

THE ESSENTIAL OVERVIEW

ADAMS FINANCIAL CONCEPTS

Professional Portfolio Manager With Over 20 Years of Experience

Adams Financial Concepts (AFC) is a fee-based registered investment advisory firm based in the heart of downtown Seattle, specializing in creating and maintaining wealth for the "Soon-to-be-Affluent" and "Affluent" as well as for those affluent who are seeking to generate enough annual income for the remainder of their lives. Our clients typically seek better performance with both growth and security from their investment portfolios and a reduction of the time spent in overseeing the multitude of decisions that go into managing an investment portfolio.

OUR VISION

To strive to build and maintain wealth for our clients with superior performance given returns commensurate with risks.

CORE BELIEFS

- You as the client are the first and most important priority in all portfolio decisions.
 - There are only a handful of managers out of thousands who, over the long-term, have done better than the market.
 - Historical relationships in the financial markets are consistent and may be in the future. Aberrations may occur and some of those may provide investment opportunities.
 - The markets are irrational on the short-term basis, but efficient in the long-term.
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OUR MISSION

Superior security selection chosen not just on the security itself but also in relation to all other securities in the portfolio.

Achieving the Performance You Expect

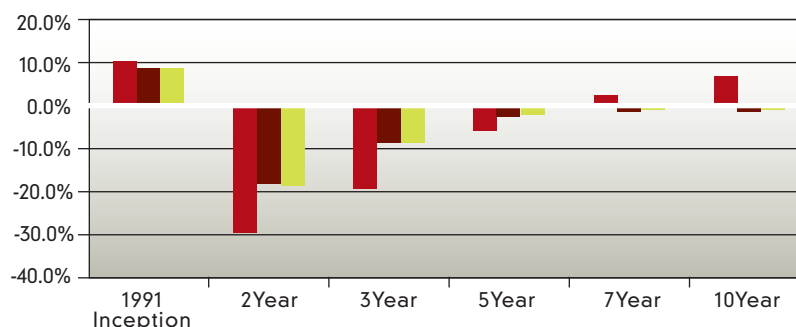
AFC differs from the competition in several ways:

- We are compensated exclusively by fees paid by our clients, based on the total assets in the client accounts. In essence, the only way in which we get paid more is when the investment portfolios of our clients increase.
- Each investment portfolio is created specifically to meet the client objectives. Almost every one of our portfolios is different. While using many of the same securities across the portfolios, amounts and concentrations in each position will vary from client to client to meet their performance and risk objectives. Our competitors, on the other hand, will choose products and portfolio managers where clients are lumped together into common "look alike" portfolios.
- We work in the best interest of our clients in a fiduciary capacity. Unlike AFC, many of our competitors receive a significant portion of their compensation from the products they recommend. Many times there are hidden fees, transaction costs, soft dollar compensation that the client never sees. In that capacity our competitors' advisors are required to work in their firm's best interest, not the client's.

ADAMS FINANCIAL CONCEPTS

Performance

TRAILING RETURNS



| | Model Portfolio | S&P 500 | Wilshire 5000 |
|--------|-----------------|---------|---------------|
| 1991 | 10.2% | 7.9% | 8.1% |
| 2Year | -29.3% | -18.5% | -18.6% |
| 3Year | -18.8% | -8.4% | -8.4% |
| 5Year | -5.3% | -2.2% | -1.7% |
| 7Year | 2.8% | -1.5% | -0.6% |
| 10Year | 7.8% | -1.4% | -0.6% |

As of 12/31/08

Note: THIS IS A HYPOTHETICAL MODEL.

It is forward looking, which means it is first created and then monitored. Since all Adams Financial Concepts are individually structured to meet client objectives and risk tolerances, no actual portfolio would be a representative model. This hypothetical model is representative of client portfolios. Most, but not all individual equity securities held in actual client portfolios are contained in the hypothetical model portfolio.

1. Results shown are without fees. Deducting maximum fees would reduce the performance shown by 3% annually. With the exception of a \$3.95 per trade handling charge, fees cover all portfolio design, daily portfolio management, trading costs, custody services, performance reporting, individual account performance measurement. Fees are based on assets under management billed to the accounts on a quarterly basis regardless of account activity. Minimum opening account size is \$100,000. No other fees are charged.

2. Actual client portfolio results have been both lesser and greater than those of the model portfolio. You may request a list of all client portfolios showing their performance during the time since clients have been at Adams Financial Concepts. (Client names will not be shown). Those portfolios will be shown as annualized returns in comparison to their primary index.

3. The results shown above are hypothetical and do not represent actual trades.

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Performance (continued)

4. While A Michael Adams has been managing client portfolios for over 17 years, Adams Financial Concepts was formed in January 2005. The results shown in the model portfolio cover the time Michael Adams was with Dain Rauscher, Wachovia, and Adams Financial Concepts.

5. This summary does not constitute an offer to sell or a solicitation of an offer to buy any securities or to enter into any investment advisory relationship and may not be relied upon in connection with any offer or sale of securities.

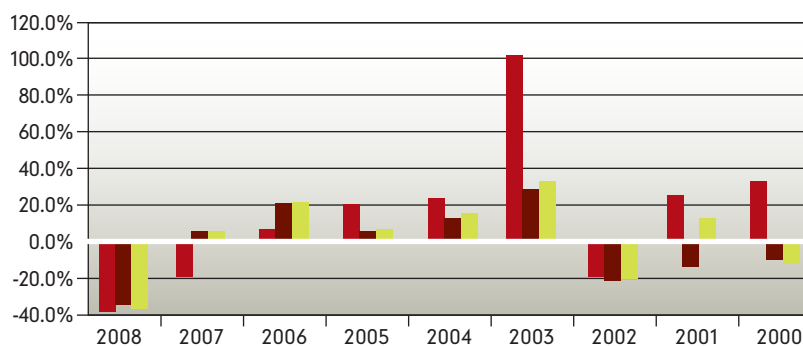
6. Mid Atlantic Capital Corporation calculated numbers based solely on raw data furnished by Adams Financial Concepts and Mid Atlantic Capital Corporation cannot verify the accuracy of the raw data.

7. The average performance of all client portfolios over the last 8 years at Wachovia and Adams Financial Concepts (for which we have data) is consistent with the model portfolio. The average performance of actual portfolios on an annual basis was within 100 basis points of the mode portfolio less fees.

8. Past performance is not necessarily indicative of future results.

In finance, Standard deviation is a measurement of the volatility (risk) of the accounts. The greater the standard deviation, the greater the fluctuations (risk) will be in the value of the portfolio account.

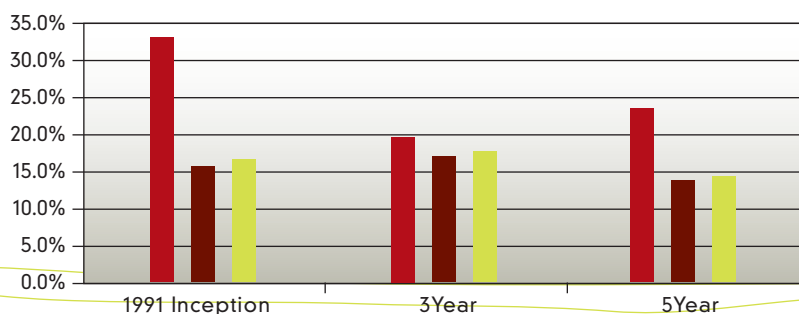
ANNUALIZED RETURNS



| | Model Portfolio | S&P 500 | Wilshire 5000 |
|------|-----------------|---------|---------------|
| 2008 | -38.5% | -37.0% | -37.3% |
| 2007 | -18.7% | 5.5% | 5.7% |
| 2006 | 7.3% | 15.8% | 15.9% |
| 2005 | 15.2% | 4.9% | 6.3% |
| 2004 | 23.2% | 10.9% | 12.6% |
| 2003 | 95.8% | 28.7% | 31.7% |
| 2002 | -18.6% | -22.1% | -20.9% |
| 2001 | 25.4% | -11.9% | 11.0% |
| 2000 | 32.7% | -9.1% | -10.9% |

As of 12/31/08

ANNUALIZED STANDARD DEVIATION



| | Model Portfolio | S&P 500 | Wilshire 5000 |
|-------|-----------------|---------|---------------|
| 1991 | 33.7% | 15.7% | 16.6% |
| 3Year | 19.9% | 16.6% | 17.2% |
| 5Year | 23.1% | 13.9% | 14.5% |

As of 12/31/08

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Adams Financial Concepts Investment Philosophy

For equities (stocks) A. Michael Adams searches for areas in which he expects to see substantial growth. Once Adams identifies an area of growth, he searches for companies that are undervalued in relationship to their market potential. Adams searches for equities that he believes have twice the upside potential return as they do downside price risk.

Portfolios are concentrated in as few as 10 securities. The time horizon is two to five years to realize the potential, but this is a guideline. Worth in debt instruments (bonds) includes not just the coupon interest, but the capital appreciation/depreciation as well.

Adams prefers Pacific Northwest securities, but will search in any location, any industry, and any size of company or issuer.

Investment Philosophy Expanded

There is a reason to search for equities that we believe have twice the upside return compared to what we believe to be the downside risk. Here is an example that shows the principle:

Buy three stocks, assuming each has twice the upside potential as downside risk:

If each stock costs \$10 that would mean this: upside to \$20; downside to \$5.



Conventional wisdom on Wall Street says, if you want to make money, you have to be right 66% of the time. This shows if you are right over 33% of the time, you can make some money.

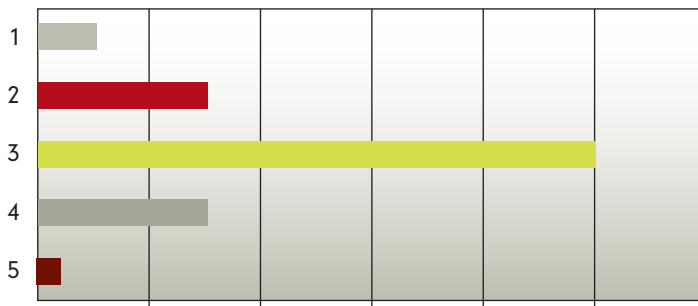
There is no guarantee, of course, that any of the stocks will appreciate. Any and all stocks can potentially go to zero, which would result in a complete loss for the investor.

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Concentrated Portfolios

The second and third tenets of the investment philosophy concern the number of securities in portfolios. Our approach is to limit the number of securities. From The Warren Buffett Way, "Fisher taught Buffett not to overstress diversification. According to Fisher, investors have been misled, believing that putting their eggs in several baskets reduces risk. The disadvantage of purchasing too many stocks is that it becomes impossible to watch all the eggs in all the different baskets." There is the simple logic that it is easier to watch over and monitor ten companies than it is to monitor 300. Beyond that, it can be shown by mathematical theory that concentrated portfolios, in theory, at least, may outperform highly diverse portfolios.

Imagine a game with five players. Each has a different risk level for his stake. The game has an edge: each time a player wins, he wins \$2. Each time a player loses, he loses \$1. There are 100 plays.



| Player | Bets | Mathematical Return |
|--------|--------------------------|---------------------|
| 1 | \$ 1 each play | \$ 150 |
| 2 | 10% of pot each play | \$ 4,700 |
| 3 | 25% of pot each play | \$ 36,100 |
| 4 | 40% of his pot each play | \$ 4,700 |
| 5 | 51% of his pot each play | \$ 36 |

In this illustration the first player bets one dollar on the first play. If he wins, he wins \$ 2 so his pot is now \$102. On the next play, he again bets \$1, but loses this time. He has a pot of \$101. If this is repeated for 100 plays, the first player will have \$150. The second player bets 10% of his pot. So the player bets \$10 on the first bet. If he wins, he now has \$120. Now, for the second bet, the player bets 10% of the \$120, or \$12 and loses. His pot is now \$108 after two plays. If this strategy is employed under the assumptions above, the ending pot will be \$4,700. The sequence of winning or losing does not matter, according to math because multiplication is "commutative". That is, for example, if the second player lost the first time, his pot would be \$90. Now, betting 10%, \$9, winning the second time, he would win \$18 and his pot would be \$108. That is the same as winning first and then losing.

What this means is this: concentrated portfolios should, in theory, do better than highly diversified portfolios. This conclusion is based on mathematical game theory. To maximize gain, the optimum number of securities, assuming a 2 to 1 reward- risk ratio and a 50-50 chance of winning and losing, is four securities. However, this is only one factor in determining the number of securities in a portfolio. Formula is as follows:

$$E = \{ P (1 + b - 2b^2) \}^{n/2}$$

| | |
|---|-----------------------|
| E | expected value |
| P | beginning principal |
| b | percent bet each time |
| n | number of plays |

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The Case For Concentrated Portfolios

First Union Securities in September 2000, in their Mutual Fund Focus Report stated:

"Financial Research Corporation conducted a study of concentrated funds with 50 or fewer holdings and found the following (results are as of 2/00):

Over the past 3, 5, and 10-year periods, the average concentrated fund outperformed its category average in all instances.

Over the past 3, 5, and 10-year periods, the average concentrated fund ranked in the top one-third of funds in its respective Morningstar category.

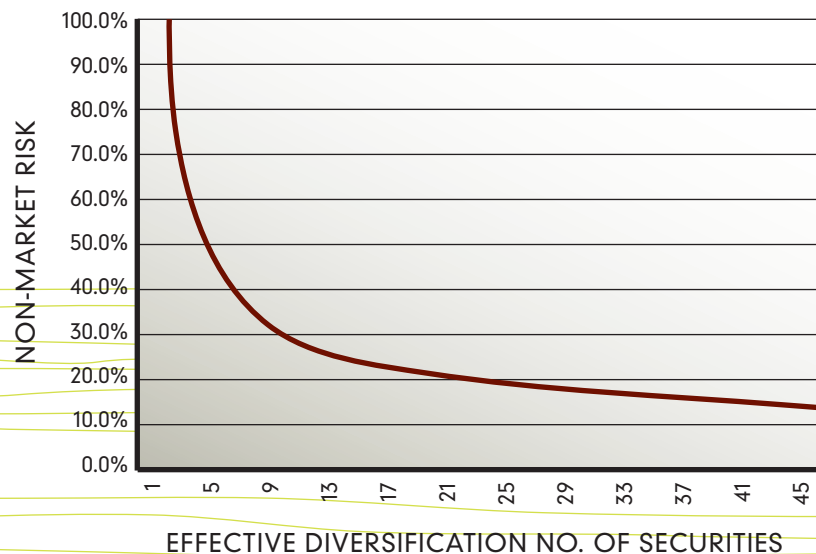
This study found that concentrated funds' higher historical performance came with higher risk as well."

While performance may be better with concentrated portfolios, the volatility increases significantly. What that means is this: there is a relationship between reward and volatility risk. The higher the expected return expected, the higher the volatility risk may be experienced. In fact, studies show that the volatility risk will be approximately twice the experienced return.

Diversification

In 1972, Nobel Prize winner William F. Sharpe published his article "Risk, Market Sensitivity and Diversification," in Financial Analysts Journal showing there was no statistical difference in risk between holding 8-9 stocks and 300 stocks.

EFFECTIVE DIVERSIFICATION VS. NON-MARKET RISK



Client portfolios are designed with a minimum of 10 securities and seldom more than 15.

ADAMS FINANCIAL CONCEPTS

Frequently Asked Questions

Q: Do you open Transaction based accounts? If not, why?

A: We open fee based accounts as a Registered Investment Advisor. Adams Financial Concepts has found fee based managed accounts are more cost effective and are more consistent than the transaction accounts he has managed.

Q: Can I make an appointment?

A: Yes, please call (206) 903-1019 for an appointment.

Q: Do you travel?

A: For accounts \$250,000 and above, A. Michael Adams will travel.

Q: If I live in a State where you are not registered, what do I have to do?

A: Contact us so we can explain the process.

Q: Do you do Seminars?

A: I have in the past and would consider it again if there was an important or critical topic to discuss.

Q: I have noticed your fees are on the higher end of the market, why?

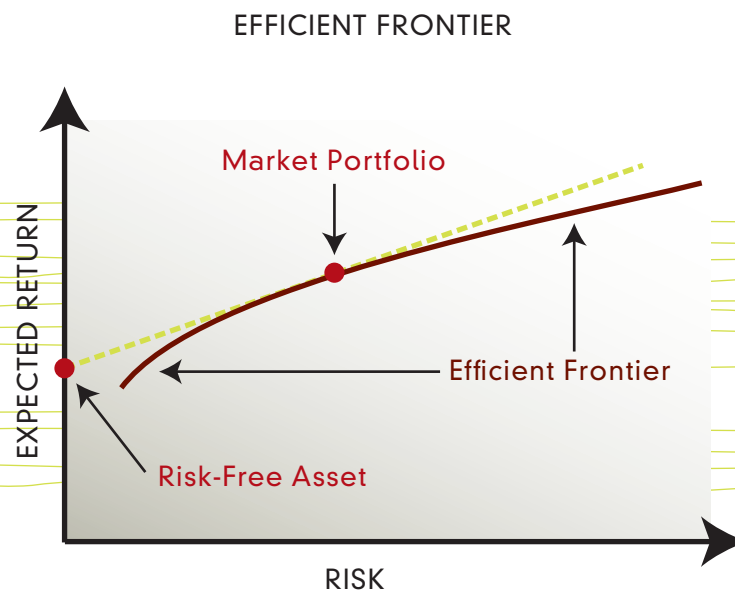
A: We believe that pricing should reflect performance. Warren Buffett states: "The .350 hitter expects, and also deserves, a big payoff for his performance - even if he plays for a cellar-dwelling team. And the .150 hitter should get no reward - even if he plays for a pennant winner. Only those with overall responsibility for the team should have their rewards tied to its results."

Q: Can you mail or email me the newsletters as they come out?

A: Yes, please fill out the form on our Contact us page.

Q: What are "Bottom Up and "Top Down" (Modern Portfolio Theory) Approaches to Investing?

A: These are two systematic approaches (and some combinations of the two) to building portfolios.
A. Michael Adams subscribes to building portfolios in the "Bottom Up" approach.



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Frequently Asked Questions (continued)

The "Top Down" (Modern Portfolio Theory) approach was begun when Harry Max Markowitz wanted to quantify stock price movements. He theorized that stock price fluctuations were due to two influences. The first was the overall stock market. When the stock market is moving up, there is a tendency for all stocks to move up; and conversely, when the stock market moves down, all stocks tend to move down. Markowitz termed this portion of the volatility "beta risk." Markowitz further defined company specific risk, or "alpha," as the volatility due to the impact of company specific volatility. Markowitz went further to define what he termed "The Efficient Frontier" and theorized there existed a relationship between return and risk where the higher return was associated with higher risk. Removing the beta portion of volatility would leave a curve defining the Efficient Frontier (see chart previous page).

In 1986 Brinson, Hood, and Beebower (BHB) published a study about asset allocation of 91 large pension funds measured from 1973 to 1985. Their findings showed the great majority of risk (volatility) was due to the beta factor. Subsequent studies of mutual funds and pension funds confirmed this study and depending on the source, generally accepted by Modern Portfolio Theory adherents is that between 85% to over 90% of the risk (volatility) is due to alpha risk and little is due to the beta or company specific risk.

The Top Down approach to investing, then, begins with looking at the economy and making forecasts of which industry will have the best returns and then looks at the specific companies within that industry. The Top Down approach tends to seek a diverse portfolio spread across industries.

On the other hand, the Bottom Up approach to investing overlooks economic conditions and focuses on selecting stocks of companies which have favorable attributes. This approach assumes that companies can do well even when their industry is not doing well. It entails a thorough review of the company: its financials, its products, its competitive position, its management.

In 1997 William Jahnke challenged the results of the Brinson, Hood, and Beebower study. Jahnke using the same data found the 10 year annual returns of the benchmarks for the 91 pension portfolios ranged from 9.47 percent to 10.57 percent (a spread of 1.1 percent). The actual returns of 91 pension portfolios were 5.85 percent to 13.4 percent a spread of 7.55 percent). Based on this, the expected range of 1.1 percent divided by the actual range of 7.55 percent means that asset allocation explained just 14.6 percent of portfolio performance.

The phrase "Don't put all your eggs in one basket" is a strategy of diversification and part of the Top Down (Modern Portfolio Theory) approach to investing. Warren Buffett, perhaps the greatest investor of our time prefers the other approach (Bottom Up) saying, "Put all your eggs in one basket and watch the basket."

Q: What is meant by alpha and beta and the efficient frontier?

A: Alpha Risk: The risk specific to a company regardless of whether the market is up or down. Alpha is a coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market. A high value for alpha implies that the stock has performed better than would have been expected given its beta. For example, an alpha of 0.4 means the stock outperformed the market-based return by 0.4%.

Beta Risk: The risk or volatility relative to the market. A stock with a beta of 1.0 will tend to move higher or lower in tandem with the stock market. A stock with a beta of over 1.0 will tend to move with greater fluctuations than the market and a stock with a beta of less than 1.0 will tend to have a lesser fluctuation than the market.

Efficient Frontier: In Modern Portfolio Theory, the efficient frontier is the line on a risk-reward graph that is comprised of all the efficient portfolios that theoretically are the best return that can be achieved for any given risk level.

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Contact Us

Adams Financial Concepts
1001 Fourth Avenue, Suite 2330
Seattle, WA 98154
206.903.1019 (phone)
877.903.1019 (toll free)
206.903-1021 (fax)



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