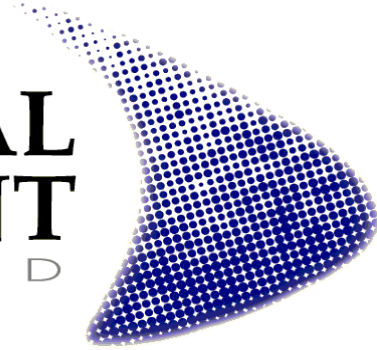


**Item 1 – Cover Page**

**FINANCIAL  
MANAGEMENT**  
I N C O R P O R A T E D



10809 Executive Center Drive, Suite 204

Little Rock, AR 72211

501.227.7400

[www.financialmanagementinc.com](http://www.financialmanagementinc.com)

March 30, 2012

This Brochure provides information about the qualifications and business practices of Financial Management, Inc., “FMI”. If you have any questions about the contents of this Brochure, please contact us at 501-227-7400, (toll-free 800.719.2796) or [contactus@fmioffice.com](mailto:contactus@fmioffice.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Additional information about Financial Management, Inc. 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. The CRD number for FMI is 105000.

## Item 2 – Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The last update of our Brochure was March 30, 2011 and we have no material changes to report. However, please note the following:

- We have updated the Assets Under Management information in Item 4 in accordance with the filing of our Annual Updating Amendment dated 03/30/2012.
- We have added Item 19 to the Brochure.

(Brochure Date: 03/30/2012)

(Date of Most Recent Annual Updating Amendment: 03/30/2012)

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

Currently, our Brochure may be requested by contacting Harold Grubbs, President at 501-227-7400, (toll-free 800.719.2796).

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

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

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#### **Item 4 – Advisory Business**

Financial Management Inc. is owned by Harold F. Grubbs and has provided investment advisory services since 1982.

As of December 31, 2011, Financial Management Inc. managed \$66,908,078 on a discretionary basis and \$3,736,961 on a nondiscretionary basis.

As FMI clients, individuals and businesses receive the advice of an independent advisor. When we recommend changes in a financial strategy, we take time to make sure the client understands the potential rewards and risks and how those changes will help them achieve their goals. Most importantly, support is provided by a professional team who believe in a client-oriented, performance-driven approach to whatever level of service is being rendered on the client's behalf.

#### **Asset Management Services**

FMI will work with the client to develop an investment policy statement, as necessary, and to evaluate the client's various financial needs including liquidity needs, investment goals and objectives, risk tolerance, and investment time horizon.

FMI works with each client to determine an investment strategy in coordination with the client's financial circumstances. FMI will regularly meet with the client to review investment performance, the client's asset allocation and financial circumstances.

Through our wealth management services, we analyze and suggest alternatives for using available resources to meet retirement or other financial goals. Our analysis may include assessing the impact of current and future projected tax, as well as related issues of risk, flexibility and costs, in order to seek the greatest benefit to the client or his/her estate.

#### **Non-discretionary Consulting**

Many clients have assets in accounts such as profit sharing plans, 401(k) plans, or trusts, which the client cannot currently place under our management. We frequently advise clients, serving as managers in a non-discretionary, advisory capacity, on the investment of these funds within the available platform. Additionally, we will consider these funds as part of the asset allocation of the client's total financial resources where appropriate to do so.

### Tactical Allocation Services

Clients may retain FMI to engage in the management of a Tactical Strategy in clients' account(s). FMI offers its Tactical Strategy for clients who wish to attempt to lower volatility in times of severe market volatility by reducing or eliminating equity exposure at such times. FMI's tactical strategy will reduce or eliminate market exposure during periods in which the market is volatile or exhibits a downward trend based on technical analysis. FMI's tactical strategy also may utilize short positions in certain asset classes. FMI's Tactical Strategy is in addition to, not separate from, its Asset Management Services.

### **Pension Consulting and Fiduciary Services**

FMI also provides pension consulting and fiduciary advisory services. Within this service, FMI serves as the adviser to a pension plan trustee(s) or sponsor. FMI's services include a review of the plan goals and objectives, assistance with the plan's investment policy statement, and the recommendation to the plan of a diversified mix of investments that may be made available within the plan. FMI will further monitor the fees of the plan, the performance and construction of the investments within the plan, and will provide additional recommendations regarding the investments as necessary.

FMI may also agree to provide plan participant education services as a part of its pension consulting and fiduciary advisory services.

FMI may further agree to receive and exercise discretionary authority to select the plan investments made available to plans' participants. FMI will exercise discretionary authority to select the plans' investments according to the goals and investment objectives of the plan, including the construction of model portfolios made available to participants.

### **Business and Professional Consulting Services**

In addition to general asset management services, FMI can also provide assistance to businesses and professional practices to maximize profitability and improve financial stability, including advice concerning equity securities, warrants, corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable annuities and mutual fund shares), U.S. Government securities, retirement planning, estate planning, business insurance and qualified pension plans.

FMI's business consulting activities encompass services addressing needs at all stages of the business life-cycle—Startup; Operations and Financial Stability; and Succession and Transition.

## Item 5 – Fees and Compensation

In certain circumstances, all fees, account minimums and their applications to family circumstances may be negotiable.

The following table represents the advisory fee for asset management, and pension consulting and fiduciary services, paid to FMI:

<b>Portfolio Value</b>	<b>Rate for Annual Fee Calculation</b>
First \$250,000	2.00% of Value
Next \$250,001 to \$500,000	1.00% of Value
Next \$500,001 to \$1,000,000	0.80% of Value
Next \$1,000,001 to \$2,000,000	0.60% of Value
Next \$2,000,001 to \$4,000,000	0.40% of Value
Over \$4,000,000	0.20% of Value

Fees for new client accounts are pro-rated based on the number of days remaining in the current quarter when the account is established. If an account is terminated prior to the close of a quarterly billing period, FMI will calculate and refund a pro-rata portion of the total fee based on the number of days remaining in the quarterly period.

FMI will charge an additional 0.20% annual fee if the client requests Tactical Allocation Services.

FMI will invoice the client directly for such fees using the following methodology. Fees will be charged quarterly in advance. For managed accounts, interim deposits and/or withdrawals of \$25,000 or more will result in an adjustment (additions for deposits; reductions for withdrawals) to the management fee for the quarter in which the activity occurred. The adjustment will be reflected on the invoice prepared at the next regular billing cycle. In the event of account closure or client termination, refunds, if any, will be based on days remaining in the billed period following the effective date of termination.

Client accounts structured in 529 educational plans and other accounts to which FMI provides non-discretionary consulting services on behalf of the client are generally charged an annual fee of 1.00% of assets under advisement. FMI will typically invoice clients for such fees on a quarterly basis in advance based on the value placed on the account by the account custodian.

Business consulting, individual consulting and planning services for individuals, and pension plan review services on an hourly basis. FMI may agree to charge clients for consultations at an hourly rate of \$150 per hour, payable at the time services are rendered.

A contract between FMI and a client may be terminated at any time upon the client's or FMI's 30-day, written notice.

All fees paid to FMI for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds 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. A client could invest in mutual funds directly, without the services of FMI. In that case, the client would not receive the services provided by FMI which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

FMI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to FMI's fee, and FMI shall not receive any portion of these commissions, fees, and costs. See Item 12 for further information about brokerage practices.

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

FMI does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

## **Item 7 – Types of Clients**

Financial Management, Inc. provides services to individuals, professionals, executives, trusts, small businesses and corporations. FMI also provides assessment and planning services to qualified pension, profit sharing and other corporate retirement plans.

FMI's minimums for its service offerings are as follows:

Asset Management Services:

\$2,000 minimum annual fee OR

\$100,000 minimum in assets under management

This account size and minimum fee may be negotiable under certain circumstances.

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

### *Methods of Analysis and Investment Strategy*

FMI develops and utilizes long-term investment strategies and endeavors to provide clients with the balance of growth versus risk consistent with their individual circumstances and financial situation. Our primary investment selection and management philosophy is built upon Strategic Asset Allocation which is based upon principles of the Nobel Prize-winning Modern Portfolio Theory. In addition, FMI incorporates academic research and studies in quantitative finance into the development of these strategies. FMI does not routinely analyze individual securities. Instead, for asset management accounts, FMI typically recommends exchange traded funds or mutual funds to clients. FMI may consider whether individual stock and bond positions are appropriate for a client's portfolio on a case-by-case basis, and recommend whether pre-existing positions should be maintained.

Investment strategies used to implement investment advice given to FMI clients may include long-term purchases, short-term purchases and use of margin transactions (margin transactions are recommended for cash management purposes only). Alternative investment strategies may be evaluated on a case-by-case basis; however, FMI works directly with the client in determining the merits of such investments based on the client's goals, objectives and risk/tolerance characteristics.



## *Risk of Loss*

### **Investing in securities involves risk of loss that clients should be prepared to bear.**

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs utilized by FMI may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Certain funds utilized by FMI may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

The Tactical Strategy is based on technical analysis of market conditions. Some of the factors analyzed are moving price averages, trend lines, support/resistance levels and relative strength. The Tactical Strategy is monitored through metaStock software on a daily basis. A diminished weighting of equities during certain periods may cause an investment account to underperform accounts similarly managed but without the use of Tactical Strategy.

## **Item 9 – Disciplinary Information**

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

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

### **Life Insurance Services**

FMI is licensed as and operates as an insurance agency in conjunction with and as a complementary component of its asset management and investment advisory services. Licensed insurance agents of FMI may recommend and offer life insurance coverage—Permanent, Term and Universal Life—for clients desiring to implement their financial plan through the FMI agency. The agency receives standard insurance agency commissions on its traditional insurance sales activities. FMI does not charge a management fee on the cash values that may accumulate in these policies.

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

FMI has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. FMI's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth FMI's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with FMI may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of FMI that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, FMI requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm. FMI also requires such access persons to receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

FMI's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. FMI requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

FMI will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

For FMI to provide investment management services to a client account, FMI recommends that clients open brokerage account(s) with Charles Schwab & Co, Inc. (“Schwab”), a FINRA member broker (hereafter referred to as “account custodian”), and requires that clients direct FMI to use Schwab as broker for clients’ securities transaction. FMI regularly reviews Schwab to ensure that its recommendation is consistent with its fiduciary duty. FMI considers the overall needs of its clients, the transparency and efficiency of the brokerage services provided, the fees and commissions charged by the broker, service capabilities, and FMI’s past experience with the broker. A trading platform such as Schwab is essential to FMI’s service arrangements and capabilities, and FMI may not accept management authority over client accounts who direct the use of other brokers. Schwab provides benefits that FMI would not receive if FMI did not offer investment advice (See the disclosure under Item 14 of this Brochure).

As FMI will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for securities transaction in client accounts, FMI will not have the authority to negotiate commissions among various brokers, seek the best possible pricing among various brokers, obtain volume discounts for transactions across multiple client accounts, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers.

The limitation of executing transactions only through a client’s account custodian means that FMI does not seek best execution of securities transactions through multiple broker dealers by searching for the best possible securities pricing and transaction costs for each transaction.

To the extent that a client maintains an account with another custodian or FMI provides client advice with respect to other non-managed assets, client will be responsible generally for arranging specific transactions pursuant to the recommendations. Examples of such accounts may include a 401k plan, 529 college savings plan, or other holdings on a platform specific to such assets.

Clients of FMI may impose reasonable restrictions on FMI’s authority over their accounts.

## **Item 13 – Review of Accounts**

### **Reviews:**

Informal market and portfolio holding reviews are conducted by FMI on a continuing basis by matching client data with economic and investment performance data from a variety of

sources, including financial databases. Formal reviews are conducted with the client on a quarterly, semi-annual or annual basis, depending on the client's preferences, fee structure, and service class discussed below. The principle of management by exception is used and exception conditions, such as changes in a client's objectives or financial circumstances or sudden changes in the economic climate, generate the need for additional non-periodic reviews.

### **Reports:**

A detailed report is provided to each asset management or pension consulting client at the end of each calendar quarter. The report includes internal rates of return, after fees and trading costs, for each component of the client's portfolio, as well as for the total portfolio. Clients not receiving ongoing services will not receive regular reports.

While understanding that "one size" does not fit all, FMI attempts to balance client service with client need using internal client classifications. These classifications serve as "guidelines" that assist the staff of FMI in providing for client needs effectively, efficiently and consistently. FMI has observed over recent years that the guidelines, as established, are appropriate for most clients. We recognize the uniqueness of our individual clients and modify our client service approach, as necessary, to achieve the proper level of service for each client.

### **Service Guidelines**

Our "guideline" classifications are based on client group (household) values of assets under management which we believe is the best approach for initial recognition of client service needs. The classifications currently applied by FMI are as follows:

<u>Services Level</u>	<u>Account Values</u>	<u>(Minimum Recommended Frequency)</u>
A5	< \$100,001	Annual Portfolio Rebalance/Reallocation Annual Advisor/Client Conference
*****		
A4	≥ \$100,001 & < \$250,001	Semi-Annual Portfolio Rebalance/Reallocation Semi-Annual Advisor/Client Conference
*****		

A3	≥ \$250,001 & < \$500,001	Quarterly Portfolio Rebalance/Reallocation Semi-Annual Advisor/Client Conference
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A2	≥ \$500,001 & > \$1,000,001	Quarterly Portfolio Rebalance/Reallocation Quarterly Advisor/Client Conference
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A1	≥ \$1,000,001	Same as A2
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ERISA	All Values	Quarterly Portfolio Rebalance/Reallocation
Or other		Annual Advisor 404(c) Meetings w/Participants
Pension		Annual Advisor/Trustee Conference
Plans		

\*\*\*\*\*

## Item 14 – Client Referrals and Other Compensation

Schwab Advisor Services provides FMI with access to institutional trading and operations services, which are typically not available to the custodians’ retail investors. These services generally are available to independent investment advisors at no charge, or at no charge as long as assets placed with the custodians exceed a minimum value of \$10 million.

Custodians’ services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Custodians also make available to FMI other products and services that benefit FMI but may not benefit its clients’ accounts. Some of these other products and services may assist FMI in managing and administering clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of FMI fees from its clients’ accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of FMI accounts, including any accounts not maintained with the custodian providing the service. Custodians may also provide FMI with other services intended to help manage and further

develop its business. These services include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, account custodians make available, arrange and/or pay for these types of services to FMI by independent third-parties. Account custodians 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 FMI. FMI does not however commit to any level of client account holdings at the account custodian or any level of transactions in client accounts in exchange for any of these services.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. FMI urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

For investment management services, FMI usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. This discretionary authority is established in an investment management agreement. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

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

As a matter of firm policy and practice, FMI does not accept the authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive applicable proxies directly from the issuer of securities held in clients’ investment portfolios. The firm may offer assistance as to proxy matters upon a client’s request, but the client always retains the proxy voting responsibility.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about an adviser's financial condition. FMI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

Please see Part 2B for information about the education and business background of FMI's principals. There is no other applicable information about management persons of FMI to be reported here.

## Item 1- Cover Page

Jeremy B. Cook

Financial Management Inc.

10809 Executive Center Drive, Suite 204

Little Rock, AR 72211

501-227-7400

March 30, 2012

**This Brochure Supplement provides information about Jeremy Cook that supplements the Financial Management Inc. ("FMI") Brochure. You should have received a copy of that Brochure. Please contact Harold Grubbs, President/Chief Compliance Officer if you did not receive Financial Management Inc.'s Brochure or if you have any questions about the contents of this supplement.**

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

## Item 2- Educational Background and Business Experience

JEREMY B. COOK

BORN: 1979

### **EDUCATION:**

- Graduated from University of Arkansas in 2002 with a BS in Marketing with an emphasis on Finance.
- Attended Baylor University from 1997-1999.

### **BUSINESS BACKGROUND:**

- Investment Adviser Representative with Financial Management Inc. from 07/2010 to present.
- Investment Adviser Representative with PageOne Financial, Inc. from 04/2010 to 07/2010.



- Investment Adviser Representative with Trent Capital Management, Inc. from 08/2009 to April 2010.
- Investment Adviser Representative with Millennium Capital Advisors, LLC from 06/2008 to 08/2009.
- President of Apple Tree Asset Management, Inc. from 05/2008 to 07/2008.
- Registered Representative with Apple Tree Investments, Inc. from 05/2008 to 07/2008.
- Director of Retirement Plan Services with Meridian Management Company from 06/2006 to 03/2008.
- Financial Consultant with J.J.B. Hilliard, W.L. Lyon, Inc. from 01/2005 to 05/2006.

### **CRPS - Chartered Retirement Plans Specialist- Minimum Qualification Requirements**

Designation	Chartered Retirement Plans Specialist
Designation Status	Currently offered and recognized by the issuing organization
Acronym	CRPS
Issuing Organization	<a href="#">College for Financial Planning</a>
Prerequisites/Experience Required	None
Educational Requirements	<a href="#">Self-study course</a> (requiring 90-100 hours)
Examination Type	Final designation exam (online, closed-book, proctored)
Continuing Education/Experience Requirements	16 hours every 2 years
Investor Complaint Process	Online at <a href="#">Forms</a> , click on File a Complaint Against a Designee Form
Public Disciplinary Process	None
Check Professional's Status Online	Online at <a href="#">The Financial Designation Resource</a>
Accredited By	None

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

Mr. Cook does not have other business activities.

### **Item 5- Additional Compensation**

Mr. Cook does not receive any compensation from third parties for providing investment advice.

### **Item 6 - Supervision**

Mr. Cook is supervised by Harold Grubbs, President of FMI. Mr. Cook's client accounts are subject to regular review and verification that asset balances are being managed in accordance with a client's investment guidelines.

Harold Grubbs can be reached at 10809 Executive Center Drive, Suite 204, Little Rock, AR 72211. Telephone number: 501-227-7400.

### **Item 7- Requirements for State-Registered Advisers**

State registered advisers are required to disclose all material facts regarding certain arbitration events, proceedings, or bankruptcy petitions. No information is applicable to this Item for Mr. Cook.

## Item 1- Cover Page

B. Heath Grubbs

Financial Management Inc.

10809 Executive Center Drive, Suite 204

Little Rock, AR 72211

501-227-7400

March 30, 2012

**This Brochure Supplement provides information about B. Heath Grubbs that supplements the Financial Management Inc. ("FMI") Brochure. You should have received a copy of that Brochure. Please contact Harold Grubbs, President/Chief Compliance Officer, if you did not receive Financial Management Inc.'s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about B. Heath Grubbs is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2- Educational Background and Business Experience

B. HEATH GRUBBS

BORN: 1973

### **EDUCATION:**

- Graduated from University of Arkansas in 1997 with a BS in Biology.
- Graduated from Webster University in 2001 with a MBA with an emphasis on international business.

### **BUSINESS BACKGROUND:**

- Vice President of Financial Management Inc. from 10/2009 to present.
- Sales Manager of Altria Sales & Distribution from 05/2003 to 10/2009.

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

Mr. Grubbs does not have other business activities.

### **Item 5- Additional Compensation**

Mr. Grubbs does not receive any compensation from third parties for providing investment advice.

### **Item 6 - Supervision**

Heath Grubbs is supervised by Harold Grubbs, President of FMI. Heath Grubbs' client accounts are subject to regular review and verification that asset balances are being managed in accordance with a client's investment guidelines.

Harold Grubbs can be reached at 10809 Executive Center Drive, Suite 204, Little Rock, AR 72211. Telephone number: 501-227-7400.

### **Item 7- Requirements for State-Registered Advisers**

State registered advisers are required to disclose all material facts regarding certain arbitration events, proceedings, or bankruptcy petitions. No information is applicable to this Item for Mr. Grubbs.

## Item 1- Cover Page

# Harold F. Grubbs Financial Management Inc.

10809 Executive Center Drive, Suite 204

Little Rock, AR 72211

501-227-7400

March 30, 2012

**This Brochure Supplement provides information about Harold Grubbs that supplements the Financial Management, Inc. ("FMI") Brochure. You should have received a copy of that Brochure. Please contact Harold Grubbs, President/Chief Compliance Officer if you did not receive Financial Management Inc.'s Brochure or if you have any questions about the contents of this supplement.**

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

## Item 2- Educational Background and Business Experience

HAROLD F. GRUBBS, RFC, AIF®

BORN: 1952

### **EDUCATION:**

- Attended Millsaps College from 1970 to 1971
- Attended the University of Southern Mississippi from 1971 to 1972
- Attended Mississippi College 1977

### **BUSINESS BACKGROUND:**

- Principal of Financial Management Inc. from 11/1986 to present.
- Member of the Board of Directors of Earth Science Laboratories, Inc. from 01/1992 to present.
- President and fifty percent owner of Brush Mountain Enterprises from 01/2008 to 02/2008.
- Managing Member of Pinnacle Asset Management, LLC from 04/2000 to 06/2005.

## **Accredited Investment Fiduciary® - Minimum Qualifications**

Designation	Accredited Investment Fiduciary
Designation Status	Currently offered and recognized by the issuing organization
Acronym	AIF
Issuing Organization	<u><a href="#">Center for Fiduciary Studies</a></u>
Prerequisites/Experience Required	None
Educational Requirements	Candidate must complete one of the following: <u><a href="#">Web-based program</a></u> Capstone program
Examination Type	Final certification exam, closed book
Continuing Education/Experience Requirements	6 hours per year
Investor Complaint Process	Online at <u><a href="#">Designations Complaint Process</a></u>
Public Disciplinary Process	Yes. Hearing Panel censures may be made public. To date no censures have been made public.
Check Professional's Status Online	Online at <u><a href="#">Professional Designee Search</a></u>
Accredited By	None

## **RFC - Registered Financial Consultant- Minimum Qualifications**

Designation	Registered Financial Consultant
Designation Status	Currently offered and recognized by the issuing organization
Acronym	RFC
Issuing Organization	<u><a href="#">International Association of Registered Financial Consultants (IARFC)</a></u>
Prerequisites/Experience Required	Candidate must meet all of the following requirements: Undergraduate or graduate financial planning degree, or have earned one of the following designations: AAMS, AEP, CEP, CFA, CFP, ChFC, CLU, CPA, EA, LUTC, MS, MBA, JD, Ph.D, or completed a CFP equivalent, IARFC-approved college curriculum.

	Licensing requirements: if operating on a commission basis, must meet licensing requirements for securities and life and health insurance; if operating strictly as fee-only and not licensed, then must be registered as an investment adviser. Four years full-time experience as a financial planning practitioner.
Educational Requirements	Completion of approved college curriculum in personal financial planning or IARFC self-study course.
Examination Type	College curriculum: must include an IARFC-approved examination process. IARFC self-study course: final certification exam.
Continuing Education/Experience Requirements	Forty hours per year
Investor Complaint Process	Online at <a href="#">Consumer Information</a>
Public Disciplinary Process	Online at <a href="#">History of Disciplinary Actions</a>
Check Professional's Status Online	Online at <a href="#">Registered Financial Consultant Search</a>
Accredited By	None

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

Mr. Grubbs does not have other substantial business activities.

### **Item 5- Additional Compensation**

Mr. Grubbs does not receive any compensation from third parties for providing investment advice.

## **Item 6 - Supervision**

Harold Grubbs is the President of FMI and provides investment advice to clients. Mr. Grubbs' client accounts are subject to regular review and verification that asset balances are being managed in accordance with a client's investment guidelines.

If you need to reach another employee of FMI, you may contact us at 10809 Executive Center Drive, Suite 204, Little Rock, AR 72211. Telephone number: 501-227-7400.

## **Item 7- Requirements for State-Registered Advisers**

In 2008, two married investors filed an arbitration claim against Mr. Grubbs.

The matter involved highly sophisticated investors aggrieved as a result of investment losses sustained in the sub-prime lending market. The losses complained of were caused or occasioned by the acts of New Century Financial Corporation, who has been subject to a class action lawsuit for allegedly engaging in criminal conduct with respect to the sale of its securities. The claim asserted that management of the accounts at issue was allegedly inconsistent with the investors' circumstances, objectives and risk tolerance (essentially the investors maintained the investments at issue were unsuitable despite their high level of sophistication).

On August 21, 2006, Mr. Grubbs had met with the investors at their home to review a new account management proposal. At this meeting, the investors approved the proposal in full. The plan performed better than expected and without complaint for over six (6) months. On March 2, 2007, after the markets closed, New Century announced it would not meet its SEC filing deadline. On March 5, 2007, all New Century positions were sold as the stock dropped sharply. Shortly thereafter, the investors terminated the management agreement.

Investors sought an award of "more than \$270,000, to be proven at any arbitration hearing, together with prejudgment interest and post-judgment interest." Customers also sought an award of "their attorneys' fees, expenses, costs, forum fees, and witness and production fees." On September 11, 2009, investors served upon respondents an updated expert report from their putative expert. The report opined that damages were "\$342,668 plus accrued interest..." Thereafter, claimants submitted a pre-hearing brief to the FINRA panel. therein, plaintiffs stated their damages were "almost \$400,000.00." at the final hearing of this matter, investors requested the panel award claimants compensatory damages of at least \$400,000, \$65,000.00 in attorney fees, \$15,000.00 in expert witness fees, plus their costs, forum fees and pre/post judgment interest, for a total award which would have been in excess of \$530,000.00.



From the inception of this matter, investors took the position that they should not have been compelled to FINRA arbitration and repeatedly indicated to the panel their intentions to appeal any adverse decision.

On October 23, 2009, the panel rendered its decision, awarding \$70,000.00 to the claimants. The panel's decision did not include an explanation for how it arrived at this figure. Because there is no rational basis for an award in this amount, it is believed that the panel devised an award solely to discourage further litigation/appeal, and put this matter to rest once and for all. In any event, the basis of this complaint was meritless, and it is believed that the award issued reflects the panel's recognition of such.

## Item 1- Cover Page

Michael Peebles

Financial Management Inc.

10809 Executive Center Drive, Suite 204

Little Rock, AR 72211

501-227-7400

March 30, 2012

**This Brochure Supplement provides information about Michael Peebles that supplements the Financial Management Inc. ("FMI") Brochure. You should have received a copy of that Brochure. Please contact Harold Grubbs, President/Chief Compliance Officer, if you did not receive Financial Management Inc.'s Brochure or if you have any questions about the contents of this supplement.**

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

## Item 2- Educational Background and Business Experience

MICHAEL PEEBLES, CFA

BORN: 1982

### **EDUCATION:**

- Graduated from Sam M. Walton College of Business at the University of Arkansas in 2005 with a BSBA.

### **BUSINESS BACKGROUND:**

- Investment Adviser Representative with Financial Management, Inc. from 01/2010 to present.
- Representative with SummitAlliance Advisors from 04/2009 to 01/2010.
- Account Executive with InvestLinc Wealth Services from 04/2007 to 04/2009.
- Investment Adviser Representative with Garrison Financial Advisors from 01/2005 to 04/2007.

## **CFA - Chartered Financial Analyst Minimum Qualifications**

Issued by: CFA Institute

Prerequisites/Experience Required:

Candidate must meet one of the following requirements:

- Undergraduate degree and 4 years of professional experience involving investment decision-making, or
- 4 years qualified work experience (full time, but not necessarily investment related)

Educational Requirements: Self-study program (250 hours of study for each of the 3 levels)

Examination Type: 3 course exams

Continuing Education/Experience Requirements: None

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

Mr. Peebles does not have other business activities.

### **Item 5- Additional Compensation**

Mr. Peebles does not receive any compensation from third parties for providing investment advice.

### **Item 6 - Supervision**

Mr. Peebles provides investment advice to clients and he is supervised by Harold Grubbs, President of FMI. Mr. Peebles' client accounts are subject to regular review and verification that asset balances are being managed in accordance with a client's investment guidelines.

Harold Grubbs can be reached at 10809 Executive Center Drive, Suite 204, Little Rock, AR 72211. Telephone number: 501-227-7400.

### **Item 7- Requirements for State-Registered Advisers**

State registered advisers are required to disclose all material facts regarding certain arbitration events, proceedings, or bankruptcy petitions. No information is applicable to this Item for Mr. Peebles.

## Item 1- Cover Page

John B. Robinson, III  
Financial Management Inc.

10809 Executive Center Drive, Suite 204

Little Rock, AR 72211

501-227-7400

March 30, 2012

**This Brochure Supplement provides information about John Robinson that supplements the Financial Management Inc.'s ("FMI") Brochure. You should have received a copy of that Brochure. Please contact Harold Grubbs, President/Chief Compliance Officer if you did not receive Financial Management Inc.'s Brochure or if you have any questions about the contents of this supplement.**

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

## Item 2- Educational Background and Business Experience

JOHN B. ROBINSON, III, CERTIFIED FINANCIAL PLANNER™ CFP®, CQF  
BORN: 1949

### **EDUCATION:**

- Graduated from Louisiana Tech University in 1971 with a B.S. in Physics.
- Graduated from the University of Texas at Dallas in 1981 with a M.S. in Management (Operations Research and Finance).

### **BUSINESS BACKGROUND:**

- Investment Adviser Representative with Financial Management Inc. from 11/1986 to present.
- Operations Analysis Manager with University of Arkansas for Medical Sciences from 07/1996 to present.

- Director and Officer with Global Trade Development Corp. from 03/2004 to 04/2010.

### **CFP – Certified Financial Planner – Minimum Qualifications**

Prerequisites/Experience Required: Candidate must meet the following requirements:

- A bachelor's degree (or higher) from an accredited college or university, and
- 3 years of full-time personal financial planning experience

Educational Requirements: Candidate must complete a CFP-board registered program, or hold one of the following:

- CPA
- ChFC
- Chartered Life Underwriter (CLU)
- CFA
- Ph.D. in business or economics
- Doctor of Business Administration
- Attorney's License

Examination Type: CFP Certification Examination

Continuing Education/Experience Requirements: 30 hours every 2-years

### **Certificate in Quantitative Finance – Minimum Qualifications**

1. The requirements for obtaining the designation

The CQF program requires a qualifying pre-examination in mathematics; attendance in person (London UK) or by interactive web video in one three-hour lecture each week for six months; from 15 to 30 study and research hours per week; six module exams, approximately three hours each and at monthly intervals; and a software design project. Recent Ph.D. recipients in mathematics and physics tended to the low end for study and research time, recent MBA/M.S. recipients and those of us who had graduated many years ago tend to require much longer times.

A passing score of 75% on a pre-examination covering math topics from calculus, differential equations, probability, and statistics is required for admission to the CQF program.

Weekly lectures cover graduate-level topics in finance including modern portfolio theory, portfolio risk management, modeling techniques, value at risk (VaR), option strategies and pricing, hedge fund risk, design of derivatives, and many other topics. Errors and failure modes of each topic are also covered. Attached Exhibit 1 includes a detailed description of the course module contents.

At the end of each monthly module, a three-hour examination is administered and a grade of 65% is required to demonstrate mastery of the subject material. Exhibit 2 contains a copy of the exam for Module 4, and Exhibit 3 is my submitted and graded exam as an example of the level of detail required.

A final project requiring design of a major software project written in Visual Basic or C++ is also required. My project was the design of an Excel spreadsheet with Visual Basic for Applications as the underlying calculation engine to solve multiple variants of the Black Scholes options pricing model using Monte Carlo simulation with variation of Monte Carlo input parameters.

2. The organization providing the education and testing for this certification.

The CQF program was originally designed by Dr. Paul Wilmott, founder and former Director of the Centre for Mathematical Finance at Oxford University. The program is now taught at the offices of 7City Learning, [www.7city.com](http://www.7city.com), London, UK, and are provided globally via interactive web video to distance delegates. 7City is a recognized by UK's Financial Service Authority, CFA Institute and other organizations as a financial education provider, and is a approved training center for CFA, CFQ, and FRM certifications; FSA and FINRA (7city/Knopman) exams; and UK accounting and law CE . A list of the current CQF faculty is in Exhibit 4.

3. The continuing education requirements for maintaining this certification.

Similar to the CFA program, continuing education is voluntary. Unlike the CFA, alumni of the CQF designation receive free continuing education classes for life. Between 30 to 60 hours of advanced CE courses are created by the CQF faculty and outside lecturers each year and are made available to CQF alumni.

4. The methods used by the certifying organizations for monitoring and disciplining recipients for improper or unethical conduct.

The CQF is a designation of academic specialization, rather than a professional designation monitored by a SRO. Many MBAs and Ph.D.s in physics, mathematics, and finance have completed the CQF as evidence of sub-specialization in quantitative finance and risk management. Monitoring and discipline is left up to the CQF delegates' employers and their national regulatory bodies.

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4- Other Business Activities**

Mr. Robinson's primary business activity is his position as Operations Analysis Manager with University of Arkansas for Medical Sciences.

### **Item 5- Additional Compensation**

Mr. Robinson does not receive any compensation from third parties for providing investment advice.

### **Item 6 - Supervision**

Mr. Robinson is supervised by Harold Grubbs, President of FMI. Mr. Robinson's client accounts are subject to regular review and verification that asset balances are being managed in accordance with a client's investment guidelines.

Harold Grubbs can be reached at 10809 Executive Center Drive, Suite 204, Little Rock, AR 72211. Telephone number: 501-227-7400.

### **Item 7- Requirements for State-Registered Advisers**

State registered advisers are required to disclose all material facts regarding certain arbitration events, proceedings, or bankruptcy petitions. No information is applicable to this Item for Mr. Robinson.