



# McClurg Capital Disclosures for Clients

May 1

# 2011

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Information for investors about the qualifications and business practices of McClurg Capital's investment advisory business.

Form ADV:  
As required  
by the  
Securities and  
Exchange  
Commission &  
State of  
California

Worry less, enjoy life more

McClurg Capital  
950 Northgate Drive, Suite 301  
415-472-1445  
[www.mcclurgcapital.com](http://www.mcclurgcapital.com)  
May 1, 2011

This Brochure provides information about the qualifications and business practices of MCCLURG CAPITAL. If you have any questions about the contents of this Brochure, please contact us at 415-472-1445 or email [invest@mcclurgcapital.com](mailto:invest@mcclurgcapital.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.

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

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

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated May 1, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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

Currently, our Brochure may be requested by contacting David McClurg at 415-472-1445 or [invest@mcclurgcapital.com](mailto:invest@mcclurgcapital.com). Our Brochure is also available on our web site, [www.mcclurgcapital.com](http://www.mcclurgcapital.com), also free of charge.

Additional information about McClurg Capital is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with McClurg Capital who are registered, or are required to be registered, as investment adviser representatives of McClurg Capital.

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#### **Item 4 – Advisory Business**

McClurg Capital Corporation was founded as a “C” corporation and incorporated in the State of California on June 25, 1985. David McClurg and Tracy McClurg (formerly Tracy Stout) were the original founders and remain the principal stockholders. McClurg Capital is independently owned and not controlled by any insurance, mutual fund, or parent company. The firm has no subsidiaries.

McClurg Capital is dually registered as a broker/dealer licensed by the Financial Industry Regulatory Authority (FINRA) and licensed as a Registered Investment Advisor with the State of California Department of Corporations. McClurg Capital is also a licensed insurance agency with the California Department of Insurance.

McClurg Capital provides investment advisory and portfolio management services to individuals, trusts, pension and profit sharing plans, IRAs, IRA rollovers, endowments and charitable organizations. Clients may choose investment strategies for growth or income or often a combination of both. Portfolios are constructed with stocks, preferred stocks, corporate bonds, municipal bonds, real estate investment trusts, CDs, as well as other appropriate securities that conform to the client’s requirements. Asset allocation among these classes of assets increases diversification and helps us manage risk to our client portfolios.

At the beginning of an advisory relationship with McClurg Capital, the client completes a questionnaire that tells us about the needs, expectations, and risk tolerances of the potential client. Additionally, the client may impose restrictions on investing in certain securities or types of securities. From there we draft an Investment Policy Statement for the client’s approval that defines the types of securities to be selected for the portfolio, the time horizon for evaluating results, a goal for anticipated rates of return, and an estimate of volatility as compared to popular indexes. The Investment Policy Statement is an important document because it reflects our client’s “marching instructions” to us. It also provides an important foundation upon which informed investment decisions can be made. A sound investment policy also discourages ad hoc revisions in strategy which can lead to disappointing results.

Unlike many large investment managers, McClurg Capital does not rely on model portfolios. Orders are not aggregated and blasted across multiple accounts. The appropriateness of a security addition or deletion is determined on an account by account basis. Portfolio structure is customized to each client.

As of May 1, 2011 McClurg Capital has approximately \$220,000,000 in assets under management of which approximately \$45,000,000 are discretionary.

## Item 5 – Fees and Compensation

Management fees will be payable quarterly in arrears. The first payment will be assessed pro rata in the event the management agreement is executed at any time other than the first day of the calendar quarter. Subsequent payments are due and will be assessed on the first day of each calendar quarter based on the value of the account assets under management as of the close of business on the last business day of the preceding quarter as valued by an independent pricing service, where available, or otherwise in good faith.

If assets are deposited after the inception of a quarter and subsequently withdrawn prior to the end of the same quarter, the fee chargeable with respect to such assets as of the next calculation date will be prorated based on the number of days during the quarter the assets were held in the account. For valuation purposes the assets will be treated as if they were held in the account as of the end of the quarter.

If for any reason the account value falls below McClurg Capital's required minimum, McClurg Capital has the right to terminate the account. Your custodian, Pershing, will deliver securities held in the account as instructed by client unless client requests that the account be liquidated or transferred to another financial institution.

Client authorizes Pershing to deduct all applicable fees from client's account and all such fees will be clearly noted on the client's statements. The client understands that McClurg Capital, Pershing, and their agents will share in the fees payable in connection with the performance of their respective services.

### MANAGEMENT FEE SCHEDULE:

#### EQUITIES & BONDS (BLENDED)

The Performance Portfolio - Minimum Account Size \$50,000

Market Value	Annual Fee
First \$50,000 - 250,000	1.25%
Next \$250,001 - 500,000	0.99%
Next \$500,001 - 1,000,000	0.89%
Next \$1,000,000 - 2,000,000	0.79%
Next \$2,000,001 - 4,000,000	0.69%
Over \$4,000,001	0.59%

## BONDS

The Income Generator & The Tax Freedom Portfolio - Minimum Account Size \$100,000

Market Value	Annual Fee
First \$100,000 - 200,000	0.89%
Next \$200,001 - 500,000	0.69%
Next \$500,005 - 5,000,000	0.59%
Over \$5,000,000	0.39%

Fee includes investment advice, asset allocation, daily portfolio management, performance measurement and reporting, and CPA ready tax-lot accounting. Trading costs are not included.

Transaction Charges: Negotiated subject to a \$13.00 minimum per transaction

## MANAGEMENT PLUS PORTFOLIO

Annual fee: Negotiated

Fee includes investment advice, asset allocation, daily portfolio management, performance measurement and reporting, CPA ready tax-lot accounting, and transaction charges

All fees are subject to negotiation.

The specific manner in which fees are charged by McClurg Capital is established in a client's written agreement with McClurg Capital. McClurg Capital will generally bill its fees on a quarterly basis. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

McClurg Capital's fees are exclusive of brokerage commissions (except in the Management Plus Account), transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a

fund's prospectus. Such charges are exclusive of and in addition to McClurg Capital's fee, and McClurg Capital shall not receive any portion of these commissions, fees, and costs.

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

McClurg Capital does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

McClurg Capital provides portfolio management services to individuals, high net worth individuals, trusts, corporate pension and profit-sharing plans, IRAs, IRA rollovers, charitable institutions, foundations, and endowments.

McClurg Capital's minimum account size is \$100,000. Under certain circumstances, McClurg Capital will manage accounts of less than \$100,000 if the client has multiple accounts that aggregate to a total value of \$100,000.

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

#### Methods of Analysis

Fundamental analysis  
Technical analysis  
Charting

Third party research  
Macro economic analysis  
Credit analysis

#### Investment Strategies

Diversification across asset classes, geographies, and capitalizations  
Bond laddering  
Adjustment of cash balances  
Dollar cost averaging  
Market timing

Stocks, bonds, commodities, interest rates and even real estate, go up and down, sometimes violently. To earn rates of return over and above modest money market rates, we have to assume prudently assessed risks of exposure to these markets. Even with our most informed, superhuman efforts, clients of McClurg Capital cannot be immunized against the vagaries of the markets.

The Investment Policy Statement that is prepared for you is not a contract. Legal counsel does not review the Investment Policy and the Advisor and the Investor use it at their own discretion. The policy described should be dynamic and revised periodically for changes in the investor's circumstances and capital markets. It is understood that there can be no guarantee about the attainment of the goals and objectives described therein.

Risk is loosely defined as the probability of an investment vehicle delivering a negative return over a certain period of time and the possible amplitude of that return. Different investments within different asset classes have a wide range of risk characteristics. The holding period of an asset also affects its risk. The purpose of the Investment Policy Statement is to memorialize our mutual understanding of the time horizon of the investment plan and the level of acceptable risk. Also a strong investment policy, when adhered to, will prevent ad hoc revisions and provide a framework from which sound investment decisions can be made.

All portfolios have a level of risk associated with economic and market changes. Securities are not FDIC insured, not bank guaranteed, and may lose money.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of McClurg Capital or the integrity of McClurg Capital's management. McClurg Capital has no information applicable to this Item.

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

In addition to its investment management services, McClurg Capital is a FINRA registered broker/dealer, and licensed California insurance agency.

The firm's representatives may solicit clients in behalf of selected outside investment managers.

Clients of outside managers receive their respective Part II Form ADV in which their fees and services are disclosed. Fees and services of outside managers may differ from those of McClurg Capital Corporation.

### **Item 11 - Code of Ethics**

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

McClurg Capital anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which McClurg Capital has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which McClurg Capital, its affiliates and/or clients, directly or indirectly, have a position of interest. McClurg Capital's employees and persons associated with McClurg Capital are required to follow McClurg Capital's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of McClurg Capital and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for McClurg Capital's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of McClurg Capital 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of McClurg Capital's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between McClurg Capital and its clients.

McClurg Capital Corporation has a simple, basic Code of Ethics, which is disseminated to all affiliated personnel. Activities by anyone, from senior management to clerical staff,

violating this Code of Ethics will not be tolerated. Every aspect of our business will be conducted in a fair, lawful and ethical manner. Sufficient internal controls have been implemented to ensure that all reasonable efforts are taken at all times to deter and detect any activities which do not meet the highest standards of ethical behavior.

Senior management is committed to working with Compliance and all registered individuals to ensure the existence and awareness of a strong and committed compliance culture. Our leadership will consistently be such that we will instill ethical behavior throughout the firm and make it known that anyone acting in a manner less than what is expected will be sanctioned or terminated.

Senior management's leadership style will be to lead by example, creating an environment encouraging honesty and fair play by all employees in the conduct of his or her duties.

Our customers will be offered only those pre-approved products/services which have been determined to be appropriate for their specific needs and which provide fair value.

It is our obligation to respect and protect the right to privacy of all our clients.

Confidential or proprietary information, obtained in the course of an individual's association or employment with McClurg Capital Corporation, is not to be used for personal gain or to be shared with others for personal benefit.

All efforts are to be made to avoid actual or apparent conflicts of interest. Such a conflict may exist even when no actual wrongdoing occurs; the opportunity to act improperly may be sufficient to give the appearance of a conflict.

Strict compliance with all laws and regulations governing the securities industry is paramount. Insider trading, front running, and rumor mongering are prohibited.

Senior management will continue to ensure that the procedures in place are acceptable in terms of making determinations regarding the qualifications, experience and training of all individuals prior to assigning them any supervisory responsibilities.

Individual employees not adhering to this Code of Ethics, as well as all other policies and directives issued by McClurg Capital Corporation, during the course of any activities undertaken on behalf of McClurg Capital will be subject to sanctions and possible termination.

Except for very limited circumstances as described below, it is McClurg Capital's policy that the firm will not affect principal or agency cross securities transactions for client accounts. McClurg Capital will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own

account, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

McClurg Capital may affect principal or agency cross transactions under the following circumstances:

McClurg capital may act as principal in transactions between its managed client accounts and those of non-discretionary brokerage client accounts. The managed account client must receive better than best wholesale bid if selling and pay less than best wholesale offer if buying. Markup or markdown to managed client is not to exceed \$50.00 regardless of size. Transaction price must be determined to be economically beneficial to both buyer and seller by David McClurg. Confirmations will indicate that McClurg Capital acted as principal by disclosing markup or markdown, if any, to managed clients.

McClurg Capital may affect agency cross transactions between managed accounts under the same restrictions as above, but with an agency transaction fee of no greater than \$25.00 to both buyer and seller.

### **Item 12 – Brokerage Practices**

Managed accounts are required to use McClurg Capital as broker/dealer and Pershing as custodian, and execution and clearing agent. McClurg Capital and Pershing may receive economic benefit from transaction charges.

McClurg Capital does not participate in any soft dollar arrangements.

Although McClurg Capital utilizes third party research and services, they are not a factor in determining commissions and/or management fees to clients. McClurg Capital does not direct brokerage in return for any products or services.

### **Item 13 – Review of Accounts**

All accounts are reviewed by David McClurg, President , McClurg Capital Corporation. Reports are generated daily for any accounts in which there is activity. All statements are

reviewed at least quarterly and performance and measurement reports are reviewed quarterly.

Clients receive monthly statements of holdings and activity during the month. Additionally, clients receive quarterly performance reports. The quarterly report includes: 1) All positions, 2) Schedule of realized and unrealized gains and losses, 3) Tax-lot accounting, 4) Performance relative to popular indices, 5) Fees and expenses.

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

McClurg Capital does not compensate any non-related persons for client referrals.

McClurg Capital does not participate in sales contests. In connection with its investment advisory activities, McClurg Capital does not accept any cash or non-cash compensation from issuers of securities.

#### **Item 15 – Custody**

All client assets are held in custody at the Pershing Division of the Bank of New York Mellon. Pershing prepares monthly statements, quarterly performance reports, federal and state tax reports, and tax-lot accounting. As an additional level of security, Pershing sends these reports directly to McClurg Capital clients.

Pershing executes and performs the clearance of all purchase and sale orders directed to it by McClurg Capital. Pershing maintains custody of all account assets and such custodial functions, among other things, include crediting of interest and dividends on account assets and crediting of principal on called or matured securities in the account, together with other custodial functions customarily performed with respect to securities brokerage accounts. The client is responsible for verifying the accuracy of the management fees charged by the portfolio manager.

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

## **Item 16 – Investment Discretion**

McClurg Capital usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Prior to retaining McClurg Capital's investment management services, the client executes a Customer Services Agreement. A limited trading authorization is included in this agreement allowing the portfolio manager to affect discretionary purchases and sales of securities. The Customer Services Agreement prohibits the portfolio manager from withdrawing or transferring any money, securities, or property either in the name of the client or otherwise.

When selecting securities and determining amounts, McClurg Capital observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to McClurg Capital in writing.

## **Item 17 – Voting Client Securities**

McClurg Capital may exercise its authority to vote proxies in behalf of its discretionary accounts. McClurg Capital typically votes proxies in accordance with the recommendations of the management of the issuer unless otherwise directed by the client or if we have determined that a dissenting vote is more favorable to shareholders.

Clients may revoke portfolio manager's proxy voting authority by forwarding written notification to McClurg Capital.

Clients may also obtain information from McClurg Capital about how McClurg Capital voted any proxies on behalf of their account(s).

## **Item 18 – Financial Information**

McClurg Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

McClurg Capital does not hold or custody any client assets or property. All client assets under our management are held in custody by the Pershing Division of The Bank of York Mellon.

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

The following employees and agents of McClurg Capital provide discretionary and non-discretionary portfolio management and general investment advice:

DAVID MCCLURG, PRESIDENT

DATE OF BIRTH: 11/08/49

GRADUATE: CALIFORNIA STATE UNIVERSITY, SACRAMENTO

ATTENDED: UNIVERSITY OF SANTA CLARA GRADUATE SCHOOL OF BUSINESS

EMPLOYED 1985 - PRESENT: MCCLURG CAPITAL CORPORATION

TIM BANGERT, EXECUTIVE VICE PRESIDENT

DATE OF BIRTH: 12/17/52

GRADUATE: UNIVERSITY OF NEBRASKA, LINCOLN - 1975

EMPLOYMENT 1994 - PRESENT: MCCLURG CAPITAL CORPORATION

KEVIN KLAUBER

DATE OF BIRTH: 11/04/59

GRADUATE: CALIFORNIA STATE UNIVERSITY, CHICO - 1983

EMPLOYMENT 1991 - PRESENT: MCCLURG CAPITAL CORPORATION

PETER WOOD

DATE OF BIRTH: 06/14/43

GRADUATE: LAKE FOREST COLLEGE, ILLINOIS - 1965

UC BERKELEY, GRADUATE SCHOOL OF BUSINESS, THE EXECUTIVE PROGRAM - 1981

EMPLOYMENT 1988 - 1999: HOLT & COLLINS

EMPLOYMENT 1999 - PRESENT: MCCLURG CAPITAL CORPORATION

JENNIFER JOHNSTON

DATE OF BIRTH: 10/29/1968

GRADUATE: UNIVERSITY OF KANSAS, 1991

EMPLOYMENT 1996 - 2008: BANKAMERICA INVESTMENT SERVICES

EMPLOYMENT 2009 - PRESENT: MCCLURG CAPITAL CORPORATION

EDWARD BURKE

DATE OF BIRTH: 01/01/1930

GRADUATE: UNIVERSITY OF IOWA, 1956

EMPLOYMENT 1979 - 1996: PAINE WEBER

EMPLOYMENT 1996 - 2010: HOEFER & ARNETT

EMPLOYMENT 2010 - PRESENT: MCCLURG CAPITAL CORPORATION

The Chief Financial Officer of McClurg Capital is:

TRACY MCCLURG, CFO

DATE OF BIRTH: 05/03/1958

LICENSED: GENERAL SECURITIES- FINRA SERIES 7

LICENSED: FINANCIAL OPERATIONS PRINCIPAL- FINRA SERIES 27

EMPLOYMENT: 1980 -1985: IMPERIAL TRUST

EMPLOYMENT: 1985 – PRESENT: MCCLURG CAPITAL CORPORATION



Worry less, enjoy life more