

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

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This brochure provides information about the qualifications and business practices of M Holdings Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 888.520.6784 or [sara.andres@mfin.com](mailto:sara.andres@mfin.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about M Securities also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 43285.

## **Item 2      Material Changes**

For this filing and all future filings, this Item 2 will be used to provide the client with a summary of material changes that are made to the brochure since the last annual update.

In addition to clarifying prior language and other general updates, M Securities has made material changes to this document since the last annual update dated March 28, 2017. The following is a summary of the material changes:

1. “Portfolio Management Accounts: Variable Annuity Discretionary Services” was updated within Sections 4 and 5.
2. “Portfolio Management Accounts: Mutual Fund Discretionary Services” was added to Sections 4 and 5.
3. “Third-Party Asset Management Program (“TAMP”) Services” was added to Sections 4 and 5, and replaces sections related to SEI Investments Management Corporation.
4. “Envestnet” was added to Sections 4.
5. Section 15 titled “Custody” was expanded to describe how M Securities has custody of client funds.

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## **Item 4      Advisory Business**

M Holdings Securities, Inc. is an SEC-registered investment advisor<sup>1</sup> with its principal place of business located in Portland, Oregon (“we,” “us,” “our” or “M Securities”). M Securities began conducting business as an Investment Advisory firm in 2000.

We are a wholly owned subsidiary of M Financial Holdings Incorporated d/b/a M Financial Group.

M Securities offers various types of advisory services to our clients through investment advisory representatives licensed with M Securities (“IARs”), including portfolio management, third party asset management services, retirement consulting services, financial planning, referral services and other advisory services.

### **PORTFOLIO MANAGEMENT ACCOUNTS: GENERAL SECURITIES**

M Securities provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. All such accounts are maintained at a qualified custodian. As of the date of this brochure, most of M Securities’ assets are held at Charles Schwab, Inc. (“Schwab”), Pershing, LLC. (“Pershing”) and Pershing Advisory Services (“PAS”).

Through personal discussions with the client, in which the client’s goals and objectives are established, IARs develop a personal investment policy, and create and manage a portfolio based on that policy. During our data-gathering process, IARs determine the client’s individual objectives, time horizon, risk tolerance, and liquidity needs. As appropriate, IARs also review and discuss a client’s prior investment history, as well as family composition and background.

M Securities, through its IARs, manage these advisory accounts on a discretionary or non-discretionary basis. Ongoing management and account supervision is guided by the client’s stated objectives (*i.e.*, maximum capital appreciation, growth, income, or growth and income) and risk tolerance, as well as tax considerations.

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

Our investment recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company. Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client’s stated investment objectives, tolerance for risk, liquidity and suitability.

### **PORTFOLIO MANAGEMENT ACCOUNTS: VARIABLE ANNUITY DISCRETIONARY SERVICES**

A variable annuity is an insurance contract between a purchaser and an insurance carrier. The variable annuity allows the purchaser to allocate your variable annuity purchase payments (less any mortality and expense charges assessed by the insurance carrier as described in the annuity’s prospectus) to certain investment funds the insurance carrier has designated as eligible investments for its variable annuity separate account. The investment options for a variable annuity are typically mutual funds that invest in stocks, bonds, money market instruments,

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<sup>1</sup> Please note that registration as a Registered Investment Advisor does not imply a certain level of skill or training achieved by our firm or investment advisory representatives.

or some combination of the three. Additional information is available in the Annuity's prospectus.

Certain variable annuities may be purchased by a client who engages with M Securities for investment advisory services including the ongoing management and re-allocation of the subaccounts. The annuity will be assessed an ongoing advisory fee that is based on the assets held in the annuity. In all cases, an advisory fee will be charged not to exceed the tiered fee detailed in Section 5 of this document. Advisory fees are charged in addition to certain fees, expenses and charges associated with the variable annuity and collected by the insurance carrier. For additional information regarding these fees, expenses and charges, please refer to the variable annuity's prospectus. All such accounts will be managed on a discretionary basis.

M Securities will also serve as an introducing broker-dealer with respect to transactions involving the variable annuity, its sub-accounts and the investments.

### **PORTFOLIO MANAGEMENT ACCOUNTS: MUTUAL FUND DISCRETIONARY SERVICES**

A mutual fund is a type of investment company, as that term is defined by the SEC, that pools money from many investors and invests the money in stocks, bonds, money-market instruments, other securities, or even cash. Mutual funds are managed by a registered investment advisor. M Securities does not provide investment advice to mutual funds, however, M Securities recommends mutual funds for investment in client accounts. Mutual funds charge fund fees and expenses as described in each fund's prospectus, which may include a sales charge. Certain mutual fund share classes do not impose a sales charge but do charge Client an investment advisory fee.

M Securities provides advisory services to American Funds F-2 share class mutual funds. Such funds do not charge a 12b-1 sales charge but do charge an advisory fee for the ongoing and continuous discretionary authority given to M Securities and its IAR to direct the allocations among such F-2 share class mutual funds in accordance with Client's investment objective, risk tolerance, time horizon and other financial characteristics. While these mutual funds are held direct at American Funds and governed by the client agreement executed with American Funds, the client will also execute the American Funds Direct Advisory Client Service Agreement with M Securities.

### **SUB-ADVISORY SERVICES**

#### Sub-advisory Services

M Securities offers advisory management services to clients through our Sub-Advisory Program. We provide the client, through IARs, with an asset allocation strategy developed through personal discussions in which the client's goals and objectives are established based on the client's particular circumstances. M Securities performs management searches of various registered investment advisors ("**sub-advisor**"). Based on the client's individual circumstances and needs (as exhibited in the client's M Securities Investment Advisory Client Account Form, hereinafter referred to as the "**Client Account Form**"), the IAR determines which selected sub-advisor's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected sub-advisor. In addition to third-party unaffiliated sub-advisors, M Securities utilizes sub-advisory services through its affiliate, M Financial Asset Management, Inc. ("**M Wealth**"). Clients should refer to the sub-advisor's firm brochure or other disclosure document for a full description of the services offered. Client meetings to review the account are available on a regular basis, or as determined by the client.

Once an appropriate sub-advisor(s) has been identified to meet your needs, we provide the selected sub-advisor with the client's Client Account Form, who then creates and manages the client's portfolio based on the information included in the Client Account Form.

On an ongoing basis, M Securities and its IARs monitor the performance of the sub-advisor(s). If we determine that a particular sub-advisor is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with that client's Client Account Form, then we may move the client's portfolio to a different sub-advisor and/or program sponsor. Under this scenario, our firm retains the discretion to hire and fire the sub-advisor and/or move the client's portfolio to a different program.

At least annually, the IAR meets with the client to review and update, as necessary, the client's account. However, should there be any material change in the client's personal and/or financial situation, M Securities should be notified immediately to determine whether any review and/or revision of the Client Account Form is warranted. Notification may be made either directly to M Securities or to the IAR.

### Third-Party Asset Management Program (“TAMP”) Services

M Securities has contracted with third-party asset managers to provide you with asset management programs. Currently, M Securities provides TAMP Services from SEI Investments Management Corporation, AssetMark, FTJ FundChoice, Lockwood Advisors, Inc. and Brinker Capital.

M Securities, through the IAR, discusses with the client their goals, objectives and the client's particular circumstances to determine an appropriate model portfolio and portfolio manager to meet the client's needs. M Securities performs management searches of various asset managers. Based on the client's individual circumstances and needs (as exhibited in the Client Account Form) we determine which selected asset manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected asset manager. Depending on the TAMP program identified, the IAR may also assist the client with selecting a model portfolio of securities designed and managed by either the TAMP sponsor or a selected portfolio manager through the TAMP sponsor responsible for providing discretionary or non-discretionary asset management services. Client meetings to review the account are available on a regular basis, or as determined by the client. Account minimums are set by the TAMP sponsor or the asset manager, to the exclusion of M Securities.

In addition to portfolio management services, the TAMP sponsor will also generally arrange for custody of client assets, trade execution, cashing services, and other such services as outlined in the applicable client agreement and the asset manager's ADV brochure.

For additional information regarding the asset manager selected and the services they provide, visit [www.adviser.sec.gov](http://www.adviser.sec.gov).

### Investnet

M Securities has contracted with Investnet Portfolio Solutions, Inc. (“**Investnet**”), an unaffiliated asset management service provider, who provides M Securities with investment and operational support services through their Separately Managed Account and Portfolio Management Consultants Investment Solutions platforms. Through these platforms, Investnet provides M Securities with access to sub-advisors that can be identified by an IAR for use as a portfolio manager to a client's account. Investnet also provides M Securities with tools to allocate client funds among accounts, determine suitability for clients and generate quarterly performance reporting. M Securities does not separately charge clients for the Investnet tools used by M Securities, but such cost is incorporated into the administration fee that M Securities charges the client.

## Schwab Managed Select Program

Managed Account Select is a managed account solution that provides over 20 equity and income investment strategies managed by over 100 different third-party managers. The additional services and features are also offered:

- Research and ongoing monitoring of money managers
- Third party research and review
- Over 20 strategies managed by over 100 different third party managers
- Householding of accounts for fee purposes
- Performance reporting
- Account Minimums: \$100,000 equity; \$250,000 fixed income

## **PENSION CONSULTING SERVICES**

We also provide advisory services to retirement plan sponsors and participants, separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

### Preparation of Investment Policy Statement (“IPS”)

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm may review the Plan Sponsor's existing IPS or our IAR may be engaged to assist with the preparation of a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

### Selection of Investment Vehicles

We assist plan sponsors in selecting appropriate asset allocation models based upon the IPS or such other information. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS (either provided by the client or prepared by us). The number of investments to be recommended will be determined by the client, based on the IPS.

### Monitoring of Investment Performance

We monitor client investments continually, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

### Employee Communications

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide educational support and investment workshops designed for the plan participants.

## **FINANCIAL PLANNING AND SECURITIES RELATED ANALYSIS**

We provide financial planning services, which include the evaluation of a client's current and future financial state. Such financial planning services may be comprehensive or targeted in nature. The level of services provided is specific to each client relationship and is described in the M Securities Financial Planning Agreement.

Clients purchasing this service typically receive a written report which provides a detailed financial plan designed to help the client achieve his or her financial goals and objectives. Financial planning may be offered as a one-time service or on an ongoing basis.

## **ADVISORY SOLICITOR/REFERRAL SERVICES**

M Securities acts as a solicitor on behalf of various unaffiliated registered investment advisors. Based on a client's individual circumstances and needs, we will assist the client in determining which unaffiliated registered investment advisor's portfolio management services are appropriate. Factors considered in making this determination, including account size, risk tolerance, and the client's investment experience, are discussed during our consultation with the client.

M Securities will give the independent advisor's disclosure brochure to the client in addition to the advisor's documentation that is designed to collect account and suitability information. The client is considered to be a client of the independent advisor in these arrangements and is not considered to be a client of M Securities.

M Securities is not affiliated with any of these investment advisors and does not provide securities related advice when the client participates in these arrangements.

M Securities is paid a fee for the assistance provided in explaining the investment advisory program, as well as for providing and collecting the investment advisor's disclosure and account documents. The fee paid to M Securities will not differ from the fee the independent advisor would charge in the event the client was to contract with them directly for investment advisory services.

Should the client participate in an advisory referral arrangement, the information discussed in the paragraph immediately above, in addition to a description of how the advisory fee the client pays will be divided between M Securities and the advisor, will be provided to the client in a disclosure document.

## **WRAP FEE PROGRAMS**

M Securities offers a number of wrap fee programs that are sponsored by M Securities or its sub-advisors, including its affiliate, M Wealth. Wrap fee programs combine investment advisory service charges and transaction charges in a single asset based fee. Some of these programs offer a questionnaire that assists the client in determining their suitability and risk tolerance in addition to offering detailed reporting related to the performance of the client's account. M Securities receives a portion of the wrap fee as compensation for the investment advice provided by an IAR and for administering the wrap fee program. You may access each wrap fee brochure through the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and look for Part 2A, Appendix 1 to view the brochures.

## **ASSETS UNDER MANAGEMENT**

SEC registered investment advisory firms are required to report the amount of assets that they directly manage. Assets associated with advisory referral and financial planning are not included in the assets reported to the SEC.

Assets considered to be under M Securities management are categorized as discretionary or non-discretionary. Discretionary assets are associated with an account for which the client has provided authorization to the IAR to trade the account without pre-authorization for each trade. Accounts established as non-discretionary require the IAR to obtain authorization prior to entering each trade.

As of February 20, 2018, M Securities maintains discretionary authority over \$3,000,740,000 of client assets.

## **Item 5 Fees and Compensation**

### **PORTFOLIO MANAGEMENT ACCOUNT FEES – GENERAL SECURITIES**

The annualized fee for Portfolio Management Accounts – General Securities are charged as a percentage of assets under management, and range between 0 and 2.5%. Additionally:

- The client will negotiate a fee schedule directly with the IAR.
- The client has the option of either allowing the IAR to make each trade in the client's account with or without prior approval.
- Depending upon the custodian chosen, the client may be able to choose if advisory services will be billed in advance or after services have been provided.
- Fees are billed to the client's account on a quarterly basis, with 25% of the annual fee billed each quarter. A small number of M Securities accounts are billed directly to the client. We do not intend to allow for this type of billing in the future unless a compelling reason is provided by the client, and then only upon written approval of our Chief Compliance Officer. In such cases where direct billing to the client is allowed, an invoice will be sent to the client. The invoice will identify the service provided and the detail regarding the calculation of the fee.
- A schedule of transaction related costs for processing the sale or purchase of securities for your account along with various optional service fees has been provided to you by the custodian of your account. You will receive a pro-rata refund should you terminate the investment advisory contract prior to the end of a quarter and you have paid fees in advance.
- Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### **PORTFOLIO MANAGEMENT ACCOUNT FEES – VARIABLE ANNUITY DISCRETIONARY SERVICES**

- Compensation to M Securities for its services will be calculated and paid as indicated on the M Securities Fee Based Variable Annuity Investment Management Agreement, which may be amended from time to time by M Securities upon 30 days prior written notice to you. M Securities will charge a fee for investment advice that will be tiered; *i.e.*, as the variable annuity value reaches the below referenced thresholds, the assets above each threshold will be charged a successively lower fee. This investment advisory fee is determined by M Securities and will vary from client to client but in no instance will the fee exceed 1%. The fee for each client's account can be found on the Investment

Management Agreement. For illustration purposes only, an example of a fee structure for a \$4 million variable annuity is as follows:

<b>Annuity Assets</b>	<b>Fee*</b> (Fee not to exceed 100 bps (1%))
\$0 - \$499,999	1.00%
\$500,000 - \$999,999	0.75%
\$1,000,000 - \$2,999,999	0.50%
Over \$3,000,000	0.20%

In the above example, the first \$499,999 of assets will be charged 1%. The next \$500,000 of assets will be charged 0.75%. The next \$1 million of assets will be charged 0.50%. The remaining assets will be charged 0.20%. Clients will see a blended fee or a weighted average of the fees assessed on their account statements rather than each tier.

- The insurance carrier issuing the variable annuity charges certain fees, expenses and charges associated with the variable annuity. These fees and charges are in addition to the investment advisory fee charged by M Securities. For additional information regarding these fees, expenses and charges, please refer to the variable annuity's prospectus.
- The receipt of both brokerage commissions and advisory fees creates a strong incentive for the IAR to recommend discretionary asset allocation services in conjunction with, or subsequent to, the sale of a Variable Product. Finally, you should be aware that the Carrier issuing the variable product(s), or other investments advisors, may provide subaccount asset allocation services substantially similar to those provided by M Securities at substantially lower, or at no cost.

#### **PORTFOLIO MANAGEMENT ACCOUNT FEES – MUTUAL FUND DISCRETIONARY SERVICES**

- Compensation to M Securities for its services managing the American Funds F-2 share class mutual funds will be calculated and paid as indicated on the M Securities American Funds Direct Advisory Client Service Agreement, which may be amended from time to time by M Securities upon 30 days prior written notice to you. M Securities will charge a fee for investment advice equal to 0.50%.
- American Funds charges certain fees, expenses and charges associated with the F-2 share class mutual fund. These fees and charges are in addition to the investment advisory fee charged by M Securities. For additional information regarding these fees, expenses and charges, please refer to the mutual fund's prospectus.
- You should be aware that the mutual fund company, or other investments advisors, may provide advisory services substantially similar to those provided by M Securities at substantially lower, or at no cost.

## SUB-ADVISORY PROGRAM SERVICES

### General Information on Sub-Advisory Fees

Payment of fees may result in the liquidation of the client's securities if there is insufficient cash in the account. Changes in fee structure or the manner in which fees are calculated will be implemented thirty (30) days after we provide written notice to the client. A client's investment advisory agreement with us may be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice. Upon termination of any investment advisory agreement, any earned and unpaid fees will be due and payable. The client has the right to terminate an investment advisory agreement without penalty within five (5) business days after entering into the agreement.

All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by an Investment Manager for separate account management or by mutual funds to their shareholders. An Investment Manager's fees will be disclosed to the client through the Investment Manager's Form ADV Part 2 and/or a client agreement among us, the Advisor and the client.

Mutual fund fees and expenses are described in each fund's prospectus and generally will include a management fee, other fund expenses, including fund portfolio transaction charges and a possible distribution and/or service fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by M Securities, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to the client's financial conditions and objectives.

Accordingly, the client should review the fees charged by the funds and the fees charged by M Securities to fully understand the total amount of fees to be paid, and thereby evaluate the advisory services being provided by M Securities. With respect to Portfolio Management Services, in addition to our Portfolio Fee and any applicable Investment Manager fees, clients are also responsible for any additional fees and expenses charged by their Advisor and custodians, as well as fees imposed by broker/dealers, including, but not limited to, any transaction charges imposed by a broker/dealer with which we or a sub-advisor effects transactions for the client's Portfolio.

M Securities utilizes sub-advisory services through its affiliate, M Wealth. Your IAR may be a shareholder of M Financial Group and therefore would have an incentive to recommend M Wealth as a sub-advisor over other similar advisory programs.

### TAMP Program Fees

Clients pay an advisory fee as described in the agreement entered between Client and the individual third-party asset manager. The third-party asset manager will typically negotiate the advisory fee with the IAR and the client. Fees assessed by the TAMP are shared with M Securities and IARs. There are other fees and charges imposed by third parties that apply to a client account opened with a third-party asset manager. For more information on the fees and charges associated with such account, refer to the asset manager's Form ADV Part 2A and client agreement.

### Schwab Managed Account Select Program Fees

Fees in the table below are based upon a tiered schedule. These fees include third party asset manager services in addition to Schwab brokerage and custody services. The separate fees identified for each tier will be

combined as a single asset-based fee. The fee negotiated by the IAR and charged by M Securities will be added to the fees charged to the client's account.

The investment advisory portion of the fee will be negotiated directly between the client and the IAR, but in no case will the total annual fee exceed 3%. Fees are charged quarterly in arrears.

Schwab will charge certain other fees if applicable to the client's account, separately from those identified in the schedule below. These include wire transfer fees, charges for transactions executed by other broker/dealers, and markups/markdowns on fixed income securities. Schwab may also make dealer profits from fixed income transactions executed by Schwab on a principal basis. There is a monthly minimum fee for equity accounts (including index-based accounts): \$130 for fixed income accounts, \$40 for ETF-based accounts, and \$70 for Municipal Bond Ladder accounts.

Related accounts can be combined for the purpose of lower program fees.

Market Value	Asset-Based Schedule for Schwab Equity Custody & Transactions	Asset-Based Schedule for Schwab Income & Index-Based Custody and Transactions	Third Party Manager-Advisory Fee	Investment Advisory Representative's Fee
First \$250,000	1.00%	0.65%	0.75%	Negotiated
Next \$250,000	0.85%	0.65%	0.75%	Negotiated
Next \$500,000	0.80%	0.60%	0.65%	Negotiated
Next \$1,000,000	0.75%	0.55%	0.50%	Negotiated
Next \$3,000,000	0.70%	0.50%	0.50%	Negotiated
Over \$5,000,000	0.65%	0.45%	0.50%	Negotiated

### TIMING OF FEE BILLING

Our advisory fees are charged in one of two ways as agreed upon with the client:

- **In advance.** Advisory fees are billed in advance at the beginning of each calendar quarter based upon the asset value (market or fair market value in the absence of market value, plus any credit balance or minus any debit balance) of the client's account equity at the end of the previous quarter.
- **In arrears:** Advisory fees are billed in arrears at the end of each calendar quarter based upon the asset value (market or fair market value in the absence of market value) of the client's account at quarter-end.

When authorized by the client, fees are debited from the account in accordance with the terms set forth in the Client Management Agreement. Direct billing to the client is not allowed for these types of investment advisory programs.

## PENSION CONSULTING FEES

Our fees for Pension Consulting Services are billed either as a flat fee, hourly fee or based on a percentage of assets under advisement. Fees, and the frequency at which they are billed, are negotiated directly between the client and the IAR. Generally fees that are charged based upon assets under advisement range between 0 to 2%, although in no case will a rate exceeding 3% be charged to the client.

- The client will negotiate a fee schedule directly with the IAR.
- The client has the option of either allowing the IAR to make each trade in their account with or without their prior approval.
- Fees are either billed to the client's account directly by the custodian or are billed directly by M Securities. Fees are normally billed to the client's account on a quarterly basis, with 25% of the annual fee billed each quarter. In such cases where direct billing to the client is conducted, an invoice will be sent to the client detailing the service provided and the calculation of the fee.
- You will receive a pro-rata refund should you terminate the investment advisory contract prior to the end of a quarter and you have paid fees in advance.

## FINANCIAL PLANNING FEES

M Securities financial planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. The fee structure is agreed upon prior to entering into a contract with any client.

Our financial planning fees are calculated and charged on either an hourly basis or fixed fee basis. Hourly fees generally range from \$0 to \$500 per hour. The amount to be charged for the services we provide is negotiated directly between the client and the IAR. Although the length of time it will take to provide a financial plan will depend on each client's personal situation, the IAR will provide an estimate for the total number of hours at the start of the advisory relationship.

Our financial planning fees may also be charged on a fixed fee basis, typically ranging from \$0 to \$10,000, depending on the complexity of the work to be performed. The specific fees charged, and the frequency at which they are charged, are negotiated directly between the client and their IAR.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

### Financial Planning Fee Offset

M Securities may, at its discretion, reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage us for our Portfolio Management Services or purchases products through M Securities' broker/dealer. Financial planning fees are normally charged by M Securities in addition to fees for management of portfolios or third party advisory services.

The client's IAR, with few exceptions, will also be a registered representative of M Securities' broker/dealer. In such cases, the IAR may receive a financial planning fee in addition to commissions received from transactions resulting from recommendations in the plan, if securities products are purchased through the broker/dealer.

### Termination of the Advisory Relationship

The client may cancel the financial planning agreement at any time, for any reason. Should the client decide to terminate this arrangement, hourly charges will immediately stop and the client will only be charged the pro-rata portion of the work already completed on a flat fee basis.

## **GENERAL INFORMATION**

### Termination of the Advisory Relationship

A client agreement may be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid and unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro-rate the reimbursement according to the number of days remaining in the billing period. Termination of a Financial Planning Agreement is handled on a different basis. Please see the discussion of Financial Planning Agreement termination above.

### Mutual Fund Fees

All fees paid to M Securities for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, these charges will be suppressed and paid by the registered representative. In no case should the IAR receive any commissions, although they may receive marketing fees associated with mutual fund transactions.

A client could invest in a mutual fund directly, without our services. When purchasing directly with a mutual fund company, except when purchasing American Funds F-2 share class mutual funds, the client would not receive the services provided by M Securities which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to the client's financial condition and objectives. In all cases, the client should review the fees charged by the funds and the fees charged by M Securities to fully understand the total amount of fees to be paid, and thereby evaluate the advisory services being provided.

IARs may select mutual fund share classes that pay M Securities and the IAR 12b-1 fees, such selection may occur when a lower cost alternative share of the same mutual fund may be available.

### Performance Based Fees

Clients are not charged on the basis of capital gains within their portfolio.

### Wrap Fee Programs and Separately Managed Account Fees

Appendix 1 of Form ADV 2B provides information regarding our specific wrap fee programs. You may access this appendix through the SEC's website. Directions related to accessing this information are provided on the cover page of this brochure.

Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by M Securities. Such fees may include the investment advisory fees of the portfolio manager, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. The client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also

consider that, depending upon the wrap fee charged by the broker/dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

Most of our accounts are charged a single wrap fee that combines transaction costs and advice. With regard to these programs, the associated fees and commissions are discussed in the respective wrap brochures. Accounts held at Schwab are charged a separate asset-based fee or an execution charge for each client transaction. All such transaction charges are kept by Schwab and are not shared with M Securities. The schedule of these transaction-based or asset-based transaction charges are detailed in the Schwab paperwork associated with the individual accounts. Additionally, accounts established through M Securities' Wealth Pursuit™ Prime program are housed at Pershing and are subject to a transaction fee for each transaction. The schedule of these clearing charges is detailed within the M Securities Client Service Agreement related to this program. Clients should ask their IAR to provide a copy of the above agreements if examination of the respective fee structures is desired.

#### Additional Custodian Fees

A client may be charged custodian fees by the custodian of an account. These are separate fees from your advisory fee for maintaining your account at the custodian. These fees may include, but are not limited to, IRA maintenance fees, account closing fees and account transfer fees. For more information about such fees, please consult with your custodian directly.

#### Additional Fees and Expenses

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker/dealers, including, but not limited to, any transaction charges imposed by a broker/dealer with whom an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

#### Grandfathering of Minimum Account Requirements

Pre-existing advisory clients are subject to M Securities minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

#### Advisory Fees in General

Clients should note that comparable advisory services may (or may not) be available from other registered (or unregistered) investment advisors for similar or lower fees.

#### Limited Prepayment of Fees

Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

#### Factors Involving Negotiability of Advisory Fees

Although M Securities has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client's circumstances, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the IAR and each client.

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

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

### Services

IARs must have a substantial level of experience in the securities industry and a demonstrated ability to advise clients responsibly with respect to their investment goals. All IARs are also supervised by individuals with extensive experience in determining suitability of products purchased for clients. Additionally, all IARs must comply with state investment advisory representative registration requirements.

When an IAR provides investment advisory portfolio management services, no other sub-advisor is involved in the management of the client's account. Typically, when the IAR provides services in this capacity, he or she will receive higher fees compared to arrangements where a sub-advisor assists with the management of your account; therefore an incentive exists for the IAR to recommend himself as portfolio manager compared to other sub-advisory arrangements.

Please be sure to compare the services, costs and experience level of your IAR to other portfolio managers and investment advisory programs.

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

M Securities does not charge fees on the basis of capital gains within your portfolio.

## **Item 7 Types of Clients**

M Securities provides advisory services to the following types of clients:

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

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

### **METHODS OF ANALYSIS**

M Securities through its IARs use the following methods of analysis in formulating our investment advice and/or managing client assets:

## Charting

In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

## Fundamental Analysis

We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

## Technical Analysis

We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

## Cyclical Analysis

In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

## Quantitative Analysis

We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

## Qualitative Analysis

We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

### Asset Allocation

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

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

### Mutual Fund and/or ETF Analysis

We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

### Sub-Advisor and TAMP Analysis

M Securities examines the experience, expertise, investment philosophies and past performance of sub-advisors and TAMP asset managers in an attempt to determine if the manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

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

### Risks for All Forms of Analysis

Our securities analysis methods rely on the assumption that the companies whose securities we recommend for purchase and sale, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

M Securities and its IARs use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizon, among other considerations:

### Long-Term Purchases

We recommend the purchase of securities with the idea of holding them in the client's account for a year or longer. Typically this strategy is used when:

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

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

### Short Sales

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

### Margin Transactions

We will purchase stocks for the client's portfolio with money borrowed from the client's brokerage account. This allows the purchase of more stock than would be possible with the client's available cash, and allows us to purchase stock without selling other holdings.

### Option Writing

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

The two types of options are calls and puts:

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

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

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

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

### Risk of Loss

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

M Securities is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

M Securities and its management personnel have no reportable disciplinary events to disclose.

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

### **FIRM REGISTRATIONS**

#### M Holdings Securities, Inc.

In addition to M Holdings Securities, Inc. being a registered investment advisor, our firm is registered as a broker/dealer with the SEC and Financial Industry Regulatory Authority ("FINRA"). Most IARs also offer brokerage services as a registered representative. M Securities as a broker/dealer transacts business in various types of securities, including mutual funds, stocks, bonds, alternative investments, variable annuities, real estate investment trusts and other investment products. M Securities is registered to operate in all 50 states and has an independent-contractor sales force of IARs and registered representatives throughout the United States. Before engaging with an IAR, clients should understand the differences between advisory services and brokerage services to determine which account meets their needs. Clients are encouraged to discuss the differences with their IAR.

#### M Wealth

M Wealth is wholly owned by our parent company, M Financial Group, and offers investment management services as a sub-advisor to M Securities and other independent registered investment advisors that are owned by registered representatives of M Securities. M Wealth is recommended by us as a sub-advisor when appropriate for the client. An incentive and therefore a potential conflict of interests exists to offer the management services of M Wealth as opposed to other investment advisory managers since many IARs and their private agencies have an ownership stake in M Financial Group. Please see Item 14 for more information regarding the manner in which compensation could ultimately find its way to an IAR through the client selecting M Wealth to manage their assets.

### MFIA and M Funds

M Financial Investment Advisors (“**MFIA**”) is wholly owned by our parent company, M Financial Group, and it serves as the investment adviser to M Fund, Inc. (“**M Funds**”), an open end mutual fund registered with the SEC. M Securities, as broker/dealer, is the distributor for M Funds.

M Funds are not sold directly to the general public but instead are offered as an underlying investment option for variable annuity policies issued by certain insurance companies or through qualified pension and retirement plans. The use of M Funds in such variable annuity policies are only available to M Securities clients.

An incentive exists to recommend insurance products that offer M Funds and to recommend the use of M Fund subaccounts within these products, as opposed to other insurance products and subaccounts, because many IARs and their private agencies have an ownership stake in M Financial Group. Revenue from both MFIA and M Funds is used in the calculation of the M Financial Group Incentive Compensation Plan. Please see item 14 for more information regarding the manner in which compensation could ultimately find its way to an IAR through the client selecting M Funds as a subaccount within an insurance policy.

### M Financial Securities Marketing, Inc.

M Financial Securities Marketing, Inc. is a registered broker/dealer and is wholly owned by our parent company, M Financial Group. This entity does not have any securities clients, since its purpose is to receive broker/dealer marketing fees and overrides. No marketing fees related to investment advisory services are received by M Financial Securities Marketing, Inc. Please see item 14 for more information regarding the manner in which compensation received by M Financial Securities Marketing, Inc. could ultimately find its way to an IAR.

### M Benefit Solutions, Inc.

M Benefit Solutions, Inc. (“**M Benefit**”) is a licensed insurance agency that is wholly owned by our parent company, M Financial Group. To the extent securities related insurance products are sold, they are executed through M Securities’ broker/dealer. To date, M Benefit has not conducted any investment advisory activities. Please see item 14 for more information regarding the manner in which compensation could ultimately find its way to an IAR by the client selecting M Benefit to purchase securities related products.

## **MANAGEMENT PERSONNEL REGISTRATIONS**

Certain management personnel of our firm are separately licensed as registered representatives of M Securities. M Securities is a single entity with Registered Investment Advisor and Broker/Dealer registrations. M Securities is a FINRA member broker/dealer.

While M Securities and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the cover page of this brochure.)

Clients should be aware that the receipt of additional compensation by M Securities and its management personnel, employees and IARs creates a conflict of interest that may impair the objectivity of M Securities and these individuals when making advisory recommendations. M Securities takes the following steps to address this conflict:

- M Securities discloses to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- M Securities discloses to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- M Securities collects, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- M Securities' management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- M Securities requires that our employees seek prior approval of any outside employment activity so that M Securities may ensure that any conflicts of interests in such activities are properly addressed;
- M Securities periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- M Securities educates our employees and IARs regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

M Securities has adopted a Code of Ethics (the “**Code**”) which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

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

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by M Securities' access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or initial public offering. Our Code also provides for oversight, enforcement and recordkeeping provisions.

M Securities Code of Ethics further includes our policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email at [sara.andres@mfin.com](mailto:sara.andres@mfin.com), or by calling us at 888.520.6784.

In addition, access persons of M Securities are required to report all personal securities transactions conducted in our affiliated fund company.

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

M Securities and/or individuals associated with M Securities may buy or sell securities identical to or different from those recommended to our clients for their personal accounts. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client.

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

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

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

- No principal or employee of M Securities may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is based on information received as a result of his or her employment, unless the information is also available to the investing public.
- No person employed by M Securities may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- M Securities requires prior approval for any initial public offering ("IPO") or private placement investments by related persons of M Securities.
- We maintain a list of all reportable securities holdings for M Securities and anyone associated with this advisory practice who has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by M Securities' Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

- We require delivery and acknowledgement of the Code of Ethics by each supervised person of M Securities.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

Our internal supervisory procedures and compliance audit and sampling procedures are designed to detect potential breaches of conduct by an IAR. As disclosed in the preceding section of this brochure (Item 10), related persons of our firm are separately registered as registered representatives of M Securities' broker/dealer and they receive commissions as a result of establishing a broker/dealer account with the client and entering transactions on the client's behalf. Many of the transactions entered through the broker/dealer involve the purchase of securities related insurance products in addition to general securities products. Additionally, nearly all registered representatives of M Securities' broker/dealer and registered investment adviser are involved with insurance agencies that are independent from M Securities and sell insurance products that are not securities related.

Marketing fees may be received in some cases, in addition to the advisory fees received by the IAR. The amount of these fees will be provided to the client upon request.

#### Principal Transactions

In connection with trading bonds for clients, prime brokerage trading will occasionally take place to facilitate certain bond transactions. In such cases, M Securities acts as Principal in these transactions. No commission is charged by M Securities and we see no conflict in association with this process.

## **Item 12 Brokerage Practices**

M Securities requires that clients provide us with written authority to determine which broker/dealer to use, and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

M Securities will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

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

- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with M Securities or with M Securities' order allocation policy.
- The IAR must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.

- The IAR must reasonably believe that the order aggregation will benefit the client, and will enable M Securities to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution, but does not mean that the determination made in advance of the transaction must always prove to have been correct. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro-rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro-rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro-rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- Generally, each client who participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro-rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- The order will be allocated in a manner as stated on the allocation statement unless the order does not fully execute. In that event, accounts participating in the aggregate trade will receive a pro rata share of the partially filled trade. If a pro rata allocation is not possible without creating fractional shares, the methodology to allocate the aggregate order differs depending upon the trading system used by an IAR. Please contact your IAR to determine which trading systems identified below is used to execute trades for your account.
- Manually executed orders such as those entered through Schwab Institutional, Pershing, or the BTR trading system are required to complete the following procedure in the event that the order was not completely filled and a pro rata allocation would result in the distribution of fractional shares which is not permitted by M Securities policy:

If the aggregate order did not fully execute, the securities purchased or sold by the close of each business day, as well as transaction costs, must be calculated on a pro rata basis and then rounded to the nearest whole share. The amount of each client's allocation is added together and subtracted from the executed quantity to determine the remainder to be distributed. The remainder amount is distributed one share at a time to clients in sequential order starting with the first individual listed on the allocation statement, unless this individual participated in other block orders and most recently or previously received a greater allocation as compared to others participating in the common block trade.

For example, assuming a block order to purchase 10,000 shares of XYZ in three accounts:

Account 1 = 5,000 shares (50% of the trade)

Account 2 = 2,000 shares (20% of the trade)

Account 3 = 3,000 shares (30% of the trade)

If the order results in a partial fill and I complete a buy of 8,317 shares, the accounts would be allocated as follows:

Account 1 = 4,159 shares =  $50\% \times 8,317 = 4,158.5$ , round down to 4,158

Account 2 = 1,663 shares =  $20\% \times 8,317 = 1,663.4$ , round down to 1,663

Account 3 = 2,495 shares =  $30\% \times 8,317 = 2,495.1$ , round down to 2,495

The above allocation would result in one spare share which would be allocated to the account according to the procedure above.

- M Securities client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, bought and sold for that account.
- No client or account will be favored over another.

M Securities may require that clients establish brokerage accounts with Schwab or Pershing in cases where IARs manage client portfolios. Both Schwab and Pershing are FINRA registered broker/dealers and members of SIPC, and would maintain custody of clients' assets and effect trades for their accounts.

#### Pershing

M Securities is an introducing broker/dealer for Pershing. As a result of this relationship, we have access, without charge, to Pershing's NetX360 software and website, which provides access to client account records and facilitates the execution and review of client transactions.

M Securities has also established a trading platform with Pershing Advisor Solutions. Pershing Advisor Solutions is an introductory broker/dealer that utilizes Pershing, LLC. to hold account assets and provide securities execution services. As a result of this relationship, we have access without charge to Pershing's NetX360 software and website, which provides access to client account record and facilitates the execution and review of client transactions in addition to significant back office support from PAS to assist with the execution of securities transactions.

Accounts transitioning to M Securities and Pershing's custodial platform that incur termination fees from the prior custodian will be reimbursed by M Securities up to a maximum of \$100 per account. M Securities will promptly provide this reimbursement to the account holders.

#### Schwab

Schwab provides M Securities with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to registered investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the registered investment advisor's clients' assets are maintained in accounts at Schwab Institutional.

Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody

services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab. Please note that while IARs do not receive commissions or marketing fees from Schwab, Schwab may receive commissions or asset based fees depending upon the product selected and the pricing structure provided. Given that Schwab does not pass along 12b-1 fees to M Securities, an incentive may exist to recommend programs using custodians other than Schwab.

Schwab Institutional also makes available other products and services that benefit M Securities but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or a substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab and Pershing's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts;
- assist with back-office functions, recordkeeping and client reporting;
- compliance, legal and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to M Securities. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to M Securities. Schwab may also provide other benefits such as educational events or occasional business entertainment of our personnel.

In evaluating whether to recommend or require that clients custody their assets at Schwab or Pershing, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider, and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab and Pershing, which may create a potential conflict of interest.

M Securities will comply with its fiduciary duty to seek best execution of client transactions and consider other relevant factors concerning a broker, such as:

- The broker's facilities, reliability, expertise, level of back office support and financial condition;
- The broker's ability to effect transactions, particularly with regard to such aspects as timing, order size and ability to obtain best execution;
- Research and related brokerage services provided to M Securities, although an individual client would not be the beneficiary of these services;
- Any other factors the applicant may consider to be relevant including a client's request to use a particular broker/dealer.

## **Item 13      Review of Accounts**

### **PORTFOLIO MANAGEMENT ACCOUNTS: GENERAL SECURITIES**

#### Reviews

The client's account is reviewed continuously to assure that the securities held and the transactions conducted on the client's behalf are suitable and are conducted in a manner that meets regulatory requirements. Account reviews include but are not limited to:

- M Securities reviews client account forms and other required documentation to assure that all information required to be collected from the client is on file and that it is complete;
- At least weekly, M Securities reviews reports that list risk tolerance, and goals and objective information, in combination with daily transaction information and other documentation submitted by the client to perform suitability review;
- IARs are aware of risk tolerance, goals and objective information, and review daily transaction information and documentation submitted by the client to determine if transactions are appropriate for client. IARs are responsible for considering existing client holdings and pending orders prior to entering each transaction on behalf of the client;
- M Securities samples client information during branch audits that generally take place on an annual basis. M Securities will determine if required documentation is on file and if it is complete; and
- M Securities will review a sampling of client documentation and transactions reports to determine if required information is on file, if transactions and client holdings are suitable and if previous reviews are being conducted as required. M Securities also reviews IAR trading conducted for their own personal accounts, including transactions that take place outside of an M Securities account.

Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

#### Reports

In addition to the monthly statements and confirmations of transactions that clients receive from their broker/dealer, we may provide quarterly reports summarizing account performance, balances and holdings.

### **PORTFOLIO MANAGEMENT ACCOUNTS: VARIABLE ANNUITIES**

#### Reviews

- M Securities reviews client account forms and other required documentation to ensure that all information required to be collected from the client is on file and that it is

complete;

- At least quarterly, M Securities will review risk tolerance, goals and objective information, in combination with client statements to assure subaccount allocations are suitable for the client and transactions are executed in accordance with regulation. Additionally, on a calendar-quarter basis, M Securities will review a sampling of invoices that have been constructed and sent to clients by IARs, and compare them to the cash value detailed on the invoice for proper content and accuracy of fees billed to the client and received by M Securities;
- M Securities samples client file information during branch audits that generally take place on an annual basis. M Securities will determine if required documentation is on file, if it is complete and if investment advisors are following procedures detailed above;
- M Securities will review a sampling of client documentation and transactions reports to determine if required information is on file, if transactions and client holdings are suitable and if previous reviews are being conducted as required.;
- Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

#### Reports

- In addition to the monthly statements and confirmations of transactions that clients receive from the Carrier, we may provide quarterly reports summarizing account performance, balances and holdings.

### **SUB-ADVISORY MODEL PORTFOLIO ACCOUNT REVIEW**

#### Reviews

While the underlying securities within Model Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least weekly.

Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed in the following manner:

- M Securities reviews client account forms and other required documentation to ensure that all information required to be collected from the client is on file and that it is complete;
- At least semi-annually, M Securities reviews reports that list risk tolerance, and goals and objective information, in combination with daily transaction information and other documentation submitted by the client to perform suitability review;

- IARs are aware of risk tolerance, goals and objective information when reviewing daily transaction. IARs are responsible for considering existing client holdings and pending orders prior to entering each transaction on behalf of the client.
- M Securities samples client information during branch audits that generally take place on an annual basis. M Securities will determine if required documentation is on file and if it is complete;
- M Securities will review a sampling of client documentation and transactions reports to determine if required information is on file, if transactions and client holdings are suitable and if previous reviews are being conducted as required. M Securities also reviews IAR trading conducted for their own personal accounts, including transactions that take place outside of an M Securities Account.

## **SUB-ADVISORY PROGRAM**

### Reviews

The performance of the sub-advisor(s) selected to manage client portfolios within our Sub-Advisory Program is continually monitored by M Securities. Furthermore, accounts within this program are formally reviewed at least quarterly. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Account reviews include but are not limited to:

- M Securities reviews client account forms and other required documentation to ensure that all information required to be collected from the client is on file and that it is complete;
- IARs are aware of risk tolerance, goals and objective information when reviewing daily transaction. IARs are responsible for considering existing client holdings and pending orders prior to entering each transaction on behalf of the client.
- M Securities samples client information during branch audits that generally take place on an annual basis. M Securities will determine if required documentation is on file and if it is complete;
- M Securities will review a sampling of client documentation and transactions reports to determine if required information is on file, if transactions and client holdings are suitable and if previous reviews are being conducted as required. M Securities also reviews IAR trading conducted for their own personal accounts, including transactions that take place outside of an M Securities Account.

In addition, M Securities provides our Sub-Advisory Program clients with reports as contracted for at the inception of the advisory relationship.

## PENSION CONSULTING SERVICES

### Reviews

These reviews of your pension consulting arrangements are conducted by M Securities. Account reviews include but are not limited to:

- M Securities reviews the Qualified Plan Agreement and other required paperwork to ensure that all information required collected from the client is on file and that it is complete;
- At least weekly, M Securities will review Qualified Plan Agreements to ensure they are complete, that fees agreed upon meet M Securities' requirements, that the description of the services to be provided is clearly stated, and that services provided are appropriate to be documented as a Qualified Plan arrangement;
- M Securities samples client information during branch audits that generally take place on an annual basis. M Securities reviews Qualified Plan Agreements and any IPS to ensure they are complete, that fees agreed upon meet M Securities' requirements, that the description of the services to be provided is clearly stated, and that services provided are appropriate to be documented as a Qualified Plan arrangement. Additionally, M Securities will review the client files to ensure that information leading up to the recommendations is appropriate and on file, and that evidence is on file to verify that the specific services in the agreement have been satisfied. The plan, or other work product, will be reviewed to ensure that it was either generated from an approved analytic tool, or, if it was not generated from an approved planning tool, that the content is not exaggerated, misleading, or otherwise meets M Securities' and SEC guidelines.
- M Securities will sample Qualified Plan Agreements on at least a semi-annual basis after receipt to ensure they are complete, that fees agreed upon meet M Securities' requirements, that the description of the services to be provided is clearly stated, and that services provided are appropriate to be documented as a Qualified Plan arrangement.

### Reports

These client accounts will receive reports as contracted for at the inception of the advisory relationship.

## FINANCIAL PLANNING SERVICES

### Reviews

These reviews of your financial planning services are conducted by M Securities. Account reviews include but are not limited to:

- M Securities reviews the Financial Planning Agreement and other required paperwork to ensure that all information required collected from the client is on file and that it is complete;
- M Securities will review Financial Planning Agreements to ensure they are complete, that fees agreed upon meet M Securities' requirements, that the description of the services to be provided is clearly stated, and that services provided are appropriate to be documented as a Financial Planning arrangement;

- M Securities samples client information during branch audits that generally take place on an annual basis. M Securities reviews Financial Planning Agreements to ensure they are complete, that fees agreed upon meet M Securities' requirements, that the description of the services to be provided is clearly stated, and that services provided are appropriate to be documented as a Financial Planning arrangement.
- M Securities will review the client files to ensure that information leading up to the recommendations is on file and that the recommendations are appropriate. The plan, or other work product, will be reviewed to ensure that it was either generated from an approved financial planning tool or plan template. Written materials that are not generated through a financial planning tool are reviewed to ensure content is not exaggerated, misleading, or otherwise meets M Securities' and SEC guidelines.
- M Securities will review Financial Planning Agreements after receipt of documentation to ensure they are complete, that fees agreed upon meet M Securities' requirements, that the description of the services to be provided is clearly stated, and that services provided are appropriate to be documented as a Financial Planning arrangement.

### Reports

Financial Planning clients will receive a completed financial plan or other work product as negotiated directly between the IAR and the client. Additional reports will not typically be provided unless otherwise contracted.

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

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("**Solicitors**") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our "**Firm Brochure**") and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with M Securities;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee;
- whether the fee paid to M Securities by the client will be above our normal fees in order to compensate the Solicitor.

As a matter of best practice, the advisory fees paid to M Securities by clients referred by solicitors are not increased as a result of a referral.

### **ADDITIONAL COMPENSATION**

M Securities offers a broad range of options to its investment advisory clients through access to multiple product sponsors and service providers, including insurance companies, mutual funds, private investment funds, alternative investments, wrap programs, asset allocation programs, separate account managers and broker/dealers (together, "Investment Providers").

Certain Investment Providers provide revenue sharing arrangements or fee payments to M Securities that are separate from the fee charged to Clients for providing investment advisory services. All revenue and/or fee payments received by M Securities are retained at the firm level to help defray marketing and business costs, such as training and educating, investment conferences, meals or entertainment (non-cash compensation), provider due diligence, sales and marketing, and administrative costs. The method of calculation and the amount of revenue sharing or fees paid by each Investment Provider may vary and is subject to change at any time. Clients should be aware that revenue sharing arrangements and/or fee payments create potential conflicts of interest for M Securities. However, participation in any revenue sharing or fee payment arrangement has no contingency on payment to an IAR as we do not create any incentives for an IAR to use any particular Investment Providers. Clients are encouraged to determine whether any conflicts of interest to M Securities are relevant to investing with an Investment Provider, and are welcome to contact us for additional information.

Some mutual funds may pay Rule 12b-1 service fees to M Securities. If an IAR is also a registered representative of M Securities, he/she may receive a portion of such Rule 12b-1 fees from M Securities. Therefore, the IAR may have a financial incentive to choose funds that pay Rule 12b-1 fees.

#### Compensation from Pershing, LLC

Pershing offers a no-transaction-fee program (“**FundVest**”) in lieu of clearance charges in which M Securities voluntarily participates. Pershing may receive negotiated servicing fees from participating mutual funds in this program and shares a portion of those fees with M Securities. M Securities advisory clients can find additional information about this arrangement in their Pershing New Account Disclosure.

Pershing offers clients a variety of supplementary account features which are available for additional fees. Some of these features may share a percentage of the additional service fee collected from clients with M Securities and/or the servicing IAR. Prior to participation in these supplementary features, Clients should read the associated disclosures to determine the relevance and possible conflict of interest to IARs.

M Securities and its IARs have access, without charge, to Pershing’s NetX360 software and website, which provides access to client account records and facilitates the execution and review of client transactions.

#### Compensation from Charles Schwab, Inc.

M Securities and its IARs have access to Schwab’s institutional trading and custody services, which are typically not available to clients that maintain accounts directly with Schwab and are generally only available to institutional investors or investors that maintain very large account balances.

These services are available to independent investment advisors on an unsolicited basis, at no charge to them provided that a total of at least \$10 million of client assets are maintained in accounts at Schwab, and are not otherwise contingent upon the Advisor committing to Schwab any specific amount of business (*assets in custody or trading*).

Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or require a significantly higher minimum initial investment. For M Securities client accounts custodied at Schwab, Schwab generally does not charge separately for custody but is compensated by commissions or other transaction-related fees for securities trades that are executed through Schwab. We do not receive any of these commissions, or other transaction-related fees, as they are paid directly to Schwab.

Through these programs, both M Securities and the IAR receive access to real-time account information, electronic download of trades, balances and positions, and we have the ability to directly debit client advisory fees.

Both M Securities and the IAR also receive software and support services, including reduced or eliminated fees relating to training and conferences conducted by these sponsors.

Program services are not contingent on any specific amount of business (*assets in custody or trading*). There is no charge to M Securities for these services at this time. However, the client may pay commissions higher than those charged by other brokers in return for such products and services provided to M Securities.

#### Compensation from Pershing Advisor Solutions, LLC

PAS is a Registered Investment Advisor offering access to a suite of advisory products and services. Clearing, custody or other brokerage services may be provided by Pershing LLC, an affiliate of PAS. M Securities receives a .03% (3/100th's of 1% fee) based upon assets maintained with PAS. IARs do not receive any of this fee payment directly, although many IARs of M Securities have ownership in M Financial, and this revenue would contribute to the company's profits.

#### M Financial Group and its Member Firms

M Securities is a wholly owned subsidiary of M Financial Group. M Financial Group and its subsidiaries, including M Securities, provides a variety of support services to a select network of independently owned and managed financial service firms ("**Member Firms**"). Member Firms (other than M Benefit Solutions, a Member Firm wholly owned by M Financial Group) are not agents of M Financial Group. Individuals associated with a Member Firm are not required to become registered with M Securities and may associate with a third party broker-dealer or third-party registered investment advisor. However, if a Member Firm desires to sell proprietary insurance products (as the term is described below) that require a securities license, they are required to sell those products through M Securities or a third-party broker-dealer who has been approved by M Financial Group to sell such products. M Securities will only license a registered representative or an IAR who is associated with M Financial Group and a Member Firm.

At its origin in 1978, M Financial Group, through its Member Firms, was largely oriented toward providing life insurance related services to affluent and corporate markets. As the needs of customers have evolved, so have M Financial Group's operations. Today, Member Firms provide a broad range of financial products and services, primarily to a highly affluent clientele, including but not limited to:

- Life insurance
- Fixed and variable annuities
- Disability and Long Term Care insurance
- Employee benefits
- Mutual funds and private investment funds
- Investment advisory services
- Securities brokerage services
- Life settlements with respect to existing insurance contracts

#### Services to Member Firms

With the exclusion of M Securities, M Financial Group does not deal primarily with purchasers or clients. Rather M Financial Group and its subsidiaries provide to Member Firms a variety of support services, including product design and marketing assistance, as well as access to securities-related products and services.

M Financial Group and its subsidiaries do not issue insurance policies or financial services products. However, M Financial Re, a subsidiary of M Financial Group, reinsures a portion of the mortality risk on some policies issued by unaffiliated insurance carriers and sold by Member Firms.

Member Firms are free to offer products and services provided by any financial service provider and are not required to offer products or services designed or promoted by M Financial Group. However, there is an incentive for Member Firms to offer proprietary insurance products over other products as further described in this Section 14.

#### Proprietary Insurance Products

M Financial Group negotiates with unaffiliated insurance companies on behalf of Member Firms for access to a number of proprietary products that can be offered only by Member Firms and their affiliated producers. Insurance companies design these products with recommendations from M Financial Group, and typically use M Financial Group's proprietary experience data (such as mortality, persistency, and policy size) derived from policies reinsured by M Financial Re. These proprietary products may include pricing advantages and other features that benefit the highly affluent clientele primarily served by Member Firms.

When M Financial Re reinsures proprietary products, M Financial Group has direct access to policy experience data. This direct access facilitates active management of inforce business. With this data, M Financial Group can continuously monitor the service, experience, and performance of inforce business on behalf of Member Firms and their clients. From time to time, policy experience data may result in pricing enhancements that apply to new sales. M Financial Group uses its influence to encourage insurance carriers to apply these improvements to inforce business as well. Since the first M Financial Group proprietary product was introduced in 1996, there have been fifty-four pricing enhancements for new sales, all of which were also applied to inforce policies. Although M Financial Group has had success encouraging insurance carriers to improve inforce policy performance in the past, carriers are not required to do so and accordingly this success may not continue in the future.

#### Ownership of M Financial Group

Member Firms and many of their affiliated producers are stockholders of M Financial Group. As stockholders, they share in the profits of M Financial Group via periodic stock or cash dividends.

M Financial Group also maintains an Incentive Compensation Plan pursuant to which it annually distributes to Plan Participants (e.g., Member Firms or their producers) most of M Financial Group's consolidated net cash profits. Although distributions under the Plan are, to some extent, averaged among the various Member Firms, lines of business, and cost centers of M Financial Group, a significant portion of Plan distributions are made in proportion to the revenue that a Member Firm generates. Retirement accounts which are subject to the Department of Labor Fiduciary Rule are not eligible for allocations under the Plan.

Distributions of dividends and Incentive Compensation to Member Firms or their producers are in addition to compensation paid to producers by unaffiliated insurance carriers and other financial service providers. Many Member Firms remit these distributions to their owners or individual producers (in some cases in proportion to business generated). Additionally, M Financial Group may provide benefits and non-cash compensation to Member Firms and their affiliated producers. These include, but are not limited to, subsidized expenses, meetings, and trips.

## Sources of M Financial Group Revenues

*M Financial Group derives its consolidated revenues from a variety of sources, which include its Member Firms, revenue generated from the sale of securities products through M Securities acting as a broker-dealer, revenue generated by advisory services performed through M Securities, unaffiliated insurance carriers and other financial service providers. The majority of these revenues comes from two sources:*

- **"Override" compensation** paid to M Financial Group by insurance carriers and other financial service providers on both proprietary and non-proprietary products. Override compensation is based upon such factors as aggregate policy premiums paid to a carrier from sales by all Member Firms, aggregate assets placed under financial management from sales by all Member Firms, and profits earned and/or services utilized from sales by all Member Firms. The amount of compensation varies among products and carriers.
- **Reinsurance profits** (or, potentially, losses) from the mortality, investment, and persistency risks assumed by M Financial Re on certain proprietary and non-proprietary policies.

M Financial Group derives revenue from other sources as well, including:

- Annual **membership fees** paid by Member Firms to M Financial Group.
- **Solicitation fees, 12b-1 fees, sales and other forms of compensation** paid to M Financial Group or its subsidiaries by financial service providers, including without limitation mutual funds and hedge funds that are investment options under variable insurance products sold by Member Firms.
- **Investment advisory fees** with respect to assets invested in the M Funds, a family of proprietary mutual funds that are available as investment options under insurance products.
- **Investment advisory fees** for investment advisory services provided through registered investment advisor subsidiaries of M Financial Group.
- **Brokerage fees or commissions** for securities transactions executed by a registered broker-dealer subsidiary of M Financial Group.
- **Arrangement fees** for life settlements representing a percentage of the compensation paid to the broker arranging the settlement.
- **Administrative and service fees** paid by Member Firms for particular services provided by M Financial Group such as compliance fees, software applications or other services.

## Compensation of Member Firms and Producers

The primary source of compensation for Member Firms and their producers is the traditional system of commissions and fees applicable to insurance agents and securities representatives. In addition to the indirect compensation arrangements (described above) which Member Firms and their producers derive from membership in M Financial Group, Member Firms and producers typically receive from M Securities and unaffiliated financial service providers some or all of the following compensation, as applicable:

- Commissions and other cash and non-cash compensation (sales incentives) paid by the unaffiliated insurance carriers with respect to products offered by the carrier.

- Renewal commissions from unaffiliated carriers for servicing and keeping in force policies previously purchased by clients.
- Commissions and fees for execution of securities transactions.
- Fees for providing investment advisory services.
- Percentage fees for facilitating settlements of existing life insurance contracts.

Compensation to Member Firms and their producers varies, depending upon, among other factors, the product type, the issuer, and the features and/or riders which are attached to the particular product.

Some Member Firms have entered into arrangements under which they receive compensation directly or indirectly from managers of funds available as investment options under certain private placement variable insurance contracts. Please discuss with your IAR whether your Member Firm has such an arrangement in place.

### Certain Potential Conflicts of Interest

The culture of M Financial Group and its Member Firms is to serve the client. However, clients of Member Firms should be aware that the direct and indirect compensation arrangements described in this summary create economic incentives which could influence recommendations for particular financial products or services (including proprietary products referenced above). These incentives include, but are not limited to, the following:

- Commissions or other compensation in respect of one particular financial service provider, product, investment, or service may exceed commissions or compensation payable in respect of a comparable provider, product, or service.
- Certain policy features or riders may involve commissions or compensation that differ from compensation payable in respect of "base" or standard contractual features.
- Products or services which provide revenue, including override commissions or potential reinsurance profits, to M Financial Group could indirectly provide incentives to producers to recommend such products over similar products or services which do not provide revenue to M Financial Group.

M Financial Group, its Member Firms, and its Member Firms' clients benefit from open discussions concerning all aspects of products, services, and the compensation of producers. If you wish, your Member Firm will discuss with you the types of direct and indirect compensation applicable to particular products or services.

For a list of M Financial Group subsidiaries, and the names of financial services providers from which M Financial Group receives payments or fees or with which M Financial Re maintains reinsurance agreements, please go to [www.mfin.com/DisclosureStatement.htm](http://www.mfin.com/DisclosureStatement.htm).

### The Subsidiaries of M Financial Group

The subsidiaries of M Financial Group are the following:

- M Life Insurance Company(dba M Financial Re)
- M Administrative Services, LLC
- Management Compensation Group Northwest, LLC (dba M Benefit Solutions)
- M Holdings Securities, Inc.
- M Financial Securities Marketing, Inc.

- M Financial Group 401(k) Plan
- M Financial Investment Advisers, Inc.
- M Financial Asset Management, Inc.
- M Financial Wealth Partners, Inc.
- M Subco, Inc.
- Management Partnership (dba M Marketing Company)
- M Financial Bermuda, Ltd.
- M Financial Global Services, Ltd.

### Non-Cash Incentive Program

An IAR may receive indirect compensation in the form of an incentive trip provided by M Financial Group. Every two years, M Financial Group calculates the cumulative investment advisory fees and commissions generated by its Member Firms from sales of general securities, securities related insurance products, non-securities related insurance products and the provision of investment advisory services. Member Firms with the highest sales revenue are allowed to designate an individual representative to receive an incentive trip sponsored by M Financial Group. For every dollar generated from these commissions and investment advisory fees, less than 1/100<sup>th</sup> of a cent of indirect compensation is generated in the form of these incentive trips.

### Reinsurance Activities

As mentioned above, nearly all IARs are also licensed as registered representatives of our broker/dealer. While insurance products are not sold through our investment advisory relationship with the client, if the IAR is also a registered representative of our broker/dealer, the client may purchase insurance products through M Securities.

M Financial Group, the parent company of M Securities and its subsidiaries, does not issue insurance policies or financial services products. However, M Financial Re, a subsidiary of M Financial Group, reinsures a portion of the mortality risk on some policies issued by unaffiliated insurance carriers and sold by IARs.

IARs are free to offer products and services provided by any financial services provider and are not required to offer products or services designed or promoted by M Financial Group.

## **Item 15 Custody**

Custody is defined by the SEC as, in part, as holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. Custody includes any arrangement (including a general power of attorney) under which a registered investment advisor or its representatives are authorized or permitted to withdraw client funds or securities maintained with a custodian upon its instruction to the custodian. M Securities has custody of client funds because M Securities and its IARs have the ability to instruct the custodian to disburse, or transfer funds from a client's account. M Securities does not automatically have authority to transfer funds from a client's account, however, a client may grant an IAR the authority to do so by completing a standing letter of instruction with the custodian.

M Securities does not act as a qualified custodian. As of the date of this brochure, most of M Securities assets are held at Schwab, Pershing and PAS. As a Client of M Securities, you will receive statements and confirmations from the custodian where your account is held. If you are not receiving either statements or

confirmations, please contact Sara Andres at [sara.andres@mfin.com](mailto:sara.andres@mfin.com) or 888.520.6784.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this brochure that M Securities directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact M Securities directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, some of our IARs send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire M Securities to provide discretionary asset management services, in which case the IAR places trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell.

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

### **DISCRETIONARY ACCOUNTS**

M Securities manages portfolios directly and also offers investment advisory services involving the management of third-party managers. Accordingly, clients hiring M Securities to manage their portfolio directly may grant us the ability to buy and sell securities without separate authorization for each trade. In cases where our clients have hired us to provide services that involve the management of sub-advisors the client may grant us authority to hire and fire the selected sub-advisor(s) managing client accounts.

All accounts established to manage variable products must be managed by the IAR on a discretionary basis.

## **Item 17 Voting Client Securities**

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

M Securities does not offer any consulting assistance to clients regarding proxy issues.

## **Item 18      Financial Information**

Under no circumstances does M Securities require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

In addition, we are required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. M Securities has no additional financial circumstances to report. M Securities has not ever been the subject of a bankruptcy petition.