

**Mutual Fund Management Co.**  
**888 West Big Beaver**  
**Suite 890**  
**Troy, MI 48084**  
**Phone: (248) 635-1155**  
**Fax: (248) 362-8566**  
**Website: [www.mfmonline.com](http://www.mfmonline.com)**

**March 31, 2017**

**FORM ADV PART 2A**  
**BROCHURE**

This Brochure provides information about the qualifications and business practices of Mutual Fund Management Co. If you have any questions about the contents of this Brochure, please contact us at (248) 635-1155.

Mutual Fund Management Co. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission ("SEC") or any state securities authority does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Mutual Fund Management Co. is also available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Mutual Fund Management Co. is: CRD# 107538 or SEC# 801-42031.

## MATERIAL CHANGES

Mutual Fund Management Co. ("MFMC") filed this Form ADV 2A Brochure with the United States Securities and Exchange Commission ("SEC") on March 31, 2017.

Registered Investment Advisers are required to report updates in the business and service information contained in their Form ADV 1 and ADV 2 Brochures according to the following schedule: 1) Promptly throughout the year when changes occur and 2) No less than annually, within 90 days of the Adviser's fiscal year end. Each year, we may send you a letter summarizing the Brochure amendments along with an offer to receive the ADV 2 Brochure in its entirety or we may send you the ADV 2 Brochure in its entirety, including this Material Changes page.

The March 2017 ADV 2 Brochure updates are as follows:

Item 4: The disclosure relating to MFMC's services has been enhanced. The actual services provided and fees remain unchanged. In addition, MFMC updated its fiscal year end assets under management, which as of the close of business on December 31, 2016, totaled: \$191,669,053 in 892 accounts. Of this total, \$183,918,730 consisted of 890 discretionary accounts and \$7,750,323 in 2 non-discretionary accounts.

Item 8: The disclosure relating to MFMC's methods of analysis and investment strategies has been updated to provide enhanced information. However, MFMC's internal process remains unchanged.

Item 10: Information concerning outside business activities has been enhanced but is materially unchanged with the exception of new information concerning Arvai & Associates, P.C.'s recent sale of the account practice. This affiliated public accounting firm is no longer offering services to new clients and is focused on completing its remaining engagements.

Item 11: MFMC's Code of Ethics information has been enhanced to provide for additional information. However, there are no changes in the Adviser's internal operations.

Item 12.A(3): Has been updated to reflect that MFMC does not accept client-directed brokerage. MFMC utilizes Charles Schwab & Co., Inc.

MFMC has included its Privacy Policy at the end of this Brochure.

There are no other material changes to report in connection with the business of MFMC. We always look forward to hearing from our clients. If you should have any questions regarding the contents of this Brochure or if we can be of any assistance, never hesitate to contact our office.

Thank you,

Frank Arvai, CPA/PFS, CFP®  
President and Chief Compliance Officer  
(248) 635-1155

## ITEM 3: TABLE OF CONTENTS

<b>Cover Page</b>	<b>1</b>
<b>Item 2: Material Changes</b>	<b>2</b>
<b>Item 3: Table of Contents</b>	<b>3</b>
<b>Item 4: Advisory Business</b>	<b>4</b>
A. Description of the Advisory Firm	4
B. Types of Advisory Services	4
1. Investment Management Services	4
2. Financial Planning	6
C. Client Tailored Services and Client Imposed Restrictions	6
D. Wrap Fee Programs	7
E. Amounts Under Management	7
<b>Item 5: Fees, Compensation and Termination of Services</b>	<b>7</b>
A. Compensation	7
1. Investment Management and Financial Planning Services	7
B. Payment of Fees	7
1. Investment Management and Financial Planning Services	7
C. Clients are Responsible for Third Party Fees	8
D. Prepayment of Fees	8
E. No Outside Compensation for the Sale of Securities to Clients	9
<b>Item 6: No Performance-Based Fees &amp; Side-By-Side Management</b>	<b>9</b>
<b>Item 7: Types of Clients and Minimum Account Size</b>	<b>9</b>
<b>Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss</b>	<b>9</b>
A. Methods of Analysis and Investment Strategies	9
1. Analysis and Strategies	9
B. Material Risks Involved	12
C. Risks of Specific Securities Utilized	12
<b>Item 9: Disciplinary Information</b>	<b>13</b>
<b>Item 10: Other Financial Industry Activities and Affiliations</b>	<b>14</b>
A. No Broker/Dealer Registrations	14
B. No Futures or Commodities Registration	14
C. Material Relationships, Conflicts of Interest & Other Business Activities	14
D. No Selection of Other Advisers	15

*(Continued)*

<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>	<b>15</b>
A. Code of Ethics	15
B. Recommendations Involving Material Financial Interests	17
C. Investing Personal Money in the Same Securities as Clients	17
D. Trading Securities at/Around the Same Time as Clients	17
<b>Item 12: Brokerage Practices</b>	<b>17</b>
A. Factors Used to Select Custodians and/or Broker/Dealers	17
1. Research and Other Soft-Dollar Benefits	19
2. Brokerage for Client Referrals	21
3. Clients Directing Which Broker/Dealer/Custodian to Use	21
B. Aggregating (Block) Trading for Multiple Client Accounts	21
<b>Item 13: Reviews of Accounts</b>	<b>22</b>
A. Frequency and Nature of Periodic Reviews	22
B. Reviewers	22
C. Factors that may Trigger Non-Periodic Account Reviews	22
D. Content and Frequency of Regular Reports to Clients	22
<b>Item 14: Client Referrals and Other Compensation</b>	<b>23</b>
A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Sales Awards or Other Benefits)	23
B. Compensation to Other Parties for Client Referrals	23
<b>Item 15: Custody</b>	<b>23</b>
<b>Item 16: Investment Discretion</b>	<b>24</b>
<b>Item 17: No Proxy Voting</b>	<b>24</b>
<b>Item 18: Financial Information</b>	<b>24</b>
A. Balance Sheet	24
B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients	24
C. Bankruptcy Petitions in Previous Ten Years	25
<b>Privacy Policy</b>	<b>25</b>

ADV 2B Brochure(s) follow

## **ITEM 4: ADVISORY BUSINESS**

### **4.A Description of Investment Adviser**

Mutual Fund Management Co., (“MFMC” or “Adviser”) is a fee-only Registered Investment Adviser headquartered in Troy, MI. MFMC has been registered since November 5, 1992 and is registered with the United States Securities and Exchange Commission (SEC). MFMC is not publicly owned or traded. Frank Arvai, CPA/PFS, CFP® is the President, Chief Compliance Officer and 100% equity owner of MFMC.

The term “*fee-only*” means MFMC and its Adviser Representatives are compensated for services via advisory fees paid by clients. MFMC and its Adviser Representatives do not accept brokerage or insurance commissions.

“*Adviser Representatives*” are those persons registered and authorized by MFMC to provide financial and investment advisory services on behalf of MFMC.

MFMC is not a broker/dealer or custodian. Client assets are held by Charles Schwab & Co., Inc., and are managed on an individualized basis.

### **4B. Types of Services**

#### **Investment Management and Financial Planning Services**

MFMC offers advisory services to individual investors, retirement plans, trusts, estates, charitable organizations, corporations and other businesses.

MFMC may offer a complimentary general consultation to discuss the investment advisory services available; to give a prospective client an opportunity to review services desired; and to determine the possibility of a potential Client-Adviser relationship. MFMC and its Adviser Representatives may recommend the services of MFMC but while prospective clients are welcome to engage services, they are never obligated to do so. MFMC’s services begin only after the client and Adviser formalize the relationship with a properly executed Client Agreement.

After the formal engagement and depending upon the scope of the engagement, the Adviser and client will share in a data gathering and discovery process in an effort to determine the client’s needs, goals, intentions, time horizons, risk tolerance and investment objectives, based upon information provided by the client and the nature of services requested. The client and Adviser may complete a risk assessment or other document to determine an investment strategy, depending upon the scope and nature of services to be provided.

#### **4.B(1) Investment Management Services**

Diversification, tax-efficiency, and low-cost investing are the cornerstones of the Adviser’s investment philosophy. MFMC can utilize actively managed and index mutual funds, as well as ETFs, when crafting a portfolio strategy designed to achieve a client’s specific goals and objectives, based on their risk tolerance level. The client may impose a restriction on investing in certain securities by telling us verbally or in writing. Investment Management Services involve ongoing and continuous portfolio management services.

MFMC focuses on providing individualized services that are tailored to meet the stated needs and objectives of the client. In the delivery of initial and ongoing services, the Adviser will normally include a comprehensive review of the overall aspects of a client's current financial situation and consider both long and short-term stated objectives and goals, as directed by the client. After an analysis and data-gathering process and depending upon the nature of services desired, the Adviser will engage in the following:

- ❖ Existing portfolio review and analysis;
- ❖ Preparation of asset allocation recommendations;
- ❖ Preparation of a customized investment policy / strategy with the client's participation;
- ❖ Recommendation of specific investments;
- ❖ Implementation of the investment plan;
- ❖ Ongoing management of the client's investment portfolio.

Investment Management clients should play an active role in the formation of the investment plan and the development of investment advice and recommendations. MFMC will generally seek to allocate the client's assets among various investments, taking into consideration the overall management style and portfolio framework selected by the client. The strategies will range from conservative to moderately aggressive in nature, and invest in actively managed and index mutual funds, exchange traded funds and fixed income investments. The Adviser would rarely recommend individual stock investments.

MFMC will normally utilize proprietary investment models. MFMC attempts to construct a diversified portfolio of investment recommendations that are within its realm of expertise. For a more detailed description of the adviser's investment strategies and how they are implemented refer to page 8, *"Methods of Analysis, Investment Strategies and Risk of Loss"*. In each case, the stated individual needs, goals and desires of clients are taken into consideration. Based upon information provided by the client, MFMC will seek to allocate the client's assets among various investments, taking into consideration the overall management style and portfolio framework selected by the client.

With authorization by the client, MFMC may maintain limited discretionary authority over the client's managed portfolio. The client may impose reasonable restrictions on investing in certain types securities by telling us verbally or in writing. Where clients retain MFMC on a non-discretionary basis, the client is welcome to implement recommendations in whole or in part via the financial services provider(s).

Services and investment recommendations in connection with assets invested in a corporate retirement plans are limited to those offered within the plan and via the plan's contracted service providers.

MFMC's Investment Management Services include ongoing investment advice, investment tracking, performance monitoring and if requested, financial planning services. In providing ongoing investment management services, MFMC will manage the client's funds in accordance with the investment policy/strategy as selected by the client. The portfolio assets will be reviewed internally on a frequent basis (generally quarterly or more often), depending upon the types of investments, market conditions, at the discretion of the Adviser, or as may be specifically requested by the client.

MFMC requests the client's ongoing participation since the Adviser's services are based upon the client's stated individual needs and objectives (and any reported changes thereto). Clients may call the office during regular business hours to discuss their portfolio and make inquiries. In addition, MFMC recommends that clients initiate a meeting with the Adviser no less than annually and review their investment strategies. *However, clients must immediately inform the Adviser of any changes in their financial situation to provide MFMC with the opportunity to review the portfolio to ensure it is still structured to help meet the client's stated needs and objectives.*

#### **4.B(2) Financial Planning**

MFMC offers Financial Planning Services for its Investment Management clients and at no additional cost. These services are initiated at the request of the client and will vary, depending on the nature of services desired. Topics can include: General estate planning, tax-related matters, risk management, college planning or other areas of interest. Depending on specific client needs, the Adviser will analyze the client's present position relative to his/her goals and objectives, and make recommendations. Financial Planning Services generally entail the use of long-term strategies so that continuous monitoring is not required. Additional planning services or annual reviews are available and are initiated by the client.

When planning services only focus on certain areas of client interests, needs or is otherwise limited in scope, clients must understand that a client's overall financial and investment needs, liabilities and objectives may not be considered as a result of time and/or service restraints placed on the Adviser's services. When providing advice on investments within retirement plans, the advice and any recommendations are limited to plan offerings.

Clients requiring assistance on issues relating to matters outside of financial and investment advisory topics should consult their personal tax adviser, legal counsel, or other professionals for expert opinions. Clients are welcome to utilize the service provider(s) of their choice.

#### **Item 4.C: Client Tailored Services and Client Imposed Restrictions**

MFMC focuses on providing individualized services and can tailor services to focus only on certain portfolio components and certain components of financial planning. For financial planning, clients determine their topics of interest and the scope of services desired. Services are agreed to at the time of engagement. However, where client services are limited in scope by the client or information provided to the Adviser are limited, clients must understand that comprehensive financial and/or investment needs and objectives may not be fully considered due to the client's option to receive limited services, the lack of information received, and/or client disclosure.

Clients may impose reasonable restrictions on investing in certain securities or types of securities, as agreed to by the Adviser. Clients are welcome to set parameters on the Adviser's limited discretionary authority in writing as to types of investments and amounts purchased or sold.

Where clients retain authority to implement recommendations, they are welcome to do so in whole or in part via the financial services provider(s) of their choice.

Certain clients may engage in client-directed transactions (investing on their own) and in such cases, the Adviser will not provide investment suitability and/or due diligence reviews or ongoing management services for these types of investments unless specifically agreed in writing. If the Adviser agrees to complete a client-directed transaction (requested by a client), it will do so *only* as a value-added service

for the client and completion of the transaction is not to be construed as the Adviser's acknowledgment of the suitability of the investment.

#### **4.D Wrap Fee Programs**

MFMC does not recommend wrap fee programs nor does the Adviser sponsor or act as a manager of a wrap fee program.

#### **4.E ASSETS UNDER MANAGEMENT**

MFMC's assets under management as of the close of business on December 31, 2016, totaled: \$191,669,053 in 892 accounts. Of this total, \$183,918,730 consisted of 890 discretionary accounts and \$7,750,323 in 2 non-discretionary accounts.

### **ITEM 5: FEES AND COMPENSATION**

MFMC is only compensated for advisory services via a percentage of the assets under management. MFMC does not accept commissions or any other fees in connection with its investment advisory services.

**Item 5.A(1) Investment Management** fees are agreed upon at the time of engagement in accordance with the following fee schedule:

- 1.5% for the first \$250,000
- 1.25% of the next \$250,000
- 1.00% for assets over \$500,000

The management fee is billed quarterly and in advance of services. The quarterly fee is calculated by multiplying the portfolio value by  $\frac{1}{4}$  of the annual fee. The portfolio value is determined by Charles Schwab & Co. and the billable figure is based upon the value as of the last market day of the preceding quarter.

A pro-rata fee is calculated for services initiated at any time other than at the beginning of a calendar quarter. In the rare case where there is an absence of an asset value (via Charles Schwab & Co.); the Adviser will utilize at least one independent third party to assess the holding's value.

The annual fee may be modified from the table above, based upon the nature of the engagement, scope and/or complexity of services and/or portfolio, anticipated efforts incurred by investment personnel, pre-existing relationships, or other special situations or factors at the Adviser's discretion. MFMC's fee may be higher or lower than may otherwise be available through other types of advisory firms for similar services.

There are no additional fees charged for Financial Planning Services provided.

#### **5.B PAYMENT OF ADVISORY FEES**

**5.B(1) Payment of Investment Management** fees may be made directly to the Adviser or through a debit to the client's account via Charles Schwab & Co. MFMC adheres to the following criteria when payment is made via Charles Schwab & Co. as required by the SEC's Investment Advisers Act: 1) The client provides written authorization permitting the fees to be paid directly from the client's account



held by Charles Schwab & Co. and the authorization is limited to withdrawing contractually agreed upon Investment Adviser fees; (2) The client will directly receive regular (monthly or quarterly) account statements from Charles Schwab & Co., which reflect the Adviser's fee deduction; (3) The frequency of fee withdrawal shall be specified in the written authorization and/or agreement; (4) Charles Schwab & Co. shall be advised in writing of the limitation on the Adviser's access to the account and; (5) The client shall be able to terminate the written billing authorization or agreement at any time.

It is important to note that custodial firms such as Charles Schwab & Co. do not verify advisory fees. Therefore, clients should review their Charles Schwab & Co. statements carefully. If a client should have any questions or concerns in connection with an advisory fee deduction, they should promptly contact MFMC. If at any time during the engagement, the client fails to receive the regular account statements produced by Charles Schwab & Co., it is important for the client to promptly notify MFMC and Charles Schwab & Co.

If the Adviser's Form ADV 2 Brochure is not delivered at least 48 hours prior to engagement, the client may **terminate Investment Management Services** within 5 days without penalty and the Adviser will promptly refund any pre-paid fees. Alternatively, either party may immediately terminate services upon written notice to the other. If termination occurs prior to the end of a billable quarter, the client will receive a pro-rated refund of unearned fees (the balance of the pre-paid quarter). The client does not have to request this refund, as MFMC will calculate the refund promptly upon receipt of the termination notice.

## **5.C CLIENTS ARE RESPONSIBLE FOR FEES ASSOCIATED WITH INVESTING**

Clients are responsible for the payment of all third party fees associated with investing and MFMC does not receive any portion of such fees. Examples of these fees may include but are not limited to: Clients may pay transaction and brokerage commission to their broker/dealer or other service providers ("*Financial Institution[s]*") as well as any fees associated with their particular accounts (e.g., account opening, maintenance, transfer, termination, wire transfer, retirement plan, trust fees, and all such applicable third party fees, deferred sales charges, oddlot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. All fees paid to the Adviser for Advisory services are separate from the fees and expenses charged to shareholders of ETF's or mutual fund shares offered by mutual fund companies. Clients may incur short-term redemption fees charged by Charles Schwab & Co. if a holding is sold before a 90-day holding period has expired. In addition to Charles Schwab & Co.'s fee, the client may incur a short-term redemption fee from the mutual fund company if the holding is sold before the specified holding period expires (normally from 30 days to 180 days). The redemption fee will reduce the proceeds from the sale of the mutual fund. If a mutual fund previously purchased by or selected by a client should impose a sales charge, a client may pay an initial or deferred sales charge. *MFMC does not receive any portion of these investment-related fees.* Such charges, fees and commissions are exclusive of and in addition to the Adviser's fees. A complete explanation of the expenses charged by a mutual fund or ETF is contained in the respective fund prospectus. Clients are encouraged to read each prospectus and securities offering documents.

## **5.D PRE-PAYMENT OF FEES**

As described at Item 5.A(1), Investment Management fees are paid quarterly and in advance of services. MFMC's refund policy is also described in the same section.

## **5.E OTHER COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

MFMC is a *fee-only* Registered Investment Adviser. Neither MFMC nor its Adviser Representatives accept any other compensation/commission for the recommendation of securities or non-securities products including asset-based sales charges or service fees from the sale of mutual funds.

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

MFMC's fees are not "performance based" (based upon a share of capital gains or capital appreciation, or performance, for any portion of funds under an advisory contract). Therefore, the Adviser does not engage in side-by-side management services.

## **7. TYPES OF CLIENTS AND MINIMUM INVESTMENTS**

Types of clients include: individuals, pension plans, profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. MFMC minimum portfolio size is \$250,000, which may be negotiable depending on the circumstances of the particular client (i.e., the ability to reach the minimum within a reasonable time period, pre-existing relationships or other factors at the discretion of the Adviser). MFMC reserves the right, in its sole discretion, to decline any new account.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Methods of securities analysis will include fundamental analysis and technical analysis.

MFMC attempts to measure an investor's goals, risk tolerance and investment time-frame through discussions, meetings with clients and the financial and investment data disclosed to the Adviser in an effort to determine which of our six investment strategies is appropriate for the client. The Adviser then will implement the strategy agreed upon with the client which outlines the specific asset allocation strategy, with a specific risk profile. The strategy outlines the equity and fixed income exposure and provides the parameters that will be used in managing the account.

### **8.A(1) Methods of Analysis and Investment Strategies**

In order to help clients determine an appropriate strategy, we generally have a discussion with the client which includes several factors including: the client's current financial situation, time horizon, investment goals and objectives, investment experience, and tolerance for risk. This discussion results in the selection of the investment strategy that is appropriate for the client's account(s).

MFMC uses six different investment strategies ranging from Conservative to Aggressive Growth. Investment strategies may include long-term purchases (securities held at least 3-5 years) and short-term purchases (securities held 1 year or less) depending on the needs of the client. These strategies are typically implemented using no-load mutual funds across several different asset classes. The major asset classes the adviser commonly recommends are: Cash and Cash Equivalents, Fixed Income Securities,

Alternative Strategies, U.S. Large Cap Stocks, U.S. Mid Cap Stocks, U.S. Small Cap Stocks, and International Stocks. As part of our ongoing research, we analyze thousands of actively managed and index mutual funds, as well as Exchange Traded Funds (ETFs). When it is warranted, we will replace a fund in a strategy if we determine that it no longer meets our objectives. The Adviser generally recommends a combination of no-load mutual funds and index funds. We generally do not recommend specific individual securities or specific sectors within most asset classes. In general, MFMC does not recommend or select funds focused on specific sectors such as Biotechnology, Utilities, Natural Resources, etc. The Adviser's recommendations provide exposure to these sectors through funds that invest in a broad asset class. We may on occasion utilize Exchange-Traded Funds (ETF's). In addition, we may utilize asset allocation or balanced type funds for smaller accounts with values less than \$10,000.

Our research is drawn from many sources such as Morningstar, Lipper and Fi360, which is used to analyze many factors, some of which include: no-load (or load-waived funds), expense ratio, performance, style, category ranking within asset class, manager tenure, market capitalization, and turnover ratio. The Adviser also utilizes many sources of public information to include financial news and research materials prepared by others.

We approach portfolio management with a long-term perspective, and as a result, do not engage in timing the market. We, at times may identify compelling tactical opportunities depending on market conditions which could result in rebalancing.

Investing inherently involves risk. Due to conditions beyond the advisors control (i.e., downturns in the U.S. and foreign economies, default risk (when investing in bonds, etc.) Investing in a selected strategy based on a client's risk tolerance may not yield the desired outcome.

MFMC may participate in company-held conference calls, webinars, and mutual fund liaison and manager interviews. Company provided data may not always be the most objective, therefore, the Adviser may conduct its own internal research.

In addition to the above, numerous publicly available sources of economic, financial and investment research are used by the Adviser. Asset allocation software and historical performance modeling software may also be utilized. As with any data produced by third parties, there is always the possibility that the company's data has been manipulated (against regulatory rules). It does happen and it can be very difficult to detect. Thus, an analyst is limited by the data that is published.

*It is important to understand that investing in securities involves a risk of loss that a client should be prepared to bear and there is no single strategy that can guarantee success.*

## **INCOME STRATEGY**

The objective of the Income Strategy is to primarily provide for the preservation of capital with a minor portion of the overall allocation dedicated to domestic and international equities for growth. The total equity percentage will typically be around 20% and will not exceed 40%. Also, a small percentage (typically no more than 5%) is directed towards a conservative alternative investment that exhibits fixed income characteristics. The typical investor has a target investment horizon of less than five years. The portfolio is diversified across all sub-asset classes using open ended mutual funds that provide maximum liquidity. This Strategy portfolio is designed for the highly conservative investor.

## **CONSERVATIVE GROWTH STRATEGY**

The primary objective of the Conservative Growth Strategy is to provide income with growth of principal as a secondary objective. Investors should be willing to accept some fluctuation in value on a year-to-

year basis. The total equity percentage will typically be around 35% and will not exceed 55%. Also, a portion of the portfolio (typically around 10%) is directed towards a conservative alternative investment that exhibits fixed income and/or market neutral characteristics. The typical investor has a target investment horizon of five to seven years. The portfolio is diversified across all sub-asset classes using open ended mutual funds that provide maximum liquidity. This Strategy portfolio is designed for the conservative investor.

#### **MODERATE GROWTH 60**

The primary objective of the Moderate Growth - 60 Strategy is to generate moderate growth of principal with income as a secondary objective. Investors should be willing to accept fluctuations in value on a year-to-year basis. The total equity percentage will typically be around 45% and will not exceed 75%. Also, a portion of the portfolio (typically around 20%) will be directed towards alternative investments that focus on domestic and/or international real estate, commodities, TIPS, absolute return, market neutral and long/short equity characteristics. The typical investor has a target investment horizon of more than seven years. The portfolio is diversified across all sub-asset classes using open ended mutual funds that provide maximum liquidity. This Strategy portfolio is designed for the moderate investor.

#### **MODERATE GROWTH 70**

The primary objective of the Moderate Growth - 70 Strategy is to generate moderate growth of principal with income as a secondary objective. Investors should be willing to accept fluctuations in value on a year-to-year basis. The total equity percentage will typically be around 55% and will not exceed 85%. Also, a portion of the portfolio (typically around 20%) will be directed towards alternative investments that focus on domestic and/or international real estate, commodities, TIPS, absolute return, market neutral and long/short equity characteristics. The typical investor has a target investment horizon that is more than ten years. The portfolio is diversified across all sub-asset classes using open ended mutual funds that provide maximum liquidity. This Strategy portfolio is designed for the moderately aggressive investor.

#### **GROWTH**

The primary objective of the Growth Strategy is growth of principal. Investors should be willing to accept higher volatility and fluctuations in value on a year-to-year basis and the potential for losses. The total equity percentage will typically be around 65% and will not exceed 90%. Also, a portion of the portfolio (typically around 20%) will be directed towards alternative investments that focus on domestic and/or international real estate, commodities, TIPS, absolute return, market neutral and long/short equity characteristics. The typical investor has a target investment horizon that is more than ten years. The portfolio is diversified across all sub-asset classes using open ended mutual funds that provide maximum liquidity. This Strategy portfolio is designed for the aggressive investor.

#### **AGGRESSIVE GROWTH**

The primary objective of the Aggressive Growth Strategy is exclusively dedicated towards growth. Investors should be willing to accept higher volatility and fluctuations in value on a year-to-year basis and the potential for losses. The total equity percentage will typically be around 75% and may make up 100% of the portfolio. Also, a portion of the portfolio (typically around 20%) will be directed towards alternative investments that focus on domestic and/or international real estate, commodities, TIPS, absolute return, market neutral and long/short equity characteristics. The typical investor has a target investment horizon that is long term, typically exceeding 15 years. The portfolio is diversified across all sub-asset classes using open ended mutual funds that provide maximum liquidity. This Strategy portfolio is designed for the aggressive investor.

## **Other Information**

Portfolio holdings or recommendations are generally judged by (managers' or investments') experience, track record and performance of like-kind investments. The Adviser will actively manage each portfolio. The Adviser generally looks to the long-term when developing advice and recommendations based upon information provided by the client.

Changing conditions in the client's financial life or significant changes in market conditions may warrant a collaborative effort with the client to modify their strategic investment framework, which consequently may also trigger changes to investment holdings within the portfolio.

### **8.B Material Risks**

*Investing in securities carries risk of loss which clients must be prepared to bear.* There are risks associated with investing including possible loss of principal.

Investments in mutual funds and exchange-traded funds may bear a risk of investment loss. Clients who invest should also be prepared to bear a loss of investment principal.

MFMC generally seeks investment strategies that do not involve significant risk or unusual risk beyond that of the general domestic and / or international equity markets. Thoughtful investment selections that are designed to help meet a client's stated goals and risk profile may help keep risks at an acceptable level.

As outlined below, MFMC's goal in its analysis is not to time the market. MFMC takes the general position that investors with diverse portfolios have a better chance of making a profit because it is difficult to accurately predict the movement of the economy. Obviously, no single strategy can be relied upon to outperform the market.

### **8.C Risk of Specific Investments**

Rarely, the client's portfolio will contain one or more stock investments. Typically, this will occur with a pre-existing purchase the client wishes to retain. Investments in individual stocks can be risky. Common stocks are susceptible to market fluctuations and to volatile increases and decreases in value as investors' confidence in and perceptions of their issuers change. Some risks can be controlled and some risks can be guarded against but no strategy can carry guarantees from loss. Certain market risks cannot be controlled, such as market or economic conditions. Investments in common stocks are subject to the risk that in the event of a company's liquidation, the holders of preferred stock and creditors will be paid in full before any payments are made to holders of common stock.

Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in real estate funds or programs involve additional special risks, such as credit risk, interest rate fluctuations and the effect of varied economic conditions. Funds focusing on a single country, sector and/or smaller companies generally experience greater price volatility.

The Adviser can use any or all of the aforementioned different but somewhat complementary methods for investment selections as agreed upon between the Adviser and the client. No single strategy can be relied upon to outperform the market. However, MFMC's goal in its analysis is not to time the market. MFMC seeks to utilize investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

There are certain risks involved in investing in all types of bonds: Government, Municipal, and Corporate. The following is an overview of the types of risks that one should consider in terms of bond investments: Interest rate risk; reinvestment risk; inflation risk; market risk, selection risk, timing risk, and price risk. Additional risks for some government agency, corporate and municipal bonds may include: Legislative risk (a change in the tax code could affect the value of taxable or tax-exempt interest income); Call risk (some corporate, municipal and agency bonds have a “call provision” entitling their issuers to redeem them at a specified price on a date prior to maturity. Declining interest rates may accelerate the redemption of a callable bond, causing an investor’s principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates.

If the bond is called at or close to par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called. Additionally, there may be a liquidity risk involved if investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume. Additional risks for corporate and municipal bonds may include: Credit risk; default risk; event risk and duration risk.

Bank obligations including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are highly dependent upon short-term interest rates and may be adversely affected by downturns in the U.S. and foreign economies and/or changes in regulations.

#### **Other Information**

Clients may make additions to and withdrawals from the account at any time. Clients may withdraw account assets with notice to the Adviser, subject to the usual and customary securities settlement procedures. MFMC generally designs its client portfolios as long-term investments and assets withdrawals may impair the achievement of a client’s investment objectives.

Portfolio additions may be in cash, cash equivalents and securities. However, the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client’s account. The Adviser may consult with its clients about the options and ramifications of transferring securities when provided pre-notification of the client’s intentions. Clients are hereby advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (*i.e.*, contingent deferred sales charge) and/or tax ramifications.

Clients may choose to make self-directed securities transactions, which are investments that are not reviewed and/or not recommended by the Adviser. In such cases, the Adviser has not passed on the suitability of said investments and while the Adviser may assist with client-directed implementation as a value-added service at the client’s request, the Adviser will not manage these types of investments unless agreed in writing.

## **9. DISCIPLINARY INFORMATION**

MFMC, its President and Adviser Representatives have not been involved in any civil, criminal, arbitration, disciplinary or other regulatory events. There is no information in the Adviser’s registration records that would impact a client’s or prospective client’s evaluation of MFMC or the integrity of its management.

MFMC, its Officers and its Adviser Representatives have not been involved in any proceedings before the SEC or any other federal, state or foreign regulatory authority. In addition, none of the aforementioned persons have been involved in any self-regulatory organization proceedings or investment-related civil litigation. Information about MFMC's Adviser Representatives is contained on ADV Part 2B Brochure Supplements.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A Registration as A Broker/Dealer or Broker/Dealer Representative**

Neither MFMC nor its Adviser Representatives are registered as a broker/dealer or as Representatives of a broker/dealer (and no such registrations are pending).

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Adviser**

Neither MFMC nor its Adviser Representatives are registered as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Adviser (and no such registrations are pending).

### **C. Registration Relationships Material to This Advisory Business and Conflicts of Interest**

MFMC does not operate and does not have a material relationship with a hedge fund or other type of private pooled investment vehicle. In addition, MFMC does not maintain material relationships with any of the following:

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- futures commission merchant, commodity pool operator, or commodity trading adviser
- banking or thrift institution
- lawyer or law firm
- insurance company or agency
- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships.

One of MFMC's Adviser Representative's, William Mack, CFP®, CFS® is President of William Mack & Associates, Inc., (WMA), a Registered Investment Adviser located in Troy Michigan (SEC# 801-42259, CRD# 107377). Mr. Mack holds in excess of 75% ownership in this unaffiliated firm and is registered as an Adviser Representative of WMA. In this capacity, Mr. Mack provides services to WMA's contracted clients. The time spent on this activity may vary throughout the year but may account for up to 25% of his time.

Neither Mr. Arvai nor MFMC hold any ownership position in WMA. The services of MFMC and WMA are separate and distinct. However, WMA has been engaged by MFMC to provide back-office administrative services to MFMC.

Frank Arvai, CPA/PFS, CFP®, is the principal stock holder of Arvai & Associates, P.C., a public accounting firm. The firm provides tax and accounting services to closely held business and to individuals. The services of the CPA firm are separate and distinct business from those provided by MFMC. Clients of MFMC have been welcome to utilize the services of the affiliated accounting firm but have never obligated to do so. Arvai & Associates' practice was purchased in 2017. Neither MFMC nor Mr. Arvai hold any ownership in the new firm. At this time, Mr. Arvai has been engaged as an independent business consultant to the new firm during the transition process. The time spent on this activity may vary throughout this engagement but may account for up to 10% of his time.

Arvai & Associates is no longer marketing its services or accepting new clients. Arvai & Associates will be wrapping up services to a few existing clients and will terminate the entity at its 2017 fiscal year end.

Mr. Arvai is a shareholder of Kornacki Trading Co., a small, privately held non-investment related company. This is a private investment only, involves no time on his part and the company does not provide services to MFMC clients.

#### **D Selection of Other Advisers or Managers**

MFMC does not utilize or recommend the services of unaffiliated investment managers. All assets are managed by MFMC.

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Item 11.A Code of Ethics**

MFMC takes the issue of regulatory compliance seriously and is committed to maintain compliance with state and applicable federal securities laws. Additionally, MFMC has a position of public trust and it is our goal to maintain that trust; provide excellent service, good investment performance; and advice that is suitable.

MFMC places great value on ethical conduct. Therefore, the ultimate goal of our internal policies is to challenge our staff to live up not only to the letter of the law, but also to the ideals set forth by the Adviser.

Clients may be familiar with the roles fiduciaries play in various legal situations and in certain industries. As a Registered Investment Adviser, MFMC is a fiduciary to each and every client. As fiduciaries, Investment Advisors owe their clients several specific duties. In accordance with SEC rules, an Investment Adviser's fiduciary duties include:

- ❖ Providing advice that is suitable;
- ❖ Providing full disclosure of material facts and potential conflicts of interest (such that the client has complete and honest disclosure in order to make an informed decision about services of the Adviser and about investment recommendations);
- ❖ The utmost and exclusive loyalty and good faith;
- ❖ Best execution of transactions under the available circumstances;
- ❖ The Adviser's reasonable care to avoid ever misleading clients;
- ❖ Only acting in the best interests of clients.



It is MFMC's policy to protect the interests of each of the Adviser's clients and to place the clients' interests first and foremost in each and every situation. MFMC will abide by honest and ethical business practices to include, but is not limited to:

- ❖ The Adviser will not induce trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account.
- ❖ MFMC will make investment decisions with reasonable grounds to believe that the decisions are suitable for the client on the basis of information furnished by the customer and we will document suitability.
- ❖ The Adviser and Adviser Representatives will not borrow money from clients.
- ❖ MFMC will not recommend the purchase of a security without the reasonable belief that the security is registered, or the security or transaction is exempt from registration in states where we provide investment advice and based upon information the Adviser receives.
- ❖ The Adviser will not recommend that the client place an order to purchase or sell a security through a broker/dealer or agent, or engage the services of a broker/dealer that is not licensed, based upon information available to the Adviser.
- ❖ The staff of the MFMC will report all required personal securities transactions to Frank Arvai, President and Chief Compliance Officer as required by SEC rules. Reportable trades for this Adviser include all but the following exceptions:
  - Transactions effected pursuant to an automatic investment plan;
  - Securities held in accounts over which the access person has no direct or indirect influence or control;
  - Transactions and holdings in direct obligations of the U.S. Government;
  - Money market instruments — bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  - Shares of money market funds;
  - Transactions and holdings in shares of mutual funds are not reportable, since the Adviser does not have a material relationship with an investment company which would otherwise require reporting;
  - Transactions in units of a unit investment trust are not reportable if the unit investment trust is invested exclusively in unaffiliated mutual funds.

All applicable securities rules and regulations will be strictly enforced. MFMC will not permit and has instituted controls against insider trading.

The Adviser emphasizes the unrestricted right of clients to decline to implement any advice rendered, in whole or part. Where MFMC is granted discretionary authority of the client's accounts, clients are welcome to set investment parameters and/or limitations in writing and such direction is followed until such time the client's instructions are amended in writing.

Adviser Representatives and administrative personnel of MFMC who do not follow the Adviser's Code of Ethics or who in any way violate securities rules and regulations, or who fail to report known or suspected violations will be disciplined or terminated, depending upon severity. The Advisers owners and personnel could also face action by the SEC and/or state securities regulators.

Clients are welcome to request a copy of the Adviser's Code of Ethics by contacting the Adviser's office.

## **B. RECOMMENDATIONS INVOLVING MATERIAL FINANCIAL INTERESTS**

MFMC does not recommend that clients buy or sell any security in which any of MFMC's related persons have a material financial interest.

## **C. INVESTING PERSONAL MONIES IN THE SAME SECURITIES AS CLIENTS**

MFMC and/or individuals associated with MFMC may have similar investment goals and objectives and as a result may buy or sell securities for their personal accounts that may be identical to or different from those recommended to clients. Thus, at times the interests of the Adviser's or staff members' accounts may coincide with the interests of clients' accounts. However, at no time will the Adviser or any related person receive an added benefit or advantage over clients with respect to these transactions nor will the Adviser nor its associated persons will not place itself in a position to have added benefit as a result of advice given to clients.

## **D. TRADING SECURITIES AT / AROUND THE SAME TIME AS CLIENTS**

MFMC its Adviser Representatives acknowledge the Adviser's fiduciary responsibility to place the investment needs of clients ahead of the Adviser and its staff. The interests of clients are held in the highest regard. At no time will the Adviser or any related person receive an added benefit or advantage over clients with respect to these transactions. The Adviser and its associated persons will not place itself in a position to have added benefit as a result of advice given to clients.

The staff of MFMC shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry.

MFMC has established trading policies for its access persons. Frank Arvai, as President and Chief Compliance Officer of MFMC, is responsible for the monitoring of personal trading conducted by staff.

# **12. BROKERAGE PRACTICES**

MFMC is not affiliated with any broker/dealer firm and MFMC's Adviser Representatives are not registered representatives of any broker/dealer.

MFMC recommends the services of Charles Schwab & Co, Inc. ("*Schwab*"), which provides custodial and account services to independent Registered Investment Advisers and their clients. MFMC participates in Schwab Adviser Services program for independent Registered Investment Advisers. The Adviser may recommend that clients establish brokerage accounts with the Schwab Institutional division of Schwab, which is a registered broker-dealer, Member SIPC/FINRA, to maintain custody of clients' assets and to effect trades for their accounts.

Schwab Institutional provides the Adviser with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. Schwab Institutional's 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. These services generally are available to independent Investment Advisers at no charge to them so long as a

total of at least \$10 million of the Adviser's clients' account assets are maintained at Schwab Institutional. Thus, the recommendation Schwab presents a conflict of interest between the Adviser and its clients. However, MFMC seeks best execution in connection with its brokerage recommendations.

MFMC believes Schwab offers excellent customer service to clients and independent Investment Advisers as well as competitive trading costs. Schwab is a large and sophisticated order sender and features broad lines of products and services that may be suitable for many types of investors with varying investable assets.

As a fiduciary, MFMC acknowledges its duty to obtain best price and execution for its clients' transactions under the available circumstances. Best execution is not determined solely by the lowest possible commission. The decision to utilize Schwab is based upon a number of factors as listed below:

- ❖ Quality of overall execution services provided;
- ❖ Reliability;
- ❖ Execution and operation capabilities;
- ❖ Promptness of execution;
- ❖ Creditworthiness, financial condition, and business reputation;
- ❖ Promptness and accuracy of reports on execution;
- ❖ Ability and willingness to correct errors;
- ❖ Promptness and accuracy of confirmation statements;
- ❖ Research (if any) provided;
- ❖ The broker-dealer's facilities and technology;
- ❖ Ability to access various market centers;
- ❖ The market where the security trades;
- ❖ Any expertise in executing trades for the particular type of security;
- ❖ Commission charged;

Schwab is a large service provider and provides support services to a large percentage of the independent investment adviser population. Schwab measures trade execution quality through a combination of factors, including but not limited to:

- Trade Execution Speed
- At-the-Quote or Better Percentage
- Price Improvement Percentage

Schwab consolidates its "best execution" responsibilities within a specialized monitoring group to provide a regular and rigorous review of the execution quality received from the venues where the firm routes equity and option orders. Additionally, for consumers seeking specific details about the service providers' execution services, the firms offer additional information about trade quality and execution via their corporation website.

Schwab indicates in their best execution policies that the firm continually monitors alternative venues to identify opportunities for improving execution quality. Schwab considers a number of factors in evaluation of execution among markets and firms, including: Execution price and opportunities for price improvement, market depth and order size, the trading characteristics of the security, speed and accuracy of executions, the availability of efficient and reliable order handling systems, liquidity and automatic execution guarantees, and service levels and the cost of executing orders at a particular market or firm. Price improvement occurs when an order is executed at a price more favorable than the displayed national best bid or offer. Schwab indicates it regularly monitors the execution quality provided through various

markets and servicing firms to help ensure orders are routed to market venues that have provided high-quality executions over time. Generally, the larger service providers (like Schwab) compare the reported executions and unexecuted orders to the National Best Bids and Offers (NBBO's) at the time of order entry and identify a subset of items that require review. Market volatility, volume and system availability may delay account access and trade executions. Price can change quickly in fast market conditions, resulting in an execution price different from the quote displayed at order entry. Execution price, speed and liquidity and account access are affected by many factors, including market volatility, size and type of order and available market centers.

The SEC requires brokerage firms to make their order routing practices publicly available. These reports provide information on routing non-directed orders (any order that the customer or Adviser has not specifically instructed to be routed to a particular venue for execution). For non-directed orders, Schwab will select the venue. Note: Brokerage firms are required to disclose any material arrangements with the venues utilized, including but not limited to any interconnection or payments for order flow arrangements.

Interested clients can view Schwab's order routing data at:

[www.schwab.com/public/schwab/nr/legal\\_compliance/important\\_notices/order\\_routing.html](http://www.schwab.com/public/schwab/nr/legal_compliance/important_notices/order_routing.html)

While it is possible that clients may pay higher commissions or transaction fees via Charles & Schwab & Co., MFMC has determined the firm currently offers the best overall value to the Adviser and its clients for the brokerage, service, and technology provided. Clients are also welcome to and encouraged to evaluate service providers before opening an account since they are welcome to select their preferred firm.

MFMC monitors Schwab's best execution documentation. At least annually, the CCO will review and evaluate Schwab's performance by reviewing commission summaries, transaction reports, and failed trades. The data will be compared to other service providers offering comparable services within the Adviser market. From time-to-time, quantitative performance data about the broker-dealer may be acquired from the broker dealers or third party evaluation services to assist the review process. The CCO will maintain records pertaining to the Adviser's best execution review.

#### **12.A(1) SOFT DOLLAR BENEFITS**

As previously noted in this section, MFMC participates in the Charles Schwab & Co. institutional service program for independent Registered Investment Advisers. While there is no direct linkage between the investment advice given and the participation in a custodial firm's institutional program, economic benefits are received by the Adviser which would not be otherwise, if the Advisor did not give advice to clients.

Generally speaking, "soft dollars" are benefits (primarily investment research and brokerage services) that investment advisers receive in exchange for directing trade activity to a particular brokerage-custodial firm. Section 28(e) of the Securities Exchange Act of 1934, as amended (15 U.S.C. § 78bb (e)), establishes a safe harbor for money managers who use client funds to purchase brokerage and research services for their managed accounts. Under Section 28(e), a money manager is protected from liability for a breach of fiduciary duty solely on the basis of having paid more than the lowest commission rate for "brokerage and research services provided by a broker-dealer," the manager determines in good faith that the amount of the commission is reasonable in relation to the value of such services.

MFMC may receive certain added benefits for utilizing Schwab, such as general research, the ability to deduct advisory fees from clients' custodial accounts, discounts on periodicals or materials,

complimentary business and compliance newsletters, and various other non-cash services. Any general research the MFMC may receive is used for the benefit of all clients.

In fulfilling its duties to its clients, MFMC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Adviser's receipt of economic benefits from a custodian (Charles Schwab & Co.) creates a conflict of interest since these benefits may influence the Adviser's choice of one firm over another (when the other firm does not furnish similar fee benefits, software access/discounts, systems support, back office administrative support or other services). However, the value of products, research and services given, is nothing extraordinary from what may be available via other custodial relationships. Therefore, the Adviser takes the position that the benefits received are negligible and customary within the advisory business and do not impair its independence in terms of service provider selection. However, the receipt of benefits does create a conflict of interest in conjunction with custodial recommendations. The following disclosure provides additional information relating to services received and who benefits (Adviser, clients or both):

**Services received that benefit clients** include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment products available through Schwab include some which MFMC might not otherwise have access to or would require a significantly higher minimum investment by our clients. MFMC, by maintaining a minimum level of managed assets with Charles Schwab & Co., may receive a waiver of fees (i.e. file download, on-line services, real time quotes, etc.) and, if applicable, discounted rates on transaction fees. While this last item benefits the Adviser, the clients also receive benefit via discounted transaction rates.

The following benefits present a conflict of interest between MFMC and its clients:

**Services that may not directly benefit clients** are those products and services that Schwab makes available to MFMC but may not directly benefit our clients or their accounts. These products and services assist the Adviser in managing and administering its clients' accounts and include investment research (both the broker/dealers' and that of third parties). MFMC may use this research to service all or some substantial number of our clients' accounts, including those maintained away from Schwab. In addition, Schwab makes available software and other technology that provides access to client account data (such as duplicate trade confirmations and account statements); facilitates trade execution and allocation of orders for multiple accounts; provides pricing and other market data, facilitates payment of advisory fees from client accounts and assists with back-office functions, recordkeeping and client reporting.

Each year, MFMC enters into an agreement with Charles Schwab & Co. through Schwab Adviser Services whereby MFMC receives a discount on PortfolioCenter® software provided by Schwab Performance Technologies® equal to \$2,500. This software provides access to client account data and other services needs as noted above. While there is no requirement to place additional assets with Schwab to retain this benefit, MFMC has this service incentive to continue to recommend Schwab to its clients. While this presents a conflict of interest between the Adviser and its clients, MFMC acknowledges that as a fiduciary, it must place the best interest of their clients first.

**Services that generally benefit only the Adviser** are those other benefits intended to help the Adviser manage and further develop its business enterprise. These services may include but are not limited to educational conferences and events as well as technology. Services also may include general compliance news, general legal and business consulting as well as publications and conferences on practice management and business succession. The service providers may also offer access to employee benefits providers and human capital consultants. The firms may also provide these services

themselves and in other cases, they will arrange for third-party vendors to provide services to the Adviser. Schwab Institutional 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 the Adviser. Schwab and other service providers may provide benefits such as occasional business entertainment of our personnel and rarely, gifts of a very nominal value. The Chief Compliance Officer monitors all gifts and other considerations given and received.

As previously noted, Schwab does not charge their Advisers clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Receipt of these service benefits present a conflict of interest between MFMC and its clients. As a fiduciary, MFMC acknowledges that it must place the best interest of their clients first.

#### **12.A(2) BROKERAGE FOR CLIENT REFERRALS**

MFMC receives no referrals from a broker/dealer or third party in exchange for recommending or using a broker/dealer or third party.

#### **12.A(3) CLIENTS DIRECTING BROKER / DEALER / CUSTODIAN**

MFMC does not accept client-directed brokerage and utilizes the services of Charles Schwab & Co., Inc.

#### **Trade Error Policy**

MFMC requires its personnel to carefully implement investment decisions. Nevertheless, if a trade error occurs, it is MFMC's policy to correct the error as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. The goal of error correction is to make the client "whole," regardless of the cost to the Adviser.

If the trade error is the result of MFMC's error, the client's transaction will be corrected and MFMC will reimburse the client for any loss resulting from an inaccurate or erroneous order. If the client's account is custodied at Charles Schwab & Co. will reimburse the client for any loss less than \$100. If a trade error occurs and it results in a gain, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain or it is not permissible for the client to retain the gain. If the gain does not remain in the client's account, Charles Schwab & Co. will donate the amount of any gain of \$100 or over to charity. Charles Schwab & Co. will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted.

#### **12.B ALLOCATION POLICIES**

MFMC will generally only assist with transactions in mutual and exchange traded funds. MFMC does not engage in block trading of securities.

## **13. REVIEW OF ACCOUNTS**

### **13.A Reviews**

Investment Management Services involve continuous and ongoing services to include monitoring and internal review of portfolio assets. Internal reviews occur no less than quarterly, however, these reviews may occur more frequently, depending upon the nature and complexity of the portfolio. Internal reviews may also occur at the time of significant deposits or withdrawals or may be triggered by market conditions, at the request of the client or other factors.

Reviews generally entail analyzing securities, various markets, investment results, and other factors. For Investment Management clients who have received financial planning services, the Adviser also offers a review of the plan or strategy, *at the request of the client*. MFMC may also review a portfolio if the client's asset allocation deviates over the targeted acceptable limits, at which time rebalancing is considered.

Individual reviews (with clients) are conducted as requested by the client. MFMC prefers clients initiate meetings (in person, via phone or other direct communication) no less than annually. However, clients are obligated to *promptly* contact MFMC when there exists a real or potential change in the clients' financial condition. *This prompt notification gives MFMC and the client the opportunity to review the new data to help ensure the designed investment strategies continue to be appropriate based on client's input and stated objectives.*

### **13.B Reviewers**

Reviews are conducted by Adviser Representatives under the Direction of Frank Arvai, CPA/PFS, CFP®, President and Chief Compliance Officer.

### **13.C Factors that may Trigger Non-Periodic Reviews of Accounts**

The timing of Internal portfolio reviews may also be guided by the underlying assets of the portfolio, individual circumstances as reasonably known by the Adviser, market conditions and the request of the client. Reviews may also be triggered by material market, economic or political events. As noted in Item B above, reviews may also be triggered by reported changes in the client's financial situation (which may include but are not limited to: Termination of employment, physical relocation, inheritance or retirement).

### **13.D CONTENT AND FREQUENCY OF REGULAR REPORTS TO CLIENTS**

Clients can expect to receive confirmation statements from all transactions and a monthly/quarterly statement, directly from their custodial firm. Charles Schwab & Co.'s quarterly reports detail account value, net change, portfolio holdings, and all account activity. The Adviser may prepare additional portfolio data or post meeting communications at the Adviser's discretion. A report will be provided, via postal mail to each client regarding his or her advisory account at least annually and more frequently if requested by the client. The report includes the current market value, rate-of-return, and the investment allocation of the account. Additionally, clients can expect to receive the customary reports from the investment company and/or Charles Schwab & Co. at least quarterly, showing the holdings in the account and any activity, as well as reports from any mutual funds in which the client may be invested. This information may be sent via postal mail or e-mail, as determined by the client's directives.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **14.A Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

MFMC does not receive any economic benefit, directly or indirectly from any third party for advice rendered to MFMC clients.

### **14.B Compensation to Non-Advisory Personnel for Client Referrals**

In accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940, MFMC may enter into written agreements with Solicitors in conjunction with providing its services. Solicitors are compensated via a portion of the advisory fee paid to MFMC (by the referred client) in accordance with a written agreement between the Adviser and the Solicitor. In all cases, MFMC absorbs this cost and the fees clients paid to MFMC are not impacted by this service. At the time of each referral, the Solicitor must provide a copy of MFMC's Form ADV 2 Brochure and a compensation disclosure document to prospective clients, as required by SEC Rule 204-3.

The principal terms of MFMC's written agreements with any Solicitor provide that solicitor activities shall be limited to gathering general information and providing a description of MFMC's services. Solicitors are engaged as independent contractors and they are not, in any way involved in MFMC's business or the Adviser's day-to-day operations. Therefore, Solicitors are prohibited from providing financial or investment advice, collecting fees or accepting investment monies on behalf of MFMC. A Solicitor shall have no authority to make, alter, modify, or discharge any contract on behalf of MFMC.

Solicitors are often engaged in other business activities. Solicitors and their business activities are separate and distinct from MFMC.

## **15. CUSTODY**

MFMC does not take custody of client accounts (funds or securities) other than the ability to deduct investment management fees from accounts (via Charles Schwab & Co.) with the client's authorization. Custody services are provided by Charles Schwab & Co. Clients can expect to receive regular account statements directly from Charles Schwab & Co. and should carefully review those statements.

MFMC will otherwise only have access to custodial accounts in order to implement trades (via limited discretionary authority) and to deduct contractually agreed upon advisory fees and only with the appropriate client authorization. It is important that clients receive custodial statements directly. If clients find that custodial account statements are not being received directly, they must promptly contact MFMC and their custodial firm.

In all cases, clients have a direct and beneficial interest in their securities (individual ownership), rather than an undivided interest in a pool of securities. Execution of transactions and custody of client funds and securities are services provided by Charles Schwab & Co.



## **16. INVESTMENT DISCRETION**

Clients grant MFMC discretionary authority by virtue of the executed MFMC Client Agreement. In addition, clients will also grant the Adviser limited discretion via their custodial account agreement. MFMC will not have authority to direct assets outside of your account.

With the aforementioned authorization, MFMC will maintain limited discretionary trading authority to execute securities transactions in the investor's portfolio within investor's designated investment objectives, to include the securities to be bought and sold, and the amount of securities to be bought and sold. MFMC will never have full power of attorney and will not have the authority to take custody of investor funds or securities other than the constructive custody associated with the deduction of contractually agreed advisory fees via Charles Schwab & Co. (with client authorization).

More significant changes, such as switching to a different strategy, would be discussed and agreed upon with the client before implementing such a change.

## **17. VOTING CLIENT SECURITIES**

MFMC does not vote proxy statements on behalf of clients. Charles Schwab & Co. will forward the proxy solicitation materials directly to you.

In the event the Adviser's proxy advice is requested, MFMC shall only furnish consultations to existing clients. MFMC will not solicit proxies from non-clients. When providing advice to clients, MFMC will disclose any significant relationship with the issuer, its affiliates or a security holder proponent of the matter on which proxy voting advice is given, as well as any material interest of the Adviser in the matter. MFMC will not accept any special fee or remuneration for furnishing the voting advice from any person other than the security holder recipient thereof. MFMC's voting advice will not be provided on behalf of any person soliciting proxies, or on behalf of a participant in an election contest subject to SEC Rule 14a-11. MFMC will never communicate with the press concerning a particular proxy. MFMC recognizes that any deviations from these stated policies may require MFMC to comply with the SEC's Proxy Registration Rules.

MFMC will not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies.

## **ITEM 18: FINANCIAL INFORMATION**

### **18.A BALANCE SHEET**

MFMC does not receive fees more than six months in advance of services and therefore is not required to include a balance sheet with this brochure.

### **18.B FINANCIAL CONDITIONS REASONABLY LIKELY TO IMPAIR THE ADVISER'S ABILITY TO MEET CONTRACTUAL COMMITMENTS TO CLIENTS**

Neither MFMC nor its management have any financial conditions that are likely to reasonably impair the Adviser's ability to meet contractual and fiduciary commitments to clients.

## **18.C BANKRUPTCY PETITIONS IN PREVIOUS TEN YEARS**

MFMC and its President have not been party to a bankruptcy petition.

## **PRIVACY POLICY**

As a federally regulated Registered Investment Adviser, MFMC is covered under the definition of a “financial institution” in the Federal Gramm-Leach-Bliley Act (the “*Act*”). The Adviser is therefore subject to Act as well as the rules of privacy imposed on Investment Advisers and other financial services firms.

Privacy of nonpublic personal information is an issue that the staff of MFMC takes seriously. To maintain compliance with Privacy Rules, every broker, dealer, investment company and Investment Adviser is required to adopt policies and procedures reasonably designed to safeguard customer and consumer records and information. MFMC has adopted a Privacy Policy to protect clients and consumers.

In its role as Investment Adviser, MFMC routinely collects nonpublic personal information from clients and prospective clients. This information generally will include but is not limited to:

- Information provided from applications, forms and other information provided to us either verbally or in writing, and include but are not limited to your name, address, phone number, account information, social security number, assets, employment, income and debt;
- Information about your transactions, accounts, trading activity and parties to transactions; health and beneficiary information (such as may pertain to planning issues);
- Information from other outside sources;
- Any other data that is deemed to be nonpublic personal information as defined by the Act and state privacy rules.

MFMC values clients’ trust and confidence. We will never sell the nonpublic personal information we obtain from consumers or clients.

All information provided by clients or prospective clients to MFMC, (including the Adviser’s personnel), and information and advice furnished by the Adviser to clients, shall be treated as confidential and shall not be disclosed to unaffiliated third parties, except: As directed by clients with written authorization, by application to facilitate the investment advisory services offered by the Adviser via an affiliated or unaffiliated financial services provider (such as the client’s custodial firm or broker/dealer), or as required by any rule, regulation or law to which the Adviser or its staff may be subject.

MFMC will share data with its affiliated CPA practice (Arvai & Associates, P.C.). Specifically, MFMC will assist the client and the CPA firm by providing necessary information the affiliate needs to provide the requested services. In addition, the affiliated CPA firm may provide client data to assist MFMC in performing its services for our shared client.

MFMC may share client data with a non-affiliated entity, William Mack & Associates, Inc., (“WMA”) as required for WMA to provide back-office administrative services to MFMC on behalf of MFMC clients.

WMA adheres to the same privacy policy as MFMC (as outlined below) as it is a federally regulated Adviser.

MFMC maintains clients records in a controlled environment and records (electronic and otherwise) are only available to authorized persons of the Adviser who have a need to access client information in order to deliver advisory services, provide administrative support, or to respond to client requests. The Adviser has made reasonable efforts and conducts periodic tests to ensure that its electronic network is hack-proof.

MFMC's position on protecting non-public personal information extends beyond the life of the MFMC client agreement. Client information is retained in a protected manner for the time period required by regulators (the fifth fiscal year end from the date of last use) and thereafter is safely destroyed via in-house shredding, e-file destruction or via a contracted secure shredding service.

Consumers (those persons who are not clients) who provide information during an initial consultation or for other purposes but do not go on to become clients of the Adviser also receive privacy protection. Original information will be promptly returned in person or via the mail if the Adviser's services are not engaged. Alternatively, if nonpublic personal information is contained in copies of documents, notes or some other media, this information will be securely filed for a period of up to one year (depending upon likelihood of engagement) before being shredded in-house or via our secure shredding service.

Clients are encouraged to discuss any questions regarding MFMC's privacy policies and procedures with Frank Arvai, President and Chief Compliance Officer.