

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

## **Item 1: Cover Page**

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Date of this Brochure: March 2, 2018

This brochure provides information about the qualifications and business practices of Stephen H. McDonald & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at (405) 329-0123, ext. 25, or [ronfisher@shmcdonald.net](mailto:ronfisher@shmcdonald.net). 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 Stephen H. McDonald & Associates, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Referring to ourselves as being a "registered investment advisor" or describing ourselves as being "registered" does not imply a certain level of skill or training.

## **Item 2: Material Changes**

There have been no material changes since the brochure dated September 12, 2017.

**Item 3: Table of Contents**

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#### **Item 4: Advisory Business**

Stephen H. McDonald & Associates, Inc. ("McDonald & Associates") was founded on December 5, 1995. The principal owners are Ron Fisher, Ryan McDonald and Stephen H. McDonald. McDonald & Associates provides financial advisory services to political subdivisions of the State of Oklahoma and to public trusts whose beneficiaries are political subdivisions of the State of Oklahoma with respect to the issuance of debt instruments by such entities. These debt instruments include: general obligation bonds, leases, lease-purchases or rental obligations, lease-revenue bonds, Qualified Zone Academy Bonds and Tax Anticipation Notes. Stephen H. McDonald & Associates, Inc. may, pursuant to its marketing agreement with the Oklahoma Public School Investment Interlocal (the "Interlocal"), provide advice with respect to investments made by clients from the proceeds of bond issues or other funds and may advise political subdivisions, some of which may not be clients, of the availability and features of the investment programs offered by the Interlocal. Except as stated previously regarding the Oklahoma Public School Investment Interlocal, the Firm does not formulate investment advice for clients. McDonald & Associates does not have discretionary authority over clients' assets.

In connection with any issuance by a client of general obligation bonds, McDonald & Associates performs the following services:

- Prepare a financial analysis of the client which shall include a survey of the financial resources of the client and a determination of its borrowing capacity. This shall include an analysis of the existing debt and tax structure of all levels of government involved and shall compare this analysis to the projected debt and tax structure of all levels of government involved. On the basis of this information, McDonald & Associates shall develop a financing plan to fund the proposed improvements. The plan shall be complete as to the proposed maturities, the estimated interest rate and cost of the proposed bonds, the resulting overall amount of projected annual debt service and tax requirements, and the relationship of these items to the existing corresponding projected items of the client and other related levels of government.
- In instances where public informational material is desired, assist the client in the preparation and furnishing of such material in the form of flyers, brochures, and other printed materials desired by the client for the purpose of outlining the various phases of the program in order that the general public will be well informed on all aspects of the project, including the needs of the client, the proposed plan of improvements, and the cost of providing such improvements. If desired, McDonald & Associates shall also attend public meetings to explain the financing program to interested individuals.
- Provide all necessary documentation, including meeting notices and agendas; resolutions and proclamations; and County and State officials' documents necessary for the proper calling and holding of the bond election and subsequent sale and issuance of bonds.

Upon approval of the bond issue by the registered, qualified voters, McDonald & Associates shall undertake the following tasks:

- Advise the client of current bond market conditions, forthcoming bond issues, and other general information and economic data that might normally be expected to

influence interest rates or bidding conditions so that the date for the sale of the bonds may be set at a time which, in McDonald & Associates' opinion, would be favorable to the client.

- Prepare an Official Notice of Sale that establishes the specifications for bidding; i.e. bond maturity and interest payment arrangement, interest rate limitations, and other pertinent details.
- Prepare a prospectus ("Notice of Sale and Preliminary Official Statement") and a Final Official Statement that describes the bonds offered, including complete information as to the security for the bonds, the client, the community and other pertinent details.
- Prepare a uniform bid form to prevent deviation by any bidders when such deviation would be costly to the issuing body.
- If it is deemed appropriate to do so after consultation with the client, submit to national and state rating agencies and municipal bond insurance companies, the financial, economic and demographic data necessary to obtain a rating on the bonds and to qualify the bonds for municipal bond insurance.
- Have a representative present at the sale of the bonds to aid the client in the tabulation and comparison of bids. McDonald & Associates shall advise the client as to bond market conditions at the time of the sale and the advisability of accepting or rejecting the bids submitted.
- Assuming that a favorable interest rate is received and accepted by the client, proceed to take all steps necessary to expedite the preparation of the final Transcript of Proceedings, to receive approval of the Transcript of Proceedings by the Attorney General of the State of Oklahoma, and to achieve delivery of the Bonds to the purchaser.
- Order and supervise the preparation and delivery of the bonds to the commercial bank acting as Registrar/Paying Agent for the bond issue for purposes of registration.
- Supervise and coordinate the delivery of the bonds and delivery of the bond proceeds to the client by the most expeditious means available, whether by wire transfer, direct deposit or mail.

In connection with any issuance by client of lease-purchase or rental obligations or lease-revenue bond transactions to finance the acquisition of real property, certain equipment, furnishings, fixtures and/or other tangible personal property of the client, McDonald & Associates performs the following services:

- Arrange for the delivery of all necessary documentation, including agenda items; Lease-Purchase Agreement, or Ground Lease and Sublease Agreements; resolutions; form of legal opinion; forms and certificates necessary for the proper execution, delivery and funding of the lease.
- Advise the client of current market conditions, options for funding, payment frequency and lease commencement and other factors which might influence the interest rate on the lease and periodic payment amount so that the terms of the lease-purchase may be, in McDonald & Associates opinion, favorable to the client.
- Represent client and contact certain sources of lease financing which, in the opinion of McDonald & Associates, are prepared to act as financier with respect to

the lease-purchase under terms and conditions which comply with the provisions of Oklahoma law and which offer competitive interest rates on the proposed lease financing. Among the potential leasing sources contacted will be those local banking institutions which may be suggested by client. Based on the conversations between McDonald & Associates and such sources, McDonald & Associates will contact client and recommend one of the sources to act as financier on the lease-purchase.

- Assist client in obtaining credit approval of client by the source recommended by McDonald & Associates to act as financier and, should client not be approved, seek additional sources to provide the funding on the lease.
- Arrange for a legal opinion to be provided on the lease with respect to client's actions approving the lease and declaring that the lease financing is a legal, valid and binding obligation of client, with such legal opinion to be invoiced to and paid by Lessee. McDonald & Associates shall further arrange for all other services that might be needed by client and Lessor to close on the lease financing, provided that any such services shall be paid either by Lessee or out of the proceeds of the lease financing.

In connection with any issuance by client of Qualified Zone Academy Bonds ("QZABs"), McDonald & Associates performs the following services:

- Provide client with the guidelines whereby client can qualify to issue QZABs, assist client in meeting those guidelines and review the sufficiency of documentation for issuance prior to client's submission of such documentation for a QZABs allocation;
- Provide for the delivery of all necessary documentation, including agenda items; Lease-Purchase Agreement, or Ground Lease and Sublease Agreements; resolutions; form of legal opinion; forms and certificates necessary for the proper execution, delivery and funding of the lease.
- Advise the client of current market conditions, options for funding, payment frequency and lease commencement and other factors which might influence the QZAB lease obligations and periodic payment amount so that the terms of the QZAB may be, in McDonald & Associates opinion, favorable to the client.
- Represent the client and contact certain funding sources for QZABs which, in the opinion of McDonald & Associates, are prepared to act as lessor with respect to the financing under terms and conditions which comply with the provisions of Oklahoma law and which offer a proposed lease financing which are in the best interest of client. Based on the conversations between McDonald & Associates and such sources, McDonald & Associates will contact client and recommend one of the sources to act as lessor on the financing.
- Assist client in obtaining credit approval of client by the source recommended by McDonald & Associates to act as lessor and, should client not be approved, McDonald & Associates will seek additional sources to provide the lease financing.

In connection with any issuance by client of Tax Anticipation Notes, McDonald & Associates performs the following services:

- Assist participants in completing and submitting application forms. McDonald & Associates does not participate in the preparation of the information contained in the application. Accordingly, McDonald and Associates has no responsibility for the accuracy, sufficiency or completeness of any information furnished in connection with the application.
- Assist in the preparation and dissemination of information with respect to the existence and operation of the program.

Pursuant to its marketing agreement with the Oklahoma Public School Investment Interlocal (“Interlocal”), McDonald & Associates performs the following services:

- Engage in marketing efforts.
- Assist participants in completing and submitting registration forms.
- Assist in the preparation and dissemination of information with respect to the existence and operation of the Interlocal.
- Bear certain expenses of the Interlocal relating to the marketing of the Interlocal’s services and programs.
- Act as the Interlocal’s marketing agent.

**Item 5: Fees and Compensation**

The fees charged and compensation received vary based upon the type of debt instrument being issued and the marketing agreement with the Oklahoma Liquid Asset Pool, and are as follows:

- For services provided on general obligation bond issues, McDonald & Associates charges a financial advisory fee based upon a percentage of the amount of bonds issued by the client and is as follows: 1.75% of the first \$400,000.00 par value of bonds issued; plus 1.00% of all over \$400,000.00 par value of bonds issued, with a minimum fee of \$7,000.00. All fees are negotiable based upon size of issue or other pertinent factors. The above specified fees shall be billable upon approval of the Bonds by the Attorney General of the State of Oklahoma, and shall be payable upon delivery of the Bonds to the specified purchaser and receipt of bond proceeds by the School District. Compensation is not payable before service is provided. In addition to the financial advisory fee, District shall owe Financial Advisor a non-refundable fee of \$2,250.00 per series which will be used to pay the costs of issuance of the Bonds. Costs of issuance include, but are not limited to, the following: reasonable and necessary courier and overnight express charges incurred to accomplish timely delivery of meeting notices, agendas, board resolutions, required legal publications, County and State officials' documents, bonds, and closing documents; all expenses of designing, printing and shipping informational materials relating to the bond issue; all expenses associated with the production, printing and mailing of the Notice of Sale and Preliminary Official Statement to prospective bond purchasers, and Final Official Statements to the successful bond purchaser(s); and all expenses associated with the preparation and delivery of the bonds to the Registrar/Paying Agency bank and the Attorney General. Clients may not receive a refund. Each financial advisory contract is for a stipulated period of time, subject to cancellation by the client under certain specified conditions.

- For services provided on lease-purchase financings, McDonald & Associates will receive compensation from the financier on the lease-purchase out of the proceeds of the lease-purchase equal to one percent (1.00%) of the amount of the lease-purchase. If MR, Inc., an Oklahoma corporation under common ownership with the Financial Advisor or MR-Jenks I, L.L.C., an Oklahoma limited liability company under common ownership with the Financial Advisor, acts as lessor, MR, Inc. or MR-Jenks I, L.L.C. will receive compensation from the financier on the lease-purchase out of the proceeds of the lease-purchase equal to one-quarter of one percent (0.25%) to compensate MR, Inc. or MR-Jenks I, L.L.C. for providing the services as lessor. District understands and agrees that it will reimburse MR, Inc. or MR-Jenks I, L.L.C. for any costs associated with holding title over the life of the lease including, but not limited to: any costs associated with registering, titling and/or other related expenses and paying applicable real estate closing costs and taxes. All fees are negotiable based upon size of issue or other pertinent factors. Compensation is payable if, and only if, the lease-purchase transaction is actually closed between the client and the lessor. Clients may not get a refund. Each financial advisory contract is for a stipulated period of time, subject to cancellation by the client under certain specified conditions. If no lease-purchase agreement is completed, the contract has no effect.
- For services provided on lease-revenue bond transactions, McDonald & Associates charges a fee based upon a percentage of the amount of bonds issued by the client, or on behalf of the client, and is as follows: 1.00% of the par value of bonds issued for private placements, non-rated issues or rated/insured issues less than \$10,000,000.00; 0.925% of par value of bonds issued for rated/insured issues from \$10,000,000.00 to \$20,000,000.00; 0.85% of par value of bonds issued for rated/insured issues over \$20,000,000.00 to \$30,000,000.00; 0.775% of par value of bonds issued for rated/insured issues over \$30,000,000.00 to \$50,000,000.00; and 0.70% of par value of bonds issued for rated/insured issues over \$50,000,000.00. All fees are negotiable based upon size of issue or other pertinent factors. Compensation is payable if, and only if, bonds are actually sold, issued and delivered to a purchaser. Compensation is not payable before service is provided. Clients may not receive a refund. Each financial advisory contract is for a stipulated period of time, subject to cancellation by the client under certain specified conditions.
- For services provided on QZAB financings, McDonald & Associates will receive compensation from the lessor on the QZAB financing, which amount shall be equal to one percent (1.00%) of the amount of the QZAB lease. All fees are negotiable based upon size of issue or other pertinent factors. Compensation is payable if, and only if, the QZAB lease-purchase transaction is actually closed between the District and a source recommended by Financial Advisor to act as lessor. Clients may not get a refund. Each financial advisory contract is for a stipulated period of time, subject to cancellation by the client under certain specified conditions. If no lease-purchase agreement is completed, the contract has no effect.
- For services provided on Tax Anticipation Note financings, McDonald & Associates charges a fee not to exceed the lesser of 2.50% of the par amount of the tax anticipation note financing or the total maximum allowable fee for the program as set by the Oklahoma Commission on School and County Funds Management each

year. All fees are negotiable based upon size of financing or other pertinent factors. Clients may not get a refund. Each financial advisory contract is for a stipulated period of time, subject to cancellation by the client under certain specified conditions. The above specified fees shall be payable if, and only if, the Oklahoma Commission on School and County Funds Management approves the District's application and the certificates of indebtedness are issued and sold.

- For services provided to the Oklahoma Public School Investment Interlocal pursuant to the marketing agreement, McDonald & Associates receives a fee not to exceed 0.095% of the Oklahoma Liquid Asset Pool's average daily net assets. The fee is calculated daily and paid monthly.

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

Our firm does not accept *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle). Our firm does not manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee.

#### **Item 7: Types of Clients**

Stephen H. McDonald & Associates, Inc. provides financial advisory services to political subdivisions of the State of Oklahoma and to public trusts whose beneficiaries are political subdivisions of the State of Oklahoma with respect to the issuance of debt instruments by such entities. Stephen H. McDonald & Associates, Inc., may, pursuant to its marketing agreement with the Oklahoma Public School Investment Interlocal, provide advice with respect to investments made by clients from the proceeds of bond issues or other funds and may advise political subdivisions, some of which may not be clients, of the availability and features of the investment programs offered by the Interlocal. Except as stated previously regarding the Oklahoma Public School Investment Interlocal, the Firm does not formulate investment advice for clients. McDonald & Associates does not have discretionary authority over clients' assets.

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

Methods of analysis include study and analysis of publicly available information including public records of County Assessors, County Treasurers, Treasurers of municipalities, publicly filed municipal budgets and Estimates of Needs. In addition to these sources of information, publicly available information regarding the sale of other municipal securities is also utilized. McDonald & Associates does not employ investment strategies or give advice with respect to investments by our clients. Investing in securities involves risk of loss that *clients* should be prepared to bear.

#### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Stephen H. McDonald & Associates, Inc.'s advisory business or the integrity of our management.

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

McDonald & Associates regularly works in association with MR, Inc., an Oklahoma corporation under common ownership with the Financial Advisor, an entity created for the purpose of holding title to property for public schools and other governmental entities. Ryan McDonald is the President of MR, Inc. MR, Inc. was created to increase the marketing resources to fund lease-purchases of real and personal property. MR, Inc. originates leases and assists school districts and other governmental entities with respect to the leasing of real and personal property. MR, Inc. receives a fee of 0.25% of par value of any lease it originates.

McDonald & Associates occasionally works in association with MR-Jenks I, L.L.C., an Oklahoma limited liability company under common ownership with the Financial Advisor, an entity created for the purpose of holding title to property for public schools and other governmental entities. Ryan McDonald is the President of MR-Jenks I, L.L.C. MR-Jenks I, L.L.C. was created to increase the marketing resources to fund lease-purchases of real and personal property. MR-Jenks I, L.L.C. originates leases and assists school districts and other governmental entities with respect to the leasing of real and personal property. MR-Jenks I, L.L.C. receives a fee of 0.25% of par value of any lease it originates.

McDonald & Associates also regularly works in association with the Oklahoma Public School Investment Interlocal, and may, pursuant to its marketing agreement with the Oklahoma Public School Investment Interlocal, provide advice with respect to investments made by clients from the proceeds of bond issues and may advise political subdivisions, some of which may not be clients, of the availability and features of the investment programs offered by the Interlocal. For services provided to the Oklahoma Public School Investment Interlocal pursuant to the marketing agreement, McDonald & Associates receives a fee not to exceed 0.095% of the Oklahoma Liquid Asset Pool's average daily net assets. The fee is calculated daily and paid monthly. McDonald & Associates does not believe this relationship with the Oklahoma Public School Investment Interlocal creates a material conflict of interest with its clients.

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

McDonald & Associates has adopted a Code of Ethics ("the Code") which sets forth standards of business conduct and requires compliance with federal securities laws. The Code acts as a reminder to employees that McDonald & Associates' responsibility to its clients is to provide effective and proper financial advisory services based upon unbiased independent judgment and to set standards for employee conduct in those situations where conflicts of interest are most likely to arise. The Code also incorporates procedures that allow McDonald & Associates to monitor employee activity for compliance with the Code.

The Code will be provided in its entirety to any client or prospective client upon request. The following is a summary of the key provisions of the Code:

1. Scope – The Code covers all directors, officers, partners, employees and any other persons who provide advice on behalf of McDonald & Associates and who are

under our supervision and control (collectively referred to as “Supervised Persons”).

2. General Principles – The Code contains a Statement of General Principles summarized as follows:  
*“McDonald & Associates is dedicated to providing effective and proper municipal advisory services to its clients and depends upon a high level of public and client confidence for our success. That confidence can be maintained only if McDonald & Associates Supervised Persons observe the highest standards of ethical behavior in the performance of their duties. McDonald & Associates has the obligation to exercise its authority for the benefit of our clients, to place the interests of our clients first and to refrain from having outside interests that conflict with the interests of our clients. McDonald & Associates and our Supervised Persons must avoid any circumstances that might adversely affect or appear to affect McDonald & Associates’ duty of complete loyalty to our clients.”*
3. Personal Securities Trading – All Supervised Persons deemed to be Access Persons are subject to trading restrictions. Such restrictions include a requirement that McDonald & Associates pre-approve certain personal securities transactions. In addition, Access Persons must report their personal securities transactions and holdings in self directed accounts quarterly.
4. Code of Conduct – The Code contains a Code of Conduct designed to reflect McDonald & Associates commitment to ethical conduct. It covers a number of topics, including conflicts of interest, compliance with legal and regulatory requirements, confidentiality of client information, gifts and entertainment, board directorships and outside business activities. McDonald & Associates also maintains separate Insider Trading Policies and Procedures.
5. Code Violations – The Code requires that all Supervised Persons report any actual or apparent violation of the Code. Appropriate sanctions are included for Code Violations.
6. Compliance Oversight – McDonald & Associates’ CCO is responsible for compliance oversight of the Code of Ethics.

#### **Item 12: Brokerage Practices**

McDonald & Associates does not select or recommend broker-dealers for *client* transactions other than as disclosed in Item 4 above

#### **Item 13: Review of Accounts**

McDonald & Associates will periodically review *client* accounts or financial plans each year after the then current Fiscal Year’s Net Assessed Valuation has been certified. The account may also be updated at the request of the client or as often as market conditions dictate. Stephen H. McDonald & Associates, Inc. does not provide regular reports to clients.

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

McDonald & Associates does not compensate non-employees for client referrals nor does it accept benefits from a non-client for providing advisory services to our clients.

**Item 15: Custody**

McDonald & Associates does not take custody of client funds or securities.

**Item 16: Investment Discretion**

McDonald & Associates does not accept discretionary authority to manage securities accounts on behalf of clients.

**Item 17: Voting Client Securities**

McDonald & Associates does not accept authority to vote client securities.

**Item 18: Financial Information**

McDonald & Associates does not have discretionary authority or custody of client funds or securities or require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, or been the subject of a bankruptcy petition at any time during the past ten years. As such, McDonald & Associates is not required to include financial information.

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

Formal education and business background of the principal executive officers and management persons of McDonald & Associates:

**Ron Fisher**

President

Oklahoma State University – B.S. Business Administration 1991

University of Oklahoma – M.B.A. 1993

2009-Present      President, Stephen H. McDonald & Associates, Inc.

1997-2002        Representative, Cadre Securities, Inc.

1996-2009        Senior Vice President, Stephen H. McDonald & Associates, Inc.

1993-1995        Associate, Rauscher Pierce Refsnes, Inc.

**Ryan McDonald**

Executive Vice President

University of Nevada at Las Vegas – B.S. Business Administration 2004

2009-Present      Executive Vice President, Stephen H. McDonald & Associates, Inc.

2005-2009        Associate, Stephen H. McDonald & Associates, Inc.