

Disclosure Brochure

March 21, 2014



This brochure provides information about the qualifications and business practices of FMA Advisory, Inc. (hereinafter "FMA"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. 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 the Firm is available on the SEC's website at www.adviserinfo.sec.gov. FMA is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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Item 2. Material Changes

This Item discusses the material changes that have been to the brochure since FMA's last annual update filed in March 15, 2013. There is no such information to disclose in relation to this Item.

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Item 4. Advisory Business

FMA has been in business as a fee-only SEC registered investment adviser since September 1990 and is principally owned by Robert E. Caplan, CFA[®] and Peter J. LaBella, CFP[®].

FMA offers a variety of advisory services, which include asset management, financial planning and investment consulting. Prior to the rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with FMA setting forth the relevant terms and conditions of the advisory relationship (the “Client Agreement”). As of December 31, 2013, FMA had \$763,526,470 million in assets under management, of which \$635,809,384 million was managed on a discretionary basis and \$127,717,086 million on a non-discretionary basis.

While this brochure generally describes the business of FMA, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on FMA’s behalf and is subject to the Firm’s supervision or control.

Asset Management Services

FMA manages client investment portfolios on a discretionary and/or non-discretionary basis.

FMA primarily allocates assets among various stocks, bonds, mutual funds, exchange-traded funds (“ETFs”) and options in accordance with the investment objectives of its individual clients. In addition, FMA may also recommend that clients who qualify as accredited investors, as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or pooled investment vehicles (e.g., hedge funds, private equity funds, etc.). Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios.

Clients may also engage FMA to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts, and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, FMA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider.

FMA tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients’ portfolios are managed in a manner consistent with their specific investment profiles. FMA consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other factors relevant to the management of their portfolios. Clients are advised to promptly notify FMA if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if FMA determines, in its sole discretion,

the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

These investment advisory services do not include securities brokerage services, as the Firm does not serve as the sponsor or manager to a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm).

Financial Planning and Investment Consulting Services

FMA offers clients a range of financial planning and consulting services, which are designed to address the specific needs of the Firm's high net worth, corporate and institutional clients. Financial planning and consulting engagements are individually customized and may include any of the following functions:

- Business Planning
- Cash Flow Forecasting
- Portfolio Modeling
- Retirement Planning
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Needs Analysis
- Retirement Plan Analysis
- Charitable Giving
- Risk Management
- Distribution Planning

In performing these services, FMA is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. FMA may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if FMA recommends its own services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by FMA under a financial planning or consulting engagement or to engage the services of any such recommended professionals, including FMA itself. Clients are advised that it remains their responsibility to promptly notify the Firm if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising FMA's previous recommendations and/or services.

Item 5. Fees and Compensation

FMA offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management or advisement. As a fee-only investment adviser, the Firm does not receive any form of commissions or transaction-based compensation.

Asset Management Fees

FMA provides asset management services for an annual fee based upon the amount of assets under the Firm's management. This fee is negotiable and generally ranges up to 125 basis points (1.25%), depending largely upon the size and complexity of a client's portfolio. This fee is prorated and charged quarterly in arrears based upon the market value of the assets being managed by FMA on the last day of the previous quarter.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is generally adjusted to reflect the interim change in portfolio value. For the initial term of an engagement, the fee is calculated on a *pro rata* basis. In the event the Client Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is charged to the client, as appropriate.

Financial Planning and Investment Consulting Fees

For typical financial planning or investment consulting engagements, FMA charges a fixed and/or hourly fee, as determined by the scope and complexity of the services to be rendered. The hourly rate varies between \$175 and \$250 per hour and fixed fees range from \$1,500 to \$10,000. For more specialized engagements, such as model portfolio development and maintenance, the Firm may employ a hybrid fee structure that incorporates a combination of hourly, fixed and/or asset based fees.

The specific terms and fee structure are negotiated in advance and set forth in the Client Agreement with FMA. Generally, FMA requires one-half of the financial planning or consulting fee payable upon execution of the Client Agreement and the balance due at the time the financial plan is delivered or the underlying services are rendered to completion. Depending on the arrangement, if the client engages FMA for additional investment advisory services, FMA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Fee Discretion

FMA, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

Additional Fees and Expenses

In addition to the fee paid to FMA, clients may also incur certain charges imposed by other unaffiliated, third parties, such as broker-dealers, custodians, trust companies, banks, independent investment advisers, and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly

by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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.

Fee Deduction or Invoice

Clients generally provide FMA, or another Financial Institution acting on its behalf, the authority to directly deduct their accounts for payment of the Firm's investment advisory fees. In these situations, the Financial Institutions that serve as "qualified custodian" send clients a statement detailing all account activity and transactional history on at least a quarterly basis. Alternatively, clients may elect to have FMA send them an invoice for direct payment.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to FMA's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to FMA, subject to the usual and customary securities settlement procedures. However, FMA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. FMA may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Item 6. Performance-Based Fees and Side-by-Side Management

FMA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets)

Item 7. Types of Clients

FMA provides its services to individuals, pension and profit sharing plans, banks, trusts, estates, charitable organizations, corporations and other business entities.

Minimum Account Size

As a condition for starting and maintaining an asset management relationship, FMA generally imposes a minimum portfolio size of \$500,000. FMA, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional

assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. FMA only accepts clients with less than the minimum portfolio size if, in the sole opinion of FMA, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. FMA may aggregate the portfolios of family members to meet the minimum portfolio size.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

FMA employs a variety of investment strategies and allocations, which are individually customized based upon each client's specific risk profile and investment objectives. FMA takes a largely fundamental approach to analyzing investments, which may include stocks, bonds, ETFs, mutual funds, options and other such asset classes.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular issuer or fund. For FMA, this process typically involves an analysis of an issuer's management team, growth strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security or asset class.

Risks of Loss

General Market Risks

Investing in securities involves the risk of loss and clients should be prepared to bear potential losses. The profitability of a significant portion of FMA's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that FMA will be able to predict those price movements accurately or capitalize on any trends detected.

Mutual Funds and Exchange-Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated

daily per share net asset value (“NAV”), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund’s holdings. The trading prices of a mutual fund’s shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund’s shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Options

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

Use of Private Collective Investment Vehicles

FMA recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund’s private placement memorandum and/or other documents explaining such risks prior to investing.

Master Limited Partnerships (MLPs)

Master Limited Partnerships (“MLPs”) are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within

the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation, and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their *pro rata* share of the partnership taxes, regardless of the types of accounts where the interests of are held.

Real Estate Investment Trusts (REITs)

FMA may recommend an investment in, or allocate assets among, various real estate investment trusts (“REITs”), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle’s shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

Exchange-Traded Notes (ETNs)

FMA may recommend an investment in, or allocate assets among, various exchange-traded notes (“ETNs”). ETNs are unsecured debt securities which are listed on securities exchanges and transacted at negotiated prices in the secondary market. ETNs are designed to track the performance of a corresponding benchmark. An ETN is essentially a contract between an issuer and the ETN holder, whereby the issuer, upon maturity, agrees to pay an amount relative to the returns of the underlying benchmark. In addition to the risks associated with the specific benchmark, ETN holders are also subject to various counterparty concerns. In this respect, the value of an ETN may be adversely impacted by a downgrade to the issuer’s credit rating and/or an unwillingness or inability of the issuer to perform its contractual obligations.

Management Through Similarly Managed “Model” Accounts

FMA manages certain accounts through the use of similarly managed “model” portfolios, whereby the firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives,

securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact FMA if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

Use of Margin

While the use of margin borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a Financial Institution, which is secured by a client's holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the Financial Institution may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

Item 9. Disciplinary Information

FMA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. FMA does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

FMA is not engaged in any other financial industry activities and does not have any affiliations that are otherwise material to the Firm's advisory business.

Item 11. Code of Ethics

FMA and persons associated with FMA ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with FMA's policies and procedures.

FMA has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). FMA's Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by FMA or any of its associated persons. The Code of Ethics also requires that certain of FMA's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When FMA is engaging in or considering a transaction in any security on behalf of a client, no Access Person may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Access Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact FMA to request a copy of its Code of Ethics.

Item 12. Brokerage Practices

FMA generally recommends that clients utilize the custodial, brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity") and Charles Schwab & Co., Inc. ("Schwab") for asset management accounts.

Factors which FMA considers in recommending Fidelity, Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity and/or Schwab may enable FMA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity or Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by FMA's clients comply with FMA's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where FMA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of

research provided, execution capability, commission rates, and responsiveness. FMA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom FMA and the Financial Institutions have entered into agreements for prime brokerage clearing services. FMA periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct FMA in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and FMA will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by FMA (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, FMA may decline a client’s request to direct brokerage if, in FMA’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless FMA decides to purchase or sell the same securities for several clients at approximately the same time. FMA may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among FMA’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among FMA’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that FMA determines to aggregate client orders for the purchase or sale of securities, including securities in which FMA’s Supervised Persons may invest, FMA generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. FMA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that FMA determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution

would result in a de minimis allocation in one or more accounts, FMA may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist FMA in its investment decision-making process. Such research generally will be used to service all of FMA's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because FMA does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

The Firm may receive from Fidelity and/or Schwab, without cost to FMA, computer software and related systems support, which allow FMA to better monitor client accounts maintained at Fidelity and Schwab. FMA may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Fidelity and Schwab. The software and support is not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit FMA, but not its clients directly. In fulfilling its duties to its clients, FMA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that FMA's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence FMA's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, FMA may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services Group and Schwab through its Schwab Advisor Services, respectively: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

Accounts Reviews

FMA monitors the investment portfolios of its asset management clients as part of an ongoing process, while model account reviews are conducted on at least a quarterly basis. For those clients to whom FMA provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of FMA's investment adviser representatives. All investment

advisory clients are encouraged to discuss their needs, goals, and objectives with FMA and to keep FMA informed of any changes thereto. FMA contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Reports and Account Statements

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time to time or as otherwise requested, investment advisory clients may also receive written or electronic reports from FMA and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from FMA or an outside service provider.

Item 14. Client Referrals and Other Compensation

Client Referrals

FMA may compensate an unaffiliated third party for client referrals in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities laws. Any such referral fee is paid solely from FMA's investment management fee and does not result in any additional charge to the client.

Fidelity Wealth Advisor Solutions Program

FMA has entered into an agreement with Fidelity to participate in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which FMA receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. FMA is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control FMA, and SAI has no responsibility or oversight for FMA's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for FMA, and FMA pays referral fees to SAI for each referral received based on the firm's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment adviser, and any referral from SAI to FMA does not constitute a recommendation or endorsement by SAI of FMA's particular investment management services or strategies. Under this arrangement, SAI will receive 0.20% of the fees paid on the referred assets under management for a period of up to seven years. These referral fees are paid by FMA and not the client.

To receive referrals from the WAS Program, FMA must meet certain minimum participation criteria, but FMA may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). FMA has procedures in place to address any conflicts of interest inherent to this type of arrangement, as the firm seeks to ensure that any client-related recommendations or decisions remain objective and aligned with its clients’ best interests. Nonetheless, as a result of its participation in the WAS Program, FMA may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and FMA may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to FMA as part of the WAS Program. Under an agreement with SAI, the firm has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, FMA has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when FMA’s fiduciary duties would so require; therefore, FMA may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit FMA’s duty to select brokers on the basis of best execution.

Schwab Advisor Network

FMA may receive client referrals from Schwab through its participation in Schwab Advisor Network[®] (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with FMA. Schwab does not supervise FMA and has no responsibility for FMA’s management of clients’ portfolios or the firm’s other advice or services. FMA pays Schwab fees to receive client referrals through the Service. FMA’s participation in the Service may raise potential conflicts of interest described below.

FMA pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by FMA is a percentage of the fees the client owes to FMA or a percentage of the value of the assets in the client’s account, subject to a minimum Participation Fee. FMA pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to the Firm quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by FMA and not by the client. FMA generally will not charge clients referred through the Service fees or costs greater than the fees or costs FMA charges clients with similar portfolios who were not referred through the Service.

FMA generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody

Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees the Firm generally would pay in a single year. Thus, FMA will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of FMA's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, FMA will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit FMA's fees directly from the accounts.

For accounts of FMA's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from the Firm's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, FMA may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. FMA nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for the Firm's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Other Economic Benefit

FMA may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

Item 15. Custody

Clients generally provide FMA, or another Financial Institution acting on its behalf, the authority to directly deduct their accounts for payment of the Firm's investment advisory fees, which generally results in a form of custody. In these situations, the Financial Institutions that serve as "qualified custodian" send clients a statement detailing all account activity and transactional history on at least a quarterly basis.

As discussed in Item 13, FMA and/or a third party vendor may also send periodic reports to clients. Clients are advised to carefully review the statements and confirmations sent directly by the Financial Institutions and to compare them with any reports received from FMA or an outside service provider.

Item 16. Investment Discretion

Clients may grant FMA the authority to exercise discretion on their behalf. FMA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. FMA is given this authority through a power-of-attorney included in the Client Agreement between FMA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

Specifically, FMA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

Item 17. Voting Client Securities

FMA may vote client securities (proxies) on behalf of its clients. When FMA accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in FMA's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in FMA's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact FMA to request information about how FMA voted proxies for that client's securities or to get a copy of FMA's Proxy Voting Policies and Procedures. A brief summary of FMA's Proxy Voting Policies and Procedures is as follows:

- FMA has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to FMA's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, FMA devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct FMA's vote on a particular solicitation but can revoke FMA's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that FMA maintains with persons having an interest in the outcome of certain votes, FMA takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Item 18. Financial Information

FMA is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.



Prepared by:



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