



# MANAGED FINANCIAL SERVICES CORPORATION, INC.

---

*Registered Investment Adviser*

14550 Torrey Chase Blvd, Suite 350 ♦ Houston, Texas 77014 ♦ 281-880-7200

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

June 25, 2012

This Brochure provides information about the qualifications and business practices of Managed Financial Services Corporation, Inc. If you have any questions about the contents of this Brochure, please contact us at 281-880-7200 or [advisor@managedfinancial.com](mailto:advisor@managedfinancial.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.

Managed Financial Services Corporation, 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 Managed Financial Services Corporation, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This Brochure dated June 25, 2012 is a new document prepared according to the investment industries requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

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

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

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

Copies of our Brochure may be requested by contacting Joi Murphy, Vice President, at 281-880-7200 or [jcmurphy@managedfinancial.com](mailto:jcmurphy@managedfinancial.com). Our Brochure is also available free of charge on our web site, [www.managedfinancial.com](http://www.managedfinancial.com).

## Table of Contents

Material Changes .....	ii
Table of Contents .....	iii
Advisory Business .....	1
Fees and Compensation .....	2
Performance-Based Fees and Side-by-side Management .....	3
Types of Clients .....	4
Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Disciplinary Information.....	5
Other Financial Industry Activities and Affiliations.....	6
Code of Ethics.....	7
Brokerage Practices .....	7
Review of Accounts .....	8
Client Referrals and Other Compensation .....	8
Custody .....	8
Investment Discretion .....	9
Voting Client Securities .....	9
Financial Information.....	9
Brochure Supplement(s)	



## Advisory Business

Managed Financial Services Corporation, Inc. (hereinafter also referred to as “Adviser” and/or “Managed Financial”), a Texas corporation, has been in business since 1986. It provides investment management services on a discretionary basis. Additionally, representatives of Adviser may recommend securities and insurance products through a FINRA-registered broker-dealer, for which fees may be received. Adviser acknowledges that it is in compliance with all applicable state laws regulating the services provided and disclosed in this brochure. Adviser offers investment management services, which include customizing mutual fund portfolios, 401(k) portfolios, and asset allocation programs, based on a client’s specific objectives. Such portfolios consist of appropriate investments designed to meet a particular client’s needs. Client’s objectives are selected in Exhibits A and D of the client agreement, therefore, the Adviser tailors the advisory services to the investment model chosen. In the case of 401(k) portfolios, the mix of funds is in accordance with ERISA regulations and requirements. Additionally, the Registration’s investment committee makes decisions regarding asset allocations within fund families on at least a monthly basis.

The Adviser does not participate in wrap-fee programs.

The investment committee is comprised of John W. Cook, William R. Mitchell and Anthony W. Sumrall.

Mr. Cook, was born February 9, 1941. While in US Marine Corps for twenty years, he attended various schools including East Carolina University in Raleigh, North Carolina, and Kapiolani Community College in Honolulu, Hawaii. At the time of his retirement from the Marine Corps he was serving as Treasurer of a large Military Club system in Hawaii. Mr. Cook, President of Managed Financial Services Corporation, Inc., has offered advice concerning mutual funds since 1986 and insurance products since 1985. Mr. Cook holds certifications as a Certified Senior Advisor and a Certified Estate Planner. He also has held FINRA’s Series 6, 22, 26, and 63 licenses, and currently holds FINRA’s Series 65 license. Mr. Cook holds the designations of Registered Fiduciary (RF) and Accredited Industry Fiduciary (AIF).

Mr. Mitchell, born December 26, 1944, graduated from Wichita High School East, Wichita, Kansas, in 1962. He has extensive experience in software and publishing industries, serving for fifteen years as Vice President of an international publishing company. Mr. Mitchell, an Officer of Managed Financial Services Corporation, Inc., has offered advice concerning mutual funds since 1996. He has a Financial Planning Certificate from Kaplan University, and a designation as Registered Fiduciary. Mr. Mitchell has held FINRA’s Series 6, 26, 63, and currently holds a Series 65 license.

Mr. Sumrall, born May 22, 1960, has over twenty years’ experience in the financial services industry. He has held positions with Boston Financial Data Services, JP Morgan Chase and Invesco Mutual Funds. Mr. Sumrall serves as an operations principal with Managed Financial Services and has held FINRA’s Series 6, 26, and 63 licenses and currently holds FINRA’s Series 65 license. Mr. Sumrall holds the designation of a Registered Fiduciary (RF).

## Fees and Compensation

**BASIC FEE SCHEDULE:** Adviser's standard fee schedules are asset-based fees, payable quarterly, in advance.

Non-ERISA account fees are as follows:

<i>Market Value of Account</i>	<i>Annual Fee</i>
Less than \$500,000	1.65 %
\$500,000 to \$1,000,000	1.15 %
\$1,000,000 to \$5,000,000	0.95 %
Over \$5,000,000	0.65 %

The specific manner in which fees are charged by Adviser is established in a client's written agreement with Adviser. Adviser's standard per annum fee is payable quarterly in advance, and deducted from client's account, unless other arrangements have been agreed upon between client and Adviser. In the event of termination of an advisory contract during a quarterly period, any advisory fees would be prorated to the date of termination, (e.g., after the account has been fully liquidated or transferred).

Advisory fees paid to the Adviser are in no way related to management fees paid to a mutual fund company as described in its prospectus, including 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, third party investment and other third parties such as fees charged by managers, custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Clients are encouraged to review carefully any relevant prospectus and/or offering document associated with Adviser's investment recommendations. Such charges, fees and commissions are exclusive of and in addition to Adviser's fee, and Adviser shall not receive any portion of these commissions, fees, and costs.

Therefore, Adviser and any related person of Adviser has no guarantee of any compensation beyond the fees enumerated in the Basic Fee Schedule above.

Fees for ERISA plans, such as a 401(k), are as follows:

<i>Market Value of Account</i>	<i>Annual Fee</i>
Less than \$1.5 million	\$7,500 flat fee
\$1.5 – 5 million	.50% of total
\$6 – 10 million	.45% of total
\$11 – 15 million	.40% of total
\$16 – 20 million	.35% of total
\$21 – 25 million	.30% of total
\$26 – 30 million	.25% of total
Over \$30 million	.20% of total

In the case of an ERISA Plan, the ERISA Plan Sponsor is responsible for determining whether a particular security is an appropriate investment for the Plan in light of the Plan's overall investment objectives. The Plan Sponsor must make the investment decision about the purchase of any products based on his/her understanding of the plan's needs and objectives, and the Adviser is in no way responsible for any investment decisions. The Plan Sponsor is free to seek independent advice about the appropriateness of any investment for the Plan.

All fees are subject to negotiation.

The section entitled "Brokerage Practices" late in this Brochure further describes the factors that Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Performance-Based Fees and Side-by-side Management**

Adviser 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).

## Types of Clients

Adviser provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans. The Adviser can also provide investment advisory services to charitable institutions, foundations, endowments, municipalities, and trust programs.

## Methods of Analysis, Investment Strategies and Risk of Loss

Adviser invests solely in mutual fund and fixed and variable annuity products. Investing in any security involves risk of loss that clients should be prepared to bear.

Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign investments involve greater risk than U.S. investments, including political and economic risks and the risk of currency fluctuations.

“Value” stocks can perform differently from the market as a whole and other types of stocks and can continue to be undervalued by the market for long periods of time.

“Growth” stocks can perform differently from the market as a whole and other types of stocks and can be more volatile than other types of stocks. “Income” funds contain bonds which are a form of debt security. Interest rate increases can cause the prices of a debt security to decrease. Lower-quality debt securities generally offer higher yields but carry more risk.

Adviser uses certain proprietary based computer applications as well as external software programs for the purposes of analyzing securities, reporting transaction information to customers, and implementing internal controls.

All investments under consideration are expected to meet the following standards for selection:

- Investment performance should be competitive with an appropriate style-specific benchmark and the median return for an appropriate, style-specific peer;
- Specific risk and risk-adjusted return measures will be reviewed and should be within a reasonable range relative to appropriate, style-specific benchmark and peer group;
- The investment manager of the fund should demonstrate adherence to the stated investment objective, without excess style drift over trailing performance periods;
- Fees and fee structures should be competitive compared with similar investments reasonably available to the client;
- The investment manager of the fund should exhibit attractive qualitative characteristics, including, but not limited to, acceptable manager tenure; and
- The investment manager of the fund should be able to provide performance, holdings, and other relevant information in a timely fashion with specified frequency.



Furthermore, investment managers and the mutual funds they manage are evaluated and selected utilizing an investment manager “score card” to substantiate acceptable levels of manager performance and appropriate style characteristics. Based upon objective criteria, derived from Modern Portfolio Theory concepts, each fund receives a score reflecting its overall performance.

Market conditions are monitored on a daily basis, and funds failing to meet the criteria standards are considered for possible replacement by a different fund.

In the case of ERISA programs, such as 401(k) plans, the funds allocated to the portfolio are subject to possible replacement. If an investment option fails to meet any of the performance measurement standards, then the investment option shall be placed on a “watch list”.

While an investment option is on “watch,” no action will be taken to terminate and replace the investment option. However, additional information will be gathered as to why the investment option is underperforming.

Should an investment option that was on the “watch list” subsequently exceed its performance measurement standards, it will be taken off the “watch list” and the investment option will again be in “good standing.” If the investment option’s performance continues below performance measurement standards for three consecutive quarters or three out of the trailing four quarters, then the investment option has “Failed”.

## 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 **Adviser** or the integrity of **Adviser’s** management.

Adviser has no information applicable to this Item.

## Other Financial Industry Activities and Affiliations

The investment committee of Managed Financial may be engaged in activities other than giving investment advice. For example, opportunities to research new investment products and strategies, which compliment the firm's advisory services, are provided. Moreover, Adviser representatives may, from time to time, refer clients to insurance professionals for both life and long term care needs. Approximately 10% of Adviser representative's time may be involved in other activities. Any fee earned by such representative of Adviser is fully disclosed to the client.

Adviser may place mutual fund transactions with a broker-dealer as described above. Such transactions are effectuated on a fully disclosed basis. On occasion, Adviser or a related person may buy or sell mutual funds that it recommends to clients.

However, any such transaction will be entered into only if the transaction is consistent with Adviser's fiduciary obligations to its clients investment objectives, which are expressed in the client agreement.

## Code of Ethics

The Adviser and its representatives understand obligations each one holds, to the public, the client, and colleagues. The relationship the Adviser and any broker-dealer are clearly expressed in the Client Agreement and the Form ADV.

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

Adviser may place securities transactions with a broker-dealer as described above. Such transactions are effectuated on a fully disclosed basis. On occasion, Adviser or a related person may buy or sell securities that it recommends to clients. However, any such transaction will be entered into only if the transaction is consistent with Adviser's fiduciary obligations to its clients and the applicable internal procedure then in effect.

Adviser's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Joi Murphy, at [jcmurphy@managedfinancial.com](mailto:jcmurphy@managedfinancial.com).

## Brokerage Practices

The Adviser receives "soft dollar" benefits in the form of software programs and education, from the broker-dealer. The Adviser, however, does not receive order flow payments or cash rebates from the broker/dealer.

The Adviser directs brokerage to a specific Qualified Custodian, based on the limitations of a 401(k) plan and even in line with the limitations of a client in a tax deferred plan, such as 403(b) and Optional Retirement Plan.

Adviser has entered into solicitation arrangements with its registered representatives where Adviser pays each representative a percentage of the annual advisory fee for any client obtained through the solicitation agreement. Clients are informed of this arrangement pertaining to their accounts in advance of entering into an advisory agreement with Adviser. In addition, clients do not pay any additional fees or commissions for this service.

## **Review of Accounts**

Designated employees of the Adviser review the transactions entered for investment advisory clients, and determine that correct entries have been made on all client records. All accounts are reviewed on a periodic basis by a member of the investment committee to ensure adherence with client objectives and guidelines. Clients are encouraged to keep the Adviser informed as to any personal changes in their financial condition. The Adviser cannot make any appropriate material changes to a client's portfolio if unaware of the client's changing developments. Therefore, a client that encounters any sudden financial developments should inform Adviser immediately.

Financial reports are furnished directly to clients by the relevant investment and insurance companies. For instance, clients receive brokerage statements detailing their asset positions and any trades occurring since the last statement. Adviser does not maintain custody or possession of client funds. Thus, the periodic stockholder reports and statements of the relevant investment and insurance companies are forwarded directly to the client. Any portfolio reviews which include account performance are sent to clients quarterly or more frequently as directed by the clients.

## **Client Referrals and Other Compensation**

Adviser does not receive any economic benefits (cash, sales awards, prizes, or otherwise) for providing investment advice or other advisory services to our clients. Neither does Adviser provide economic benefits to its representatives for the use or sale of any specific investment product or service.

## **Custody**

Financial reports are furnished directly to clients by the relevant investment and insurance companies. For instance, clients receive brokerage statements detailing their asset positions and any trades occurring since the last statement. Adviser does not maintain custody or possession of client funds. Thus, the periodic stockholder reports and statements of the relevant investment and insurance companies are forwarded directly to the client. Any portfolio reviews which include account performance are sent to clients quarterly or more frequently as directed by the clients.

## **Investment Discretion**

Clients may complete a limited Discretionary Trading Authority power of attorney whereby Adviser is designated as an investment adviser to their account(s). In such circumstances, Adviser is not deemed to have custody or possession of client funds and/or securities and merely has limited discretionary authority to trade such account(s), at times, subject to the client's prior approval. As an Investment Advisor, Adviser buys and sells funds which have no sales loads on behalf of its clients. There may be occasions where Adviser is restricted to purchase certain classes of shares as determined by the client's employer; and consequently the client may pay higher fees than they would if Adviser could consider the purchase of other classes of shares. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Adviser's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Adviser in writing.

## **Voting Client Securities**

As a matter of firm policy and practice, Adviser does not have any 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. Adviser may provide advice to clients regarding the clients' voting of proxies.

## **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Adviser's financial condition. Adviser 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.