or Part 2A Appendix 1 Wrap Fee Program Brochure) that describes the program minimum account size. Clients may impose reasonable restrictions on the Investment Professional. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of specific securities or specific types of securities. The Program Account will be managed by the Investment Professional based on the specific investment needs of the client on an ongoing basis utilizing investments that may include mutual funds, exchange traded funds, stocks, bonds, options, and variable annuity and insurance products. On a periodic basis, the Investment Professional will review each client's account and direct the rebalancing and/or reallocation of the investments within the account for discretionary accounts and depending on the client's investment objective. The client selects the Investment Professional who will manage the client's account. PWM program accounts are managed on a discretionary basis. Clients may impose reasonable limitations or restrictions on the Investment Professional's discretionary authority. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of particular securities, industries or asset classes.

### ***Separately Managed Account Program ("SMA")***

The Investment Professionals also provide the Separately Managed Account Program ("SMA"), in which the client and/or the Investment Professional can select the investment advisory services of professional portfolio management firms ("Portfolio Managers") and their different investment styles for the individual management of the client's account. Investment styles include Equity, Balanced and Fixed Income. The TPM(s) will recommend to MCA individual Portfolio Managers and investment vehicles that correspond to the proposed asset classes and styles. The Investment Professional may recommend managers in this program to the client.

Clients whose accounts are custodied at Schwab have access to the investment management services of Investnet Asset Management, Inc. (“Investnet”) through various investment management programs sponsored by Investnet. The programs consist of Investnet’s proprietary model asset allocation portfolios. Each model is designed to meet a particular investment goal and are positioned at various points along the risk/return spectrum.

Client accounts will be managed by Investnet or the Investment Professional, depending upon the model selected. The model portfolios will typically contain either mutual funds or exchange-traded funds (“ETFs”). Clients will receive Investnet’s disclosure document (Form ADV Part 2A and/or Part 2A Appendix 1 Wrap Fee Program Brochure) that describes in detail the services and model portfolios offered within each Program. Clients are encouraged to review the disclosure document to learn more about the particular characteristics of each of the services offered within each Program, including whether they may impose restrictions on the investment in certain securities or types of securities.

Clients that participate in a program are required to grant full discretionary investment authority to Investnet if the model portfolio is managed by Investnet rather than the Investment Professional. Investnet generally will only use this grant of discretion to replace investment vehicles, including sub-managers, when it deems such a change is necessary; to rebalance a client's account as agreed between the client and Investnet; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable. However, there may be situations in which Investnet will fully utilize this grant of discretion, such as to liquidate a position.

***Investnet Reporting Service:*** For all accounts that are charged an advisory fee at Charles Schwab, Custodian, we require the client to use Investnet’s Reporting Only Service. Investnet’s Reporting Only Service allows Investment Professionals to monitor their clients’ accounts and examine their clients’ holdings, allocation of assets and portfolio performance. The fee for this service is \$50 per account, per calendar year, and is billed on a pro-rata basis each quarter based on the number of days in the calendar quarter. The fee will be debited from the client’s account in accordance with the client authorization in Investnet’s Data Aggregation and Reporting Services Account Administration Form.

## **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client’s current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.

- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Investment recommendations in financial plans may include any or all of the following:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities, including 529 college savings plans
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Any investments held by the client at the inception of the advisory relationship.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided. Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature. In performing our services, we are not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and we will rely on such information. Investment Professionals may recommend the services of us, themselves, and/or other professionals to implement the financial planning recommendations. Clients are advised that a conflict of interest exists if Investment Professionals or MCA recommend their own services. The client is under no obligation to act upon any of the recommendations made by us under a financial planning or consulting engagement or to engage the services of any such recommended professional, including us or any affiliate. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of our recommendations. Clients are advised that it remains their responsibility to promptly notify us if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services.

### **ASSETS UNDER MANAGEMENT**

As of 03/31/2018, we were managing approximately \$79,667,453 of client assets on a discretionary basis and \$0 of client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **PORTFOLIO MANAGEMENT**

The annual fee is charged as a percentage of assets under management, and generally, fees received by us will not exceed the amounts noted below, according to the following schedule:

Managed Assets	Maximum Annual Fee
First \$2,000,000	1.50%
Next \$3,000,000	1.00%
Above \$5,000,000	0.75%

Each client's custom fee schedule is negotiated on a client-by-client and Investment Professional-by-Investment Professional basis; therefore fees may vary among Investment Professionals and clients. The annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Investment Management Agreement. If the client terminates the Investment Management Agreement after the commencement of a calendar quarter billing period, the unearned portion of the Management Fee will be promptly refunded.

## SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS FEES

The annual fee is charged as a percentage of assets under management, and the combined fee, which includes our fee and the third party manager's fee will not exceed the amounts noted below, according to the following example fee schedule:

<u>Managed Assets</u>	<u>Maximum Annual Fee</u>
First \$2,000,000	2.50%
Next \$3,000,000	2.00%
Above \$5,000,000	1.75%

The percentage we earn from the combined fee typically ranges from 1.375% – 1.5% of the client's managed assets. The percentage the third party manager earns from the combined fee typically ranges from 0.375% up to 1.00% of the client's managed assets. Investment Professionals do not determine the third party money manager's fee. Each third party money manager's fee is disclosed in its Form ADV Part 2A Brochure and client service agreement, which are both provided to the client by the Investment Professional.

Similar advisory services may be available from other registered investment advisers for similar or lower fees.

Each client's custom fee schedule is negotiated on a client-by-client and Investment Professional-by-Investment Professional basis; therefore fees may vary among Investment Professionals and clients. The annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Investment Management Agreement. If the client terminates the Investment Management Agreement after the commencement of a calendar quarter billing period, the unearned portion of the Management Fee will be promptly refunded.

***Investnet Reporting Service:*** For all accounts that are charged an advisory fee at either of the following custodians: Charles Schwab or Investnet, we require the client to use Investnet's Reporting Only Service. Investnet's Reporting Only Service allows Investment Professionals to monitor their clients' accounts and examine their clients' holdings, allocation of assets and portfolio performance. The fee for this service is \$50 per account, per calendar year, and is billed on a pro-rata basis each quarter based on the number of days in the calendar quarter. The fee will be debited from the client's account in accordance with the client authorization in Investnet's Data Aggregation and Reporting Services Account Administration Form.

## PRIVATE WEALTH MANAGEMENT

The fees for the Advisor as Portfolio Manager and SMA programs ("Program Fee") are assessed based upon an annual percentage of the client's assets under management and cover a number of services including investment management, performance reporting, consulting, activity reporting, and tax reporting. This fee schedule includes all fees and charges for the Program services of our firm, Investment Professional, and Investnet, but does not include brokerage and custodial fees unless the client is paying a wrap fee. A wrap

fee includes brokerage and custodian fees. The annual Program Fee is based upon a percentage of the client's assets under management. A sample fee schedule appears below.

<u>Managed Assets</u>	<u>Maximum Annual Fee</u>
First \$2,000,000	2.50%
Next \$3,000,000	2.00%
Above \$5,000,000	1.75%

Fees are negotiated with each client based on the size and complexity of each client's circumstances. Each Investment Professional will negotiate with each client to determine the fees to be charged; therefore fees may vary among Investment Professionals and clients. As the advisory fees and charges may be negotiable, those fees and charges may vary among PWM clients based upon a number of factors, including the size of the client's account, the types of investments, the nature of related services provided, and the length of the advisory relationship with the client, among other things. Fees are negotiated at the discretion of, and within the means of our firm, Envestnet, and the Investment Professional.

Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of the quarter or as an average market value for the preceding quarter. Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account or may be charged in arrears if using the average market value for the quarter. The minimum annual Program Fee charged per Account for participation in the Program varies among Programs and ranges from \$0 - \$180 depending upon the Program selected. Clients should refer to Envestnet's disclosure document (Form ADV Part 2A and/or Part 2A Appendix 1 Wrap Fee Program Brochure) for a detailed explanation of the Program Fee. We will provide clients with Envestnet's disclosure document.

If the client terminates the Investment Management Agreement after the commencement of a calendar quarter billing period, the unearned portion of the Management Fee will be promptly refunded.

The Advisor as Portfolio Manager and SMA programs can be offered on a wrap fee basis. Mutual Fund Wrap Programs, ETF Wrap Programs, MMA and UMA are offered on a wrap-fee basis only. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. A client's portfolio transactions may be executed without commission charge (if any) in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We review with clients any separate program fees that they may be charged. Clients interested in learning about these services and the fees charged for these services should refer to our Form ADV Part 2A Appendix 1 Wrap Fee Brochure.

### **FINANCIAL PLANNING FEES**

Our Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client. The services may be offered on an hourly or fixed fee basis.

Our Financial Planning fees are calculated and charged on an hourly basis, ranging from \$100 to \$300 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. One-half of the estimated total fee shall be due and payable upon signing the Investment Consulting Agreement, and the balance shall be due and payable upon completion of the agreed upon services.

Alternatively, our Financial Planning fees may be provided for a fixed fee, typically ranging from \$2,000 to \$15,000, depending on the specific arrangement reached with the client. One-half of the estimated total fee shall be due and payable upon signing the Investment Consulting Agreement, and the balance shall be due and payable upon completion of the agreed upon services.

If the Investment Consulting Agreement is terminated, the balance (if any) of our unearned fees shall be refunded to the client and the balance (if any) of our earned fees shall be charged to the client. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period.

Certain Investment Professionals and other employees are separately licensed as registered representatives of a broker-dealer and/or licensed as insurance agents or brokers. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). In addition, MerCap Advisors, Inc. has subsidiaries engaged in such activities - MerCap Securities, LLC, is a FINRA-registered broker-dealer. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals and/or to MCS. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations and can purchase investment products we recommend through other brokers or agents that are not affiliated with MerCap Advisors, Inc. or MerCap Securities, LLC. The implementation of any or all financial planning recommendations is solely at the discretion of the client.

Each Investment Professional may, at his or her discretion, offset the client's Financial Planning fees to the extent the Investment Professional or other of our related persons have earned commissions from implementing financial planning recommendations. Commissions for product transactions will never serve as a credit on the client's account.

## **GENERAL INFORMATION**

### ***Direct Debiting of Advisory Fees:***

- a. We possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian;
- b. We send the qualified custodian written notice of the amount of the fee to be deducted from the client's account; and
- c. We send the client a written notice itemizing the fee, including any formulae used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based.



**Limited Negotiability of Advisory Fees:** Although we have established the fee schedules listed above, each Investment Professional may negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, and the policy of the particular Investment Professional, among other factors. Clients with similar financial situations and investment goals who use different Investment Professionals may pay different fees. The specific fee schedule will be identified in the contract between our firm and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

**Termination of the Advisory Relationship:** If the appropriate disclosure brochures<sup>1</sup> are not delivered to the client at least 48 hours prior to the client entering into an investment advisory contract with MerCap Advisors, Inc., the client has the right to terminate the contract without penalty within five business days after entering into the contract. A client contract may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund and ETF Fees:** All fees paid to MerCap Advisors, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, and except in the case of any Third-Party Money Manager that manages client accounts through a wrap program (for which clients will receive a written brochure from the Third-Party Money Manager), our annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent

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<sup>1</sup> The appropriate disclosure brochures are the Firm Brochure (Part 2A of Form ADV), Brochure Supplement (Part 2B of Form ADV), and if the client is participating in a wrap fee program sponsored by MerCap Advisors, Inc., the Wrap Fee Program Brochure (Part 2A Appendix 1).

investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** MerCap Advisors, Inc. may be deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, MerCap Advisors, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset MerCap Advisors, Inc.'s advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 for Pennsylvania clients (\$500 per client for clients located in states other than Pennsylvania) more than six months in advance of services rendered.

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

We do not charge performance-based fees.

As noted in Item 4 of this Brochure, different Investment Professionals may provide different advice to clients with similar financial situations and investment goals. A situation could arise in which one Investment Professional is purchasing a security at the same time that another Investment Professional is selling or shorting that security (please see Item 8 of this Brochure for a discussion of short selling). While each Investment Professional has access to and considers the opinions of the other Investment Professionals, and all have access to the same research, each Investment Professional is individually responsible for the day-to-day management of his or her own client's portfolios, and so is unaware of trades being placed by other Investment Professionals.

## **Item 7 Types of Clients**

We provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans
- Charitable organizations
- Corporations or other businesses not listed above

We have no minimum requirements for opening or maintaining accounts.

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

### **METHODS OF ANALYSIS**

Each Investment Professional may use any or all of the following methods of analysis in identifying attractive investment opportunities or determining an investment program for the client. Clients should review with each Investment Professional the specific methods of analysis being used for the client's portfolio.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers 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 monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**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.

### **INVESTMENT STRATEGIES**

Each Investment Professional may use any or all of the following investment strategies in identifying attractive investment opportunities or determining an investment program for the

client. Clients should review with each Investment Professional the specific investment strategies being used for the client's portfolio.

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

1. *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
2. *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
3. *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
4. *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call", and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

**Risk of Loss.** Investing in securities involves risk of loss that clients should be prepared to bear. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

### **BROKER-DEALERS AND INVESTMENT ADVISERS**

Our Investment Professionals and other employees may be registered representatives of MerCap Securities, LLC ("MCS"), a wholly-owned subsidiary of SFA Holdings, Inc. MCS and MCA are affiliated through common ownership. In their separate capacities as registered representatives, these individuals can purchase and sell securities for advisory clients for separate and typical commissions or other compensation, and may also receive ongoing compensation in the form of 12b-1 fees from mutual funds purchased by clients.

Investment Professionals who are registered representatives will not receive commissions generated by securities transaction in Portfolio Management accounts, or in accounts managed by third party advisers. However, these persons may receive compensation for implementing recommendations in financial plans. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all financial planning recommendations is solely at the discretion of the client.

Please see additional disclosures about brokerage practices in Item 12 of this Brochure.

MCA is affiliated through common ownership with The Strategic Financial Alliance, Inc. (“SFA”), a registered broker/dealer and SEC-registered investment adviser, wholly owned by SFA Holdings, Inc. SFA’s home office is located in Atlanta, GA. SFA is an introducing broker for Pershing LLC. Pershing LLC will execute, settle and clear general securities transactions for SFA. There are no referral arrangements between MCA and SFA.

## **INSURANCE AGENTS, BROKERS AND AGENCIES**

MCA is also affiliated through common ownership with SFA Insurance Services, Inc., an insurance agency. Certain of our owners, Investment Professionals, and other employees, in their individual capacities, are licensed insurance agents. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing insurance product transactions on behalf of advisory clients. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Our firm and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

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 also 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.

Our 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 [compliance@strategicfinancial.com](mailto:compliance@strategicfinancial.com), or by calling us at 610-616-3013.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing

employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices..
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to disciplinary action or termination.



As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as registered representatives of a broker-dealer and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

### **PORTFOLIO MANAGEMENT**

Unless directed otherwise, we will arrange for the execution of securities brokerage transactions for the assets in client accounts through a broker-dealer that we reasonably believe will provide best execution. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive commission rates, we may not necessarily obtain the lowest possible commission rates for account transactions. Consistent with obtaining best execution, transactions for a client's account may be directed to registered broker-dealers in return for research products and/or services that assist us in our investment decision-making process. Such research generally will be used to service all of our clients, but brokerage commissions paid by you may be used to pay for research that is not used in managing your account. Thus you may pay the broker-dealer a greater commission than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

You may direct us in writing to use a particular broker-dealer ("Directed Broker") to execute some or all transactions for your account (referred to as "directed brokerage"). In that case, you will have the sole responsibility to negotiate terms and arrangements for the account with the Directed Broker and we will not seek better execution services or process from other broker-dealers or be able to "batch" transactions for execution through other broker-dealers with order for other accounts we manage. As a result, you may pay higher commissions or other transaction costs, greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

Certain Investment Professionals are registered representatives of the broker-dealers listed in Item 10 of this Brochure. Broker-dealers are required to record and supervise all trades placed by their representatives. In order to meet this responsibility, the broker-dealers with which our Investment Professionals are registered may require that all trades in client accounts be placed through the broker-dealer with which the Investment Professional is registered, through the broker-dealers' clearing firm(s), or through other broker-dealers. Certain Investment Professionals will request that clients use the custodial, brokerage and clearing services of either Charles Schwab & Co., Inc. ("Schwab") or SEI and direct us to place all trades through either Schwab, or SEI. We have evaluated Schwab and SEI and believe that they will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

Schwab and SEI may provide to us, without cost, computer software and related systems support which allow us to better monitor client accounts which they maintain. We receive the software and related support without cost because we manage accounts for clients that maintain assets at Schwab or SEI. The software and related systems support may benefit our firm but may not directly benefit our clients. While we endeavor at all times to put the interests of our clients first, the receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence our choice of Schwab or SEI over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, we may receive the following benefits from Schwab or SEI:

- receipt of duplicate client confirmations and bundled duplicate statements;
- access to a trading desk that exclusively services its participants;
- access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- access to an electronic communication network for client order entry and account information.

### ***Block Trading.***

We will block trades placed by a particular Investment Professional where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. We do not coordinate block trading among Investment Professionals.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Our block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement or our firm's order allocation policy.
- 2) The Investment Professional must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The Investment Professional must reasonably believe that the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other

written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

### **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS**

Please refer to the Form ADV Part 2A Brochure of any recommended manager for information on that manager's brokerage practices.

### **PRIVATE WEALTH MANAGEMENT**

Private Wealth Management accounts are held at Schwab or SEI, and clients must direct our firm and any separate account manager selected by the client to utilize Schwab, SEI or an affiliate of them, for execution services. In directing the use of a particular broker, it should be understood that we may not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients. Our firm will not be independently seeking best execution price capability through other brokers. Not all advisers require clients to direct it to use a particular broker-dealer.

Our firm is not a broker-dealer and will receive no revenue related to assets held, transactions, and activity in Program Accounts beyond the advisory fee.

### **FINANCIAL PLANNING**

When consistent with our fiduciary duty, our Investment Professionals may recommend themselves or other persons in our firm who are registered representatives of a broker-dealer to financial planning clients for implementation of financial planning recommendations. No financial planning client is obligated to use any individual or broker-dealer firm to implement financial planning recommendations.

## Item 13 Review of Accounts

### INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

**REVIEWS:** While the underlying securities within Portfolio Management accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by the Investment Professional who is managing the client's account.

**REPORTS:** Clients will receive monthly or quarterly statements from their custodian(s) that detail the client's holdings and account activity as well as confirmations of all securities transactions. The client may negotiate with his or her Investment Professional for additional reports. Clients will not receive any additional reports from MCA regarding their account holdings, activity or performance.

### SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS

**REVIEWS:** Clients account should refer to the independent registered investment adviser's Form ADV Part 2A Brochure for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

We will review these accounts on a quarterly basis. These accounts are reviewed by the Investment Professional in charge of the client's account.

**REPORTS:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

We do not provide reports in addition to those provided by the independent registered investment adviser selected to manage the client's assets.

### PRIVATE WEALTH MANAGEMENT

**REVIEWS:** Each client may negotiate the frequency of account reviews with the client's Investment Professional. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**REPORTS:** Clients in the Private Wealth Management investment program will receive a monthly statement from the custodian providing a detailed list of holdings with valuations and account activity as well as confirmations of all securities transactions from Schwab or SEI. Clients utilizing SEI as their Custodian will elect, at account opening, whether they would like to receive statements on a monthly or quarterly basis; quarterly is SEI's default election. Clients enrolled in Envestnet's program will receive a quarterly statement from Envestnet showing the allocation of the assets in the account as well as the performance of the account during the previous quarter. Clients in this program will not receive any additional reports from MCA regarding their account holdings, activity or performance.

## **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

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

### **CLIENT REFERRALS**

Our firm does not pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us.

### **OTHER COMPENSATION**

Our firm and/or our officers and representatives are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. We obtain written authorization from the client to deduct advisory fees from an account held by a qualified custodian.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting

period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Other than the automatic deduction of our advisory fee from client accounts, our firm does not have custody of the assets in client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell;
- determine the broker or dealer to be used for purchase or sale of securities for a client's account;
- determine the commission rates to be paid to a broker or dealer for a client's securities transactions;

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients will receive proxies and shareholder communications directly from their custodian. Clients are reminded that they are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client for Pennsylvania clients more than six months in advance of services rendered. Under no circumstances do we require or solicit payment of fees in excess of \$500 per client for clients in states other than Pennsylvania more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. MerCap Advisors, Inc. has no additional financial circumstances to report.

MerCap Advisors, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

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

The following individuals are the principal executive officers and management persons of MerCap Advisors, Inc.:

- Dale A. Pope, President & Chief Compliance Officer
- Megan A. Hemdal, Director of Operations

Information regarding the formal education and business background for Mr. Pope is provided in his respective Brochure Supplement. Megan Hemdal's formal education and business background is as follows:

### **Megan A. Hemdal**

#### *Education:*

- Harcum College, Bryn Mawr, PA, Associates Degree in Business Administration (2003)

#### *Securities Licensing Examinations:*

- Series 6, Investment Company Products/Variable Contracts Representative Examination
- Series 63, Uniform Securities Agent State Law Examination
- Series 26, Investment Company Products/Variable Contracts Principal Examination
- Series 99, Operations Professional Qualification Examination

#### *Business Background:*

- MerCap Advisors, Inc., Director of Operations, 07/2015 to Present
- MerCap Securities, LLC, Director of Operations/Registered Representative, 02/2012 to Present
- Merion Wealth Partners, LLC, Director of Operations, 03/2010 to 10/2015

- American Portfolios Financial Services, Inc., Registered Representative, 04/2010 – 12/2011
- FSC Securities Corporation, Registered Representative, 11/2009 – 05/2012

MerCap Advisors, Inc. is not engaged in any business activity other than giving investment advice.

Neither MerCap Advisors, Inc. nor our supervised persons are compensated for advisory services with performance-based fees.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted. Our firm and our management personnel have no reportable disciplinary events to disclose.

Neither MerCap Advisors, Inc. nor our management personnel have a relationship or arrangement with any issuer of securities.

## **Item 20 Acknowledgement of Fiduciary Status**

Effective June 09, 2017, pursuant to the recommendations we provide to you and your acceptance thereof, MerCap Advisors, Inc. acknowledges that together with our Financial Advisers (FAs) we are acting as Fiduciaries under ERISA or the Code, or both with respect to the recommended transaction(s) covered by this document. As ERISA Fiduciaries to our clients, MerCap Advisors, Inc. and our FAs have an affirmative duty of undivided loyalty to always serve our clients' best interests and act in utmost good faith, placing our clients' interests first and foremost without regard to the financial interests of our employees, affiliates and any related entities or other parties. Furthermore, we are required to act prudently on our clients' behalf, exercising care, skill and diligence when providing our services. As ERISA Fiduciaries, MerCap Advisors, Inc. and our FAs are committed to these Impartial Conduct Standards: (i) providing prudent advice that is, at the time of the recommendation, in the Best Interest of our client, (ii) receiving no more than reasonable compensation, and (iii) statements made regarding the recommended transaction, fees and compensation, Material Conflicts of Interest and other matters relevant to the Retirement Investor's investment decisions, will not be materially misleading.



**Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure***

**MerCap Advisors, Inc.**

73 Chestnut Road, Suite 400  
Paoli, PA 19301

Telephone: 610-616-3013  
Email: [info@mercapadvisorsinc.com](mailto:info@mercapadvisorsinc.com)  
Website: [www.mercapadvisorsinc.com](http://www.mercapadvisorsinc.com)

October 1, 2018

This brochure provides information about the qualifications and business practices of MerCap Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 610-616-3013 or [info@mercapadvisorsinc.com](mailto:info@mercapadvisorsinc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about MerCap Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 170092. Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2. Material Changes**

Since the last filing of our firm wrap fee program brochure that was dated March 20, 2018, the firm has had no material changes.

Our current Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure will be available to our existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website. Additionally, if material changes occur, we will annually and within 120 days of the end of our fiscal year, provide you either: (i) a copy of our Wrap Fee Program Brochure that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Wrap Fee Program Brochure. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our firm, including but not limited to advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

## **Item 3 Table of Contents**

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## Item 4 Services, Fees and Compensation

MerCap Advisors, Inc., formerly known as S&G, Inc., (hereinafter “MCA”, “we”, “us”, “our”, “ours”) which is located in Paoli, Pennsylvania, is a Georgia corporation, formed in December 2013. MCA is registered as an investment adviser with the Pennsylvania Department of Banking and Securities and various other states’ securities divisions as required.

MCA is a wholly owned subsidiary of SFA Holdings, Inc. (“SFAH”). SFAH is also the parent company of The Strategic Financial Alliance, Inc. (“SFA”), a broker/dealer and SEC-registered investment adviser and MerCap Securities, LLC (“MCS”), a broker/dealer. SFA offers securities and advisory products and services to the general public through its independent financial advisors in offices throughout the United States. MCS conducts business as a broker/dealer offering mutual funds and variable life insurance or annuities. MCA, MCS and SFA will share certain staff.

Dale Pope is the President of MCA and the President of MCS.

We provide a platform for individuals providing investment advice (each, an “Investment Professional”) to share resources, ideas and research. Each Investment Professional is committed to MCA’s Process of Building and Maintaining Wealth:

1. Understand a client’s goals and risk
2. Analyze the macroeconomic environment to provide rational expectations on future economic conditions
3. Build a sound foundation by matching investment products to the economic environment.
4. Identify “relative value”—what is over valued and what is under valued in the marketplace

Within this framework, each Investment Professional has his or her own investment selection process and approach to investing. Different Investment Professionals may provide different advice to clients with similar financial situations and investment goals. Each Investment Professional may provide any or all of the services listed below. While each Investment Professional will inform the client of the specific services he or she will provide, the client should carefully review the description of services below to fully understand which services the client will receive.

Our firm is the sponsor of Private Wealth Management (“PWM”), an investment advisory service program. Our firm’s Investment Professionals may offer the investment advisory services described here to their clients and potential clients. Different Investment Professionals may offer only some of the following services. Each client should ask his or her Investment Professional which services are being considered for the client.

Private Wealth Management provides clients access to continuous management of their investment portfolios through one or more of the following investment management programs:

- Advisor as Portfolio Manager\*
- Separately Managed Account Program (“SMA”)\*

- Mutual Fund Wrap Program(s)
- ETF Wrap Program(s)
- Multi-Manager Account Program ("MMA")
- Unified Managed Account Program ("UMA")
- Investnet Reporting Service

\*The Advisor as Portfolio Manager and SMA programs are also available on a non-wrap fee basis.

As part of the PWM program, we have engaged certain Third Party Managers (TPMs) to provide various administrative services to PWM clients. TPMs include these services to both wrap and non-wrap clients at no additional cost to the client. The TPM(s) may also provide additional services to PWM program clients including:

- Assessment of the client's investment needs and objectives
- Investment policy planning
- Development of an asset allocation strategy designed to meet the client's objectives
- Recommendations to MCA on suitable style allocations
- Identification of appropriate managers and investment vehicles suitable to the client's goals
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria
- Engagement of selected asset managers and investment vehicles on behalf of the client
- Ongoing monitoring of individual asset manager's performance and management (for approved SMA managers and mutual funds only)
- Review of client accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations to MCA for account rebalancing, if necessary
- Online reporting of client account(s) performance and progress

Once the client selects an Investment Professional and an advisory relationship is initiated, the Investment Professional will obtain information from the client on the client's financial background, prior investment experience, investment objectives, goals and restrictions, if any, and risk tolerance, among other things. This review also considers the suitability and appropriateness of the PWM investment account for the client. Our firm and the Investment Professional maintain the client profile information. Clients are advised to update their profile information any time changes to their financial situation and/or investment objectives occur. When this happens our firm and Investment Professionals may require clients to complete an investor profile questionnaire to ascertain whether the account and its investments remain suitable and appropriate.

Once an advisory relationship is established, there are no restrictions on a client's ability to contact either our firm or their Investment Professional. The Investment Professional will contact the client periodically to determine if there have been any changes in their financial information so that the management of the account may be adjusted accordingly. In the event

any information is received by our firm directly from the client, that information is communicated promptly to the Investment Professional.

The information provided by the client is forwarded to the TPM for review. The TPM will analyze the information and recommend to MCA an appropriate strategy based on the client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. The TPM's research team uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums.

The TPM will then propose an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes.

Each Investment Professional managing a PWM account chooses his/her own research methods, investment style, and management philosophy. The investment strategies utilized by an Investment Professional in implementing the investment services provided to clients may include long and short-term purchases.

### ***Advisor as Portfolio Manager Program***

Within the Advisor as Portfolio Manager Program, the Investment Professional will direct the investment and reinvestment of client assets in the Private Wealth Management account ("Program Account"). The Program Account will be managed by the Investment Professional in accordance with an investment style selected by the Client, and subject to the Client meeting the program minimum account size. Clients will receive the program sponsor's disclosure document (Form ADV Part 2A and/or Part 2A Appendix 1 Wrap Fee Program Brochure) that describes the program minimum account size. Clients may impose reasonable restrictions on the Investment Professional. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of specific securities or specific types of securities. The Program Account will be managed by the Investment Professional based on the specific investment needs of the client on an ongoing basis utilizing investments that may include mutual funds, exchange traded funds, stocks, bonds, options, and variable annuity and insurance products. On a periodic basis, the Investment Professional will review each client's account and direct the rebalancing and/or reallocation of the investments within the account for discretionary accounts and depending on the client's investment objective. The client selects the Investment Professional who will manage the client's account. PWM program accounts are managed on a discretionary basis. Clients may impose reasonable limitations or restrictions on the Investment Professional's discretionary authority. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of particular securities, industries or asset classes.

### ***Separately Managed Account Program ("SMA")***

The Investment Professionals also provide the Separately Managed Account Program ("SMA"), in which the client and/or the Investment Professional can select the investment advisory services of professional portfolio management firms ("Portfolio Managers") and their different investment styles for the individual management of the client's account. Investment styles include Equity, Balanced and Fixed Income. The TPM will recommend to MCA

individual Portfolio Managers and investment vehicles that correspond to the proposed asset classes and styles. The Investment Professional may recommend managers in this program to the client.

Clients whose accounts are custodied at Schwab have access to the investment management services of Envestnet Asset Management, Inc. (“Envestnet”) through various investment management programs sponsored by Envestnet. The programs consist of Envestnet’s proprietary model asset allocation portfolios. Each model is designed to meet a particular investment goal and are positioned at various points along the risk/return spectrum.

Client accounts will be managed by Envestnet or the Investment Professional, depending upon the model selected. The model portfolios will typically contain either mutual funds or exchange-traded funds (“ETFs”). Clients will receive Envestnet’s disclosure document (Form ADV Part 2A and/or Part 2A Appendix 1 Wrap Fee Program Brochure) that describes in detail the services and model portfolios offered within each Program. Clients are encouraged to review the disclosure document to learn more about the particular characteristics of each of the services offered within each Program, including whether they may impose restrictions on the investment in certain securities or types of securities.

Clients that participate in a program are required to grant full discretionary investment authority to Envestnet if the model portfolio is managed by Envestnet rather than the Investment Professional. Envestnet generally will only use this grant of discretion to replace investment vehicles, including sub-managers, when it deems such a change is necessary; to rebalance a client's account as agreed between the client and Envestnet; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable. However, there may be situations in which Envestnet will fully utilize this grant of discretion, such as to liquidate a position.

***Envestnet Reporting Service:*** For all accounts that are charged an advisory fee at either of the following custodians: Charles Schwab, we require the client to use Envestnet’s Reporting Only Service. Envestnet’s Reporting Only Service allows Investment Professionals to monitor their clients’ accounts and examine their clients’ holdings, allocation of assets and portfolio performance. The fee for this service is \$50 per account, per calendar year, and is billed on a pro-rata basis each quarter based on the number of days in the calendar quarter. The fee will be debited from the client’s account in accordance with the client authorization in Envestnet’s Data Aggregation and Reporting Services Account Administration Form.

### **Trading in Private Wealth Management Accounts**

We require that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for brokerage transactions. Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Private Wealth Management accounts are held at Charles Schwab & Co., Inc. (“Schwab”) or SEI will be used for execution services.

Our firm is not a broker-dealer and will receive no revenue related to assets held, transactions, and activity in Program Accounts beyond the advisory fee.

For Advisor as Portfolio Manager clients, we will block trades placed by a particular Investment Professional where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. We do not coordinate block trading among Investment Professionals.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Our block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement or our firm's order allocation policy.
- 2) The Investment Professional must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The Investment Professional must reasonably believe that the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.



- 9) Funds and securities for aggregated orders are clearly identified on our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

For all other Private Wealth management services, please refer to the disclosure documents of the recommended portfolio manager(s) for information on placing client transactions.

We have evaluated Schwab and SEI and believe that they will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

Schwab and SEI provide us, without cost, computer software and related systems support which allow us to better monitor client accounts maintained at Schwab or SEI. We receive the software and related support without cost because we manage accounts for clients that maintain assets at Schwab or SEI. The software and related systems support may benefit our firm but may not directly benefit our clients. While we endeavor at all times to put the interests of our clients first, the receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence our choice of Schwab or SEI over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, we may receive the following benefits from Schwab or SEI:

- receipt of duplicate client confirmations and bundled duplicate statements;
- access to a trading desk that exclusively services its Schwab or SEI participants;
- access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- access to an electronic communication network for client order entry and account information.

#### Trade Error Policy

If a trade error results in a loss, we will make the client whole.

If a trade error results in a gain, we will retain the gain and use it to offset losses from other trade errors.

#### **Fees**

### **PRIVATE WEALTH MANAGEMENT**

The maximum annual Private Wealth Management Program Fee is 2.50% of client's assets under management. The annual fee typically ranges from 1.75% to 2.50%. Fees are negotiated with each client based on the size and complexity of each client's circumstances. Each Investment Professional will negotiate with each client to determine the fees to be charged; therefore fees may vary among Investment Professionals and clients. As the advisory fees and charges may be negotiable, those fees and charges may vary among PWM clients based upon a number of factors, including the size of the client's account, the types of

investments, the nature of related services provided, and the length of the advisory relationship with the client, among other things. Fees are negotiated at the discretion of, and within the means of our firm, the TPM(s), and the Investment Professional. MerCap Advisors, Inc., as portfolio manager of the program, is paid the entire portion of the total fee.

With the exception of the Advisor as Portfolio Manager and SMA programs that are also offered on a non-wrap fee basis, all Private Wealth Management services are offered on a wrap-fee basis. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. A client's portfolio transactions may be executed without commission charge (if any) in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We review with clients any separate program fees that they may be charged.

**What fees and services are covered by the Wrap Fees?** The Wrap Fees pay for our advisory services and administrative expenses, along with the fees of Envestnet, Schwab, SEI, and any separate account managers (including advisory, custody and brokerage services).

**What fees and services are not covered by the Wrap Fees?** Wrap Fees do not cover mark-ups or mark-downs, SEC fees or expenses of mutual funds or ETFs that may be included in your portfolio.

**How are fees charged?** Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of the quarter or as an average market value for the preceding quarter. Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account or may be charged in arrears if using the average market value for the quarter. The minimum annual Program Fee charged per Account for participation in the Program varies among Programs and ranges from \$0 - \$180 depending upon the Program selected. Clients should refer to Envestnet's disclosure document (Form ADV Part 2A and/or Part 2A Appendix 1 Wrap Fee Program Brochure) for a detailed explanation of the Program Fee. We will provide clients with Envestnet's disclosure document.

Fees will be debited from the account in accordance with the client authorization in the Investment Management Agreement.

***Direct Debiting of Advisory Fees:***

- a. We possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian;
- b. We send the qualified custodian written notice of the amount of the fee to be deducted from the client's account; and
- c. We send the client a written notice itemizing the fee, including any formulae used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based.

If the client terminates the Investment Management Agreement after the commencement of a

calendar quarter billing period, the unearned portion of the Management Fee will be promptly refunded.

### **Additional Information about our Services and Fees.**

You may be able to purchase services similar to Private Wealth Management services from other service providers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than the Private Wealth Management Program, depending on the fees charged by such other service providers. You may be able to purchase similar services from other service providers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than what we charge for Non-Program Accounts, depending on the fees charged by such other service providers. In evaluating “wrap fee” investment programs, you should recognize that transactions are usually effected “net”, that is, without commission. A portion of the wrap fee is generally considered as being in lieu of commissions. We require that trades be executed only with Schwab or SEI so that we will not seek best price and execution by placing transactions with other broker-dealers. While we anticipate that Schwab or SEI will be able to obtain best execution with respect to mutual funds and ETF, it is possible that better execution for these and other types of securities may be available through other broker-dealers.

You may wish to satisfy yourself that Schwab or SEI can provide adequate price and execution of most or all transactions. You should also consider that, depending upon the level of the wrap fee we charge, the amount of portfolio activity in your account, the value of custodial and other services which are provided under the arrangement, and other factors, the “wrap fee” may or may not exceed the aggregate cost of such services if they were to be provided separately.

Our fees are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. You could invest in a mutual fund or and ETF directly, without our services. In that case, you would not receive the services provided by us and/or Envestnet, which are designed, among other things, to assist you in determining which mutual fund or funds or ETFs are most appropriate to your financial condition and objectives. Accordingly, you should review both the fees charged by the funds and ETFs and the fees charged by us to fully understand the total amount of fees you are to pay in order to evaluate our advisory services.

The Investment Professional recommending the Private Wealth Management Program to you receives compensation as a result of your participation in the Private Wealth Management Program. The amount of this compensation may be more than what the Investment Professional would receive if you used our other programs or paid separately for investment advice, brokerage, and other services. The Investment Professional may, therefore, may have a financial incentive to recommend the Private Wealth Management Program over other programs or services.

Although we have established the fee schedules listed above, each Investment Professional may negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the

client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, and the policy of the particular Investment Professional, among other factors. Clients with similar financial situations and investment goals who use different Investment Professionals may pay different fees. The specific fee schedule will be identified in the contract between our firm and each client. We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

If the appropriate disclosure brochures<sup>1</sup> are not delivered to the client at least 48 hours prior to the client entering into an investment advisory contract with MCA, the client has the right to terminate the contract without penalty within five business days after entering into the contract. A client contract may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. **In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.**

MCA is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. . As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, MCA may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset MCA's advisory fees.

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

There is a minimum annual Program Fee charged per Account for participation in the Program (please refer to TPM's Schedule of Expenses).

We provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans
- Charitable organizations
- Corporations or other businesses not listed above

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<sup>1</sup> The appropriate disclosure brochures include the Firm Brochure (Part 2A of Form ADV), Brochure Supplement (Part 2B of Form ADV), and if the client is participating in a wrap fee program sponsored by MerCap Advisors, Inc., the Wrap Fee Program Brochure (Part 2A Appendix 1).

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

Our own investment professionals may provide advice under the Adviser as Portfolio Manager service described above. We generally require that individuals involved in determining or giving investment advice have passed the Series 65 exam or have an appropriate professional designation, such as Chartered Financial Analyst (CFA) or Certified Financial Planner (CFP). For more information about the investment professional managing the account, client should refer to the Brochure Supplement for the investment professional, which client should have received along with the Brochure at the time client opened the account. In circumstances where we recommend separate account managers, we consider several factors including account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Disclosure Brochure or other disclosure document for a full description of the services offered.

### **Performance Information**

Neither MCA nor any third-party prepares or reviews any performance information, advertising or otherwise. Clients do not receive any performance information or advertising that claims compliance with GIPS or any other presentation standard.

### **Related persons**

Related persons under common control with MerCap Advisors, Inc. do not act as portfolio managers for the program.

### **Wrap Fee Accounts vs. Non Wrap Fee Accounts**

We manage wrap fee accounts the same as non-wrap accounts. We receive a portion of the wrap fee for our services.

### **Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients will receive proxies and shareholder communications directly from their custodian. Clients are reminded that they are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. We do not offer any consulting assistance regarding proxy issues to clients.

## Other Advisory Services

We also offer the following advisory services:

### PORTFOLIO MANAGEMENT

We provide continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities, including 529 college savings plans
- Variable life insurance
- Variable annuities
- Fixed annuities
- Indexed annuities
- Mutual fund shares
- Exchange-traded funds
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Any investments held by the client at the inception of the advisory relationship.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **SELECTION AND MONITORING OF THIRD-PARTY MONEY MANAGERS**

We also offer advisory management services to our clients through our Selection and Monitoring of Third-Party Money Managers service.

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established.

Based on the client's individual circumstances and needs we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Disclosure Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account. Once we determine the most suitable investment adviser(s) for the client, we provide the selected adviser(s) with information about the client's investment goals, tolerance for risk, and any reasonable restrictions on the account. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs.

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's needs, we may suggest that the client contract with a different registered investment adviser. Under this scenario, our firm assists the client in selecting a new registered investment adviser. The independent investment advisers we may recommend will not be hired or terminated without receiving the client's prior consent unless the client has granted us the discretionary authority to do so in the management agreement.

Prior to introducing clients to another investment adviser, we will be responsible for determining the following:

- a) Whether the investment adviser is registered with the Pennsylvania Department of Banking and Securities under Section 301 of the Pennsylvania Securities Act of 1972 (1972 Act);
- b) Whether the investment adviser is relying on an exclusion from the definition of investment adviser under Section 102(j) of the 1972 Act;
- c) Whether the investment adviser is relying on an exemption from registration under Section 302(d) of the 1972 Act; or

When the investment adviser is registered with the Securities and Exchange Commission, that the investment adviser has filed a Notice Filing with the Pennsylvania Department of Banking and Securities under Department Regulation 303.015(a).

The annual fee is charged as a percentage of assets under management, and the combined fee, which includes our fee and the third party manager's fee will not exceed the amounts noted below, according to the following example fee schedule:

<u>Managed Assets</u>	<u>Maximum Annual Fee</u>
First \$2,000,000	2.50%
Next \$3,000,000	2.00%
Above \$5,000,000	1.75%

The percentage we earn from the combined fee typically ranges from 1.375% – 1.5% of the client's managed assets. The percentage the third party manager earns from the combined fee typically ranges from 0.375% up to 1.00% of the client's managed assets. Investment Professionals do not determine the third party money manager's fee. Each third party money manager's fee is disclosed in its Form ADV Part 2A Brochure and client service agreement, which are both provided to the client by the Investment Professional.

### **Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees.

As noted in Item 4 of this Wrap Brochure, different Investment Professionals may provide different advice to clients with similar financial situations and investment goals. A situation could arise in which one Investment Professional is purchasing a security at the same time that another Investment Professional is selling or shorting that security (please see Page 19 of this Brochure for a discussion of short selling). While each Investment Professional has access to and considers the opinions of the other Investment Professionals, and all have access to the same research, each Investment Professional is individually responsible for the day-to-day management of his or her own client's portfolios, and so is unaware of trades being placed by other Investment Professionals.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis:**

Each Investment Professional may use any or all of the following methods of analysis in identifying attractive investment opportunities or determining an investment program for the client. Clients should review with each Investment Professional the specific methods of analysis being used for the client's portfolio.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.



**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers 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 monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**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.

### **Investment Strategies:**

Each Investment Professional may use any or all of the following investment strategies in identifying attractive investment opportunities or determining an investment program for the client. Clients should review with each Investment Professional the specific investment strategies being used for the client's portfolio.

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was

designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

- *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
- *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
- *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
- *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call", and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

**Risk of Loss.** Investing in securities involves risk of loss that clients should be prepared to bear. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

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

Once the client selects an Investment Professional and an advisory relationship is initiated, the Investment Professional will obtain information from the client on the client's financial background, prior investment experience, investment objectives, goals and restrictions, if any, and risk tolerance, among other things. This information is shared with Envestnet and any separate account manager selected by the client.

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

Once an advisory relationship is established, there are no restrictions on a client's ability to contact either our firm or their Investment Professional. The Investment Professional will contact the client periodically to determine if there have been any changes in their financial information so that the management of the account may be adjusted accordingly. In the event any information is received by our firm directly from the client, that information is communicated promptly to the Investment Professional.

## **Item 9 Additional Information**

### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

#### **BROKER-DEALERS AND INVESTMENT ADVISERS**

Our Investment Professionals and other employees may be registered representatives of MerCap Securities, LLC ("MCS"), a wholly-owned subsidiary of SFA Holdings, Inc. MCS and MCA are affiliated through common ownership. In their separate capacities as registered representatives, these individuals can purchase and sell securities for advisory clients for separate and typical commissions or other compensation, and may also receive ongoing compensation in the form of 12b-1 fees from mutual funds purchased by clients.

Investment Professionals who are registered representatives will not receive commissions generated by securities transaction in Portfolio Management accounts, or in accounts managed by third party advisers. However, these persons may receive compensation for implementing recommendations in financial plans. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all financial planning recommendations is solely at the discretion of the client.

MCA is affiliated through common ownership with The Strategic Financial Alliance, Inc. (“SFA”), a registered broker/dealer and SEC-registered investment adviser, wholly owned by SFA Holdings, Inc. SFA’s home office is located in Atlanta, GA. SFA is an introducing broker for Pershing LLC. Pershing LLC will execute, settle and clear general securities transactions for SFA. There are no referral arrangements between MCA and SFA.

## **INSURANCE AGENTS, BROKERS AND AGENCIES**

MCA is also affiliated through common ownership with SFA Insurance Services, Inc., an insurance agency. Certain of our owners, Investment Professionals, and other employees, in their individual capacities, are licensed insurance agents. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing insurance product transactions on behalf of advisory clients. This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

### **Code of Ethics**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Our firm and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

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 also 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.

Our 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 [info@mercapadvisorsinc.com](mailto:info@mercapadvisorsinc.com), or by calling us at 610-616-3013.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest

of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to disciplinary action or termination.

## **Proxy Voting**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Review of Accounts**

**REVIEWS:** Each client may negotiate the frequency of account reviews with the client's Investment Professional. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**REPORTS:** Clients in the Private Wealth Management investment program will receive a monthly statement from the custodian providing a detailed list of holdings with valuations and account activity as well as confirmations of all securities transactions from Schwab or SEI. Clients utilizing SEI as their Custodian will elect, at account opening, whether they would like to receive statements on a monthly or quarterly basis; quarterly is SEI's default election. Clients enrolled in Envestnet's program will receive a quarterly statement from Envestnet showing the allocation of the assets in the account as well as the performance of the account during the previous quarter. Clients in this program will not receive any additional reports from MCA regarding their account holdings, activity or performance.

## **Client Referrals and Other Compensation**

### **CLIENT REFERRALS**

Our firm does not pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us.

### **OTHER COMPENSATION**

Our firm and/or our officers and representatives are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

### **Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client for Pennsylvania clients more than six months in advance of services rendered. Under no circumstances do we require or solicit payment of fees in excess of \$500 per client for clients in states other than Pennsylvania more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. MerCap Advisors, Inc. has no additional financial circumstances to report.

MerCap Advisors, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Item 10 Requirements for State-Registered Advisers**

Neither MerCap Advisors, Inc. nor our management personnel have a relationship or arrangement with any issuer of securities.



# FACTS

## WHAT DOES DO WITH YOUR PERSONAL INFORMATION?

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"> <li>■ Social Security number and</li> <li>■ and</li> </ul>
<b>How?</b>	All financial companies need to share personal information to run their everyday business. In the section below, we list the reasons financial companies can share their personal information; the reasons chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus		
<b>For our marketing purposes—</b> to offer our products and services to you		
<b>For joint marketing with other financial companies</b>		
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences		
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness		
<b>For our affiliates to market to you</b>		
<b>For nonaffiliates to market to you</b>		

<b>To limit our sharing</b>	<ul style="list-style-type: none"> <li>■ Call —our menu will prompt you through your choice(s)</li> <li>■ Visit us online:</li> <li>■ Mail the form below</li> </ul> <p><b>Please note:</b></p> <p>If you are a <i>new</i> customer, we can begin sharing your information days from the date we sent this notice. When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p> <p>However, you can contact us at any time to limit our sharing.</p>
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<b>Questions?</b>	Call or go to
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Mail-in Form	
	Mark any/all you want to limit:
<b>Mail To:</b>	

**Who we are**

**Who is providing this notice?**

**What we do**

**How does protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

**How does collect my personal information?**

We collect your personal information, for example, when you

- 
- 

or

- 
- 

**Why can't I limit all sharing?**

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes—information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

**What happens when I limit sharing for an account I hold jointly with someone else?**

**Definitions**

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

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**Nonaffiliates**

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

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**Joint marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

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**Other important information**




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