

## MC2 Financial Advisers, Inc.

24 S. Newtown Street Road Suite 100

Newtown Square, PA USA 19073

(610) 353-7777

([www.mc2online.org](http://www.mc2online.org))

6-10-11

**This brochure provides information about the qualifications and business practices of MC2 Financial Advisers, Inc. If you have any questions about the contents of this brochure, please contact us at (610) 353-7777. 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 MC2 Financial Advisers, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**MC2 Financial Advisers, Inc. is a Registered Investment Advisor in the State of Pennsylvania. Please note that registration does not imply a certain level of skill or training.**

### **MATERIAL CHANGES**

There have been no material changes since our last annual update. The date of our last annual update is July 9, 2010.

**ITEM 3**  
**TABLE OF CONTENTS**

Page 1	Cover Page and Material Changes Since Our Last Annual Update
Page 2	Table of Contents
Page 4	Advisory Business <ul style="list-style-type: none"><li>A. Description of our business</li><li>B. Description of advisory services we offer</li><li>C. If, or how, we tailor our advisory services to your individual needs</li><li>D. Wrap fee programs</li><li>E. Amount of assets we manage</li></ul>
Page 5	Fees and Compensation <ul style="list-style-type: none"><li>A. How we are compensated</li><li>B. How our fees are paid</li><li>C. Other types of fees</li><li>D. Do we charge fees in advance</li><li>E. Do we get compensated (<i>commissions</i>) for the sale of securities</li></ul>
Page 6	Performance -Based Fees and Side-By-Side Management
Page 6	Types of Clients
Page 6	Methods of Analysis, Investment Strategies and Risk of Loss <ul style="list-style-type: none"><li>A. Our analysis &amp; strategies</li><li>B. Material risks involved in our analysis or strategies</li><li>C. Do we recommend primarily a particular type of security</li></ul>
Page 7	Disciplinary Information <ul style="list-style-type: none"><li>A. Criminal or civil actions</li><li>B. Administrative proceedings before The SEC or any other government agency</li><li>C. Any self-regulatory organization (SRO) proceedings</li></ul>
Page 7	Other Financial Industry Activities and Affiliations <ul style="list-style-type: none"><li>A. Are we registered representatives of a securities broker/dealer</li><li>B. Are we a futures commissions merchant, commodity pool operator or commodity trading advisor</li><li>C. Do we have any other financial relationships or arrangements that are material to our business</li><li>D. Do we recommend other registered investment advisors and receive compensation</li></ul>

- Page 8      Our Code of Ethics
- A. Describe our Code of Ethics
  - B. Do we have any material interests in investments we recommend
  - C. Do we invest in securities we recommend to you
  - D. Do we buy or sell securities for our own account about the same time we buy the same securities for your account
- Page 9      Brokerage Practices
- A. Research and other soft dollar benefits
    - a. Soft dollars
    - b. Brokerage for client referrals
    - c. Directed brokerage
- Page 10      Review of Accounts
- A. Frequency and nature of reviews
  - B. Reviews on an other than periodic basis
  - C. Client reports
- Page 10      Client Referrals and Other Compensation
- A. Do we get economic benefits from a non-client for providing certain advice to you
  - B. Do we pay for client referrals
- Page 10      Custody
- Page 11      Investment Discretion
- Page 11      Voting Client Securities
- A. Do we accept authority to vote client securities
  - B. If we do have the authority to vote client securities , disclose that fact
- Page 11      Financial Information
- A. Do we require prepayment of fees of more than \$500/ more than 6 months in advance
  - B. If we require such prepayment, or have custody or discretion, is there any impairment to give a client refund, if necessary
  - C. Bankruptcy
- Page 12      Additional Requirements for *State*- Registered Advisors
- A. Our educational & business backgrounds
  - B. Any other business activities
  - C. Performance -based fees
  - D. Any issues with events listed below
    - a. Arbitration
    - b. Civil, SRO or administrative proceedings
  - E. Do we have any relationships with an issuer of securities

**ITEM 4**  
**ADVISORY BUSINESS**

A. Description of our business - MC2 Financial Advisers, Inc (“MC2”) has been a Registered Investment Advisor in Pennsylvania since 1998. The principal owners are Francis B. McCullough (75%) and Robert A. McCullough (25%).

B. Description of advisory services we offer – MC2 provides ongoing investment asset management. Although it varies by client, asset management represents approximately seventy-five percent of services provided. Accompanying and related financial planning and consulting services make up twenty-four percent. The remaining one percent consists of consultations on financial matters outside an investment management relationship.

MC2 investment strategy is based on asset allocation and diversification. Significant considerations include client financial position, responsibilities, goals, time horizon, and client willingness to accept investment risk and volatility. Generally there will be a recommended asset allocation of assets among three or more asset classes. Management services include the execution of trades and exchanges to reach the agreed upon asset allocations, and periodic rebalancing to maintain them.

At least quarterly custodians provide statements depicting activity and balances. Confirmations of deposits, disbursements, and exchanges, and any changes to an account profile are mailed promptly to clients directly by the custodian. MC2 periodically provides clients with summary reports.

MC2 communicates with clients as often as indicated by circumstances, and conducts a performance review every six months.

MC2 provides investment advice limited to mutual funds.

C. If, or how we tailor our advisory services to your individual needs - We tailor our services to meet client needs. Clients may impose restrictions on investing in certain securities or types of securities.

D. Wrap fee programs - MC2 does not participate in wrap-fee programs.

E. Amount of assets we manage - As of June 10, 2011, MC2 managed approximately \$16,419,615 on a non-discretionary basis.

**ITEM 5**  
**FEES & COMPENSATION**

A. How we are compensated - MC2 Financial Advisers, Inc. (MC2) is a fee-only service provider, and does not charge or accept commissions. There is no minimum balance requirement.

The standard annual fee for the first \$500,000 under management is one percent (1%). For the next \$500,000 it is eight tenths of one percent (.8%). For amounts greater than \$1,000,000 the fee is seven tenths of one percent (.7%).

Fees for consultations on financial matters outside an investment management relationship are negotiable.

Management Fees are not negotiable.

Client service contracts can be terminated at any time by either party and with no penalty. If a contract is terminated, the accrual of the fee ends, and a final fee calculation is based on balances at the beginning of the quarter and at the close of business on the date of termination. A statement and invoice for the final fee is sent to the client as soon as practical, and the fee deducted from the client's account approximately ten days after billing.

B. How our fees are paid - Investment advisory fees are based on the average market value balance of assets under management, and are calculated quarterly. A statement is sent to the client showing the balances and the fee calculation. Approximately ten days later, unless the client has expressed disagreement with the fee charge, the custodian is directed by MC2 to deduct the charge from a client account so designated.

With a signed permission on a Limited Power of Attorney, we can have your custodian withdraw our fees for managing your account at the end of each quarter. We recommend that method, although clients always have a choice of paying by check.

C. Other types of fees - It should be noted that the MC2 fee is in addition to any management fee or other expense a mutual fund charges its shareholders. Our fees do not include transaction fees, brokerage commissions and other related costs and expenses. You may also pay fees charged by your custodian, mutual funds and other money managers, including: management fees, custodial fees, mutual fund fees, taxes and transfer fees. We do not receive a portion of any of these fees. Simply put, they are a necessary part of doing business in the securities industry. And please remember that by not charging securities sales commissions, we are keeping your out-of-pocket expenses as low as we possibly can.

D. Do we charge in advance – MC2 does not charge fees in advance.

E. Do we get compensated (*commissions*) for the sales of securities No one at MC2 accepts commissions or any other form of compensation for *selling* you securities or other investment products. No one at MC2 has a securities license.

**ITEM 6**  
**PERFORMANCE -BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Not Applicable

**ITEM 7**  
**TYPES OF CLIENTS**

MC2 currently provides services to individuals, trusts, corporations and retirement plans. The Firm does not impose any requirements on the minimum account size for opening or maintaining an account.

**ITEM 8**  
**METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

A. Our analysis & strategies – MC2 investment strategy employs the use of asset allocation and diversification. Significant considerations include client financial position, responsibilities, goals, time horizon, and willingness to accept investment risk and volatility. Generally there will be a recommended asset allocation of assets among three or more asset classes. Management services include the execution of trades and exchanges to reach the agreed upon asset allocations, and periodic rebalancing to maintain them. When managing client portfolios, we will take under consideration clients' financial situation, which includes employment status, cash reserves, retirement account values, current age, anticipated retirement date, other sources of income as well as their personal tolerance for risk and volatility. With this information, we will assist clients with developing an appropriate investment strategy. We will monitor and adjust the client portfolios in accordance with the agreed upon investment strategy.

*INVESTING IN SECURITIES ALWAYS INVOLVES THE RISK OF LOSS*

B. Material risks involved in our analysis or strategies - We do not engage in frequent trading of securities as that can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

C. Do we recommend primarily a particular type of security - Primarily, we recommend no load mutual funds. The mutual funds we recommend own underlying investments in

stocks and bonds. Both are subject to the risk of declining prices in the market. Underlying bond values are sensitive to the risk of inflation, the possibility that increases in the cost of living will reduce the fund's real inflation-adjusted returns. No more than 20% of recommended mutual funds invest in foreign companies. These investments carry a higher market risk, as well as the risks associated with investing in foreign countries, such as economic and political risk.

**ITEM 9  
DISCIPLINARY INFORMATION**

Not applicable

**ITEM 10  
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Are we registered representatives of a securities broker/dealer No one at MC2 is or will ever be a securities broker/dealer or a securities registered representative.

B. Are we a futures commission merchant, commodity pool operator or a commodity trading advisor No one at MC2 is or ever will be futures commission merchant, a commodity pool operator or a commodity trading advisor or an associated person of the above-mentioned 3 entities.

C. Do we have any other financial relationships or arrangements that are material to our business – Frank McCullough also practices as a CPA. He is the owner of McCullough and Company, PC CPAs, a professional corporation. The two companies share office space. MC2 does reimburse the CPA firm for advertising, office and professional expenses made on its behalf, as well as revenues for personal tax services of certain investment clients.

D. Do we recommend other registered investment advisors and receive compensation – MC2 does not refer nor recommend other registered investment advisors or money managers.

**ITEM 11  
CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT*  
TRANSACTIONS AND PERSONAL TRADING**

A. Describe our Code Of Ethics Our Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity & trust. It ensures that we always put the client's interests first. We hold ourselves to high standards and diligence. Taken as a whole, our Code of Ethics is our promise to work hard in our client's interest, with complete confidentiality and honesty. We will immediately provide a copy of our Code of Ethics to any client or prospective client upon request.

B. Do we have any material financial interests in investments we recommend We will not recommend an investment to you in which we have a material financial interest. We do not act as a principal or buy securities from, or sell securities to clients. We are not general partners in a partnership so we will not solicit your investments for such. We are not investment advisors to any investment company, so we will not solicit your investments for such.

C. Do we invest in securities we recommend to you MC2 recommends certain funds within the Vanguard family. We may buy or sell mutual funds we recommend to you. When we recommend investments we hold ourselves, we'll always disclose to you what we own. We do not believe there is a conflict of interest in owning the same mutual funds as we recommend to you because our methodology is applied consistently to our clients as well as to our own portfolios. Moreover, the securities we recommend are mutual funds, which typically contain hundreds of widely held and publicly traded stocks and bonds.

D. Do we buy or sell securities about the same time as you Occasionally, MC2 will apply a change in investment methodology contemporaneously with clients and the portfolios of MC2 and its principals. We will discuss this decision with the client, and with permission, apply the change first to client portfolios. We do not believe there is a conflict of interest because our investment methodology is applied consistently.

## **ITEM 12 BROKERAGE PRACTICES**

A. Describe the factors we used in selecting a custodian for you We have selected a custodian for its low costs, reputation for reliability, and expertise in servicing investors of mutual funds. The custodian maintains your account mutually exclusive of any accounts of MC2 or its affiliates. Clients authorize MC2 to act as "limited agent", which limits us to make transactions within your account on your behalf. As limited agent, we are prohibited from changing, updating or deleting any permanent registration information without first acknowledgement from you. We believe our custodian provides robust security for our clients, effectively preventing situations that encourage fraudulent actions.

1. Soft dollars - We do not do "soft dollars". It is difficult to define, but a good example would be if a custodian offered us research or other benefits to place our clients with them.
2. Brokerage for client referrals - We do not do "brokerage for client referrals". By that we mean we haven't selected our custodian on the basis that it will send us other client referrals in exchange for your custodial business.
3. Directed brokerage - We do not do "directed brokerage". That means we do not recommend, request or require that you direct us to execute transactions through a

specified broker/dealer. If we did it, we may be unable to achieve favorable execution of trades and it would cost you money.

B. Aggregating client accounts We do not aggregate the purchase or sale of securities for you. We are a small Registered Investment Advisor firm. Our clients are different in age, size of portfolio, wants & needs and risk taking. The only overlap within client portfolios is the mutual funds we recommend.

### **ITEM 13 REVIEW OF ACCOUNTS**

A. Frequency & nature of reviews - We review your investment account semi-annually. All accounts are reviewed by the principals of MC2, Frank & Rob McCullough. A report is prepared, including a detailed listing of the funds and the amounts you own at the end of six months, a net total of the cash invested and disbursed, a calculation of your return on investment, a comparison to a benchmark, the S&P 500 Index, and the performances of the individual funds within your portfolio. This information is presented to you at a meeting every six months.

B. Reviews on an other than periodic basis - We may, on occasion, need to review your portfolio on an impromptu basis. For example, if you need to liquidate a large portion of your investments, we will review your current allocation before and after the transaction in order to maintain a consistent and diversified portfolio of stocks and bonds, in accordance with the strategy outlined in initial meetings.

C. Client reports – We do not furnish to clients regular written reports, except as described above. Your custodian sends you account statements, transaction confirmations, all applicable tax documents, and proxy documents, including ballots and any communication from public companies .

### **ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION**

A. Do we get economic benefits from a non-client for providing certain advice to you -  
No. In addition, we do not accept sales awards or other prizes, such as trips. We pay for our own trips.

B. Do we pay for client referrals - We do not pay for client referrals.

### **ITEM 15 CUSTODY**

Not Applicable

**ITEM 16**  
**INVESTMENT DISCRETION**

We do not manage securities accounts on your behalf. We must get your permission for every trade we recommend. In order to manage your account efficiently, we do have you sign and notarize a Limited Agent Authorization form. [See Item 12A] The limited power of attorney authorizes us to transact on your accounts on your behalf. However, we maintain internal records documenting the specific transaction, and indicating how and when you gave us permission to act.

**ITEM 17**  
**VOTING CLIENT SECURITIES**

- A. We do not vote client securities .
- B. We do not have the authority to vote client securities. You will receive your proxies or other solicitations directly from your custodian and we encourage you to discuss them with your legal representatives as we are not in a position to answer any of your questions regarding proxies.

**ITEM 18**  
**FINANCIAL INFORMATION**

- A. We do not require or solicit any payment in advance. [See Item 5D]
- B. Not Applicable
- C. Neither Frank McCullough , nor Rob McCullough, nor MC2 Financial Advisers , Inc. has ever filed for bankruptcy. (Please refer to the proceeding paragraph.)

**ITEM 19**  
**REQUIREMENTS FOR STATE REGISTERED ADVISORS**

- A. Our education & business backgrounds - Principal Officers of MC2 Financial Advisers, Inc. are Frank McCullough & Rob McCullough .

Frank McCullough - our president- was born in 1938. He has a BS in Accounting from LaSalle University (1960) a license to practice as a CPA in Pennsylvania( 1969), and a CFP® designation( 2001) (see below). During the past 33 years, he has been the president of McCullough & Company, PC CPAs (1978 to present). During the past 13 years Frank McCullough has been president of MC2 Financial Advisers, Inc., a Pennsylvania Registered Investment Advisor (1998 to present). Frank has never had any legal or disciplinary events.

Rob McCullough - our secretary - was born in 1978. He has a BA in Sociology and a Minor in Business from Villanova University (2001), a CFP® designation (2007) (see below), passed 2 of the 4 sections of the CPA exam in Pennsylvania, and is currently working on the final 2 sections. During the past 3 years, he has been secretary of MC2 Financial Advisers, Inc., a Pennsylvania Registered Investment Advisor (1998 to present). Rob has never had any legal or disciplinary events.

The following is an explanation of the CFP® designation per the Certified Financial Planner Board of Standards, Inc.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Rev 12/16/10

B. Any other business activities Both Frank McCullough & Rob McCullough have other business activities:

Frank McCullough is a CPA. That profession takes up about 80% of his work week, much more during “tax season”.

Rob McCullough is a full time associate of the CPA firm. The profession also takes up about 80% of his work week, much more during “tax season”.

C. Performance -based fees – MC2 does not charge performance -based fees.

D-1. Arbitration - Neither Frank McCullough nor Rob McCullough have ever been involved in *arbitration* of any kind.

D-2. Civil or administrative proceedings - Neither Frank McCullough nor Rob McCullough have been found liable in a *civil, self-regulatory organization, or administrative proceeding* of any kind.

E. Relationship with issuer of securities - We do not have any relationships with issuers of securities