

**FCI Advisors  
Investment Advisory Services  
Firm Disclosure Brochure  
March 21, 2024**

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This brochure provides information about the qualifications and business practices of FCI Advisors ("FCI"). If you have questions about the contents of this brochure, please contact us at: [SourceNotes@fciadvisors.com](mailto:SourceNotes@fciadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about FCI is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). FCI Advisors is a registered investment advisor. Registration with the U.S. Securities and Exchange Commission does not imply a certain level of skill or training.



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## Material Changes

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### ***Material Changes***

This document represents material changes to the annual disclosure filing for FCI Advisors last filed March 15, 2023. Annually we update our disclosures brochure to reflect changes in the business, regulatory changes and add clarity. This year we have added disclosures we believe clients would want to see and will explain them in this material changes section.

In order to add clarity to the fees we receive and the services we provide, we have added disclosures related to the fees we receive from Trust Companies who hire us to provide investment services to their clients. We have also described our new affiliates in the financial services industry.

#### Services:

FCI provides individualized, discretionary investment management services and non-discretionary investment advisory services to various categories of institutional and individual clients who contract with us directly. We provide these services and meet directly with these clients and often meet directly with the clients of our affiliated trust companies, Midwest Trust and Benefit Trust, to whom we also provide investment advisory services. Other trust companies in the Kansas City area which are also clients of Midwest Trust may ask us to meet directly with their clients. We also provide discretionary and non-discretionary sub advisory services to various entities (which include FCI affiliates Midwest Trust Company and Benefit Trust Company) such as banks, trust companies, and investment companies. In these situations the trust company or bank is our client and they determine which of their clients for whom they would like us to manage accounts. If you are the client of one of these trust companies you will likely never meet with FCI because your local trust company provides financial services directly to you supported by our investment focus. FCI also serves in an intermediary role in services offered by our affiliates. Our advisory services often include our Mutual Fund or Exchange Traded Fund Programs which help provide diversified investment solutions.

#### Fees:

If you are the client of a community trust company and you do not have an agreement directly with FCI you should contact your trust officer to determine your total fee. If FCI is managing your account we send your trust company our invoice for investment advisory services and they determine how to fee you, their client.

If you are a client of Midwest Trust Company, our affiliate, we do not charge you additional fees and Midwest Trust Company may pay us a percentage of the fee you pay them. This would also apply to other Trust Companies who have agreements with Midwest Trust for trust and investment services and with whom we meet with clients at the trust company's request. The client's trust company will collect a fee from their account and in turn pay Midwest Trust for trust and advisory services. Midwest Trust may then pay us a portion of that fee.



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Additional Affiliated companies.

We are affiliated with Midwest Institutional Trust Company and Midwest Specialized Insurance by common ownership. Midwest Institutional Trust Company provides custody and financial services to clients including corporations, insurance companies, endowments, unions and public funds. FCI provides investment services to Midwest Institutional Trust including manager research and marketing support. Midwest Specialized Insurance may provide insurance recommendations to our clients who receive wealth planning services. Insurance products may be sold by Midwest Specialized Insurance to client accounts which FCI manages. The accounts will pay fees for insurance products, these fees will be in addition to trust and investment fees.

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***Full Brochure Available***

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 913-663-0636, by email at: [SourceNotes@fciadvisors.com](mailto:SourceNotes@fciadvisors.com), or it is available on our website at [www.fciadvisors.com](http://www.fciadvisors.com)



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## Advisory Business

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### ***Firm Description***

FCI Advisors, founded in 1966, provides investment advisory services to a wide variety of clients. We are based in the Kansas City area, with offices in Overland Park, Kansas and Kansas City, Missouri. We also have offices in Clayton, Missouri; Greenwood Village, Colorado; Shelton, Connecticut; Westerville, Ohio and Vancouver, Washington. We have 68 employees, 39 of which are investment adviser registered representatives, and includes 39 investment professionals averaging nearly 27 years of experience. We are affiliated with trust companies that provide custody services to some of our clients; these companies include The Midwest Trust Company and Benefit Trust Company. These affiliations are disclosed as potential conflicts of interest in that we actively recommend our affiliates to our clients. We believe these affiliations better enable us and our affiliates to understand and meet our clients' complex needs in a more complete and cohesive manner.

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### ***Principal Owners***

FCI is wholly owned by FCI Holding Corporation which is owned by MTC Holding Corporation. MTC Holding Corporation is largely employee and director owned. Brad Bergman is a greater than 25% owner of MTC Holding Corporation.

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### ***Types of Advisory Services***

FCI provides investment supervisory services, also known as asset management services; manages investment advisory accounts involving and not involving investment supervisory services; furnishes investment advice through consultations and issues special reports about securities, markets, and the economy.

FCI provides individualized, discretionary investment management services and non-discretionary investment advisory services to various categories of institutional and individual clients who contract with us directly. We provide these services and meet directly with these clients and often meet directly with the clients of our affiliated trust companies, Midwest Trust and Benefit Trust, to whom we also provide investment advisory services. Other trust companies in the Kansas City area which are also clients of Midwest Trust may ask us to meet directly with their clients. We also provide discretionary and non-discretionary sub advisory services to various entities (which include FCI affiliates Midwest Trust Company and Benefit Trust Company) such as banks, trust companies, and investment companies. In these situations the trust company or bank is our client and they determine which of their clients for whom they would like us to manage accounts. If you are the client of one of these trust companies you will likely never meet with FCI because your local trust company provides financial services directly to you supported by our investment focus. FCI also serves in an intermediary role in services offered by our affiliates. Our advisory services often include our Mutual Fund or Exchange Traded Fund Programs which help provide diversified investment solutions.

FCI works with our affiliated trust companies to provide financial planning services. Our Wealth Planning Group helps individuals by providing guidance and education around topics such as social security benefits and health care needs in retirement. Financial Planning services for current clients are often included in our advisory services. Some Financial Planning services will carry additional fees which are discussed with the client as we pursue customized solutions for our clients and prospects.

FCI provides plan sponsors with full 3(38) fiduciary services including up to four Qualified Default Investment Alternative (QDIA) options for their plans and full discretion over investment options made available for participants. The QDIA options made available are sometimes the Benefit FCI Life Strategy Moderate Growth Fund, Benefit FCI Life Strategy Growth Fund, the Benefit FCI Life Strategy Aggressive Growth Fund, and the Benefit FCI Life Strategy Conservative Growth Fund. These are Collective Investment Funds maintained by Benefit Trust Company for the collective investment of plan assets of



qualified retirement plans. Benefit Trust Company is an affiliate of FCI and FCI serves as advisor for the Collective Funds. This arrangement presents a potential conflict of interest which FCI manages by assuring the relationship of the companies and fees are clearly communicated. FCI will not receive both an advisory fee on the Fund and on the Fund as an asset in the plan. If FCI receives an advisory fee on the share class of the collective funds used in the plan FCI will waive our advisory fee on that portion of the plan.

FCI, together with our affiliate, Midwest Trust Company (MTC), provides a Unified Managed Account ("UMA") Service. Through our UMA service, FCI provides access to both our internal investment strategies and external investment advisor strategies for our clients. Unaffiliated third party asset managers ("Managers"), as well as FCI, provide model portfolios ("Portfolios") under the UMA. FCI determines what portion of a client's assets should be in each Portfolio, and FCI implements changes in the Portfolios across client accounts.

FCI's initial evaluation of Managers and ongoing oversight is performed by our Manager Research Committee and described in the Methods of Analysis section of this brochure. If FCI determines that a Manager's Portfolio(s) ought to be included in the UMA, FCI enters into an agreement with the Manager, under which FCI pays the Manager's fees and remains responsible for obtaining Portfolio modifications from the Manager. FCI will invoice clients for the Manager's fees or charge the client's custodian if directed. FCI retains the discretion to terminate a Manager or its Portfolio from the UMA at any time.

On a discretionary basis, we work with our clients to determine the choice of Portfolios to be used in each UMA account. Portfolios may be adjusted based on specific investment policies and other investment restrictions and guidelines provided by a client. We retain the discretion to override a Manager's composition of a Portfolio for specific client needs such as tax sensitivity, social responsibility concerns, etc.

Through our agreements with the Managers, Managers provide us with the Portfolios and ongoing Portfolio modifications. We retain discretion to select the broker-dealers to execute UMA trades. Clients may direct brokerage; this arrangement will have an impact on execution. We execute the trades to bring accounts in line with Portfolios and to rebalance accounts when reasonable and adjust holdings as Managers update the Portfolios.

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### ***Tailored Relationships***

The goals and objectives for each client are documented in our accounting system and trading system and records for client restrictions and investment goals are kept in our client files. Investment policy statements may be created that reflect the stated goals and objectives of the applicable client. Clients may impose restrictions on investing in certain securities or types of securities.

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### ***Wrap Fee Programs***

FCI offers discretionary investment management services to UBS Financial Services, Incorporated Private Client Group, individuals, and institutions. These services are offered through the UBS Financial Services Inc. ("UBS") Discretionary Program (Advisor Allocation Program "AAP" clients), Separately Managed Accounts Programs (ACCESS and Managed Accounts Consulting "MAC" clients) and through the Unified Managed Accounts Program for the UBS Strategic Wealth Portfolio "SWP" clients. The AAP, ACCESS and SWP accounts are managed by using a model portfolio approach. The MAC accounts have wrapped fees but are managed through FCI direct contracts with the clients and managed to account objectives. We receive a portion of the fee each client pays to UBS.

Additionally, FCI also offers discretionary investment management services to Envestnet Asset Management, Inc., ("Envestnet"). These services are offered through the Private Wealth Management Program. The accounts are managed by using a model portfolio approach. When selected through the program, we receive a portion of the fee client pays to Envestnet.



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### **Assets Under Management**

As of December 31, 2023 FCI Advisors manages approximately \$15,083,816,669 of assets for approximately 4,940 clients. Approximately \$13,732,474,207 is managed on a discretionary basis, and \$1,351,339,462 is managed on a non-discretionary basis.

Of the \$15.08 Billion in assets under management, \$7,320,832,303 is held at affiliated custodians, Midwest Trust and Benefit Trust.

## **Fees and Compensation**

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### **Description**

FCI Advisors bases its fees on a percentage of assets under management and fixed fees. Fees are negotiable. In some cases there is a minimum fee per account.

We may waive our minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Fees, minimum fees, and minimum account sizes are negotiable and may be waived under certain circumstances.

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### **Advisory Fees**

**Annual fees for investment management for Equity and Balanced Accounts generally are as follows:**

- 1% on the first \$2,000,000 of portfolio market value
- .75 of 1% on the next \$3,000,000 of portfolio market value
- .50 of 1% on the balance of portfolio market value
- \*\*Minimum Account Fee \$1,000 per year

**Assets allocated to the SMA (Separately Managed Account) or UMA (Unified Managed Account) program will incur additional investment manager and program sponsor fees not included in the above investment advisory fee. The UMA platform provider, our affiliate Midwest Trust, will receive up to a 25 basis point platform fee.**

### **Fixed Income Accounts below \$10 Million and Preferred Stock Accounts**

- .40 of 1% on the first \$5,000,000 of portfolio market value
- .30 of 1% on the balance of the portfolio market value

### **Institutional Fixed Income Accounts (\$10 Million Minimum)**

- .30 of 1% on the first \$25,000,000 of portfolio market value
- .25 of 1% on the next \$25,000,000 of portfolio market value
- .20 of 1% on the balance of portfolio market value





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### **Institutional Equity and Balanced Accounts**

.50 of 1% on the first \$10,000,000 of portfolio market value  
.30 of 1% on the next \$25,000,000 of portfolio market value  
.20 of 1% on the balance of the portfolio market value

### **Sub-advisory Investment Management Services – Community Bank/Trust**

Non-Discretionary investment management services are provided at 35 basis points per year applied to the market value of the relationship for the Bank/Trust clients. Additional customized services including discretionary investment services and customized reporting are available for additional fees. All fees are negotiable considering the overall size of a sub advisory relationship as well as the scope of services provided to each such relationship.

If you are the client of a community trust company and you do not have an agreement directly with FCI you should contact your trust officer to determine your total fee. If FCI is managing your account, we send your trust company our invoice for investment advisory services and they determine how to fee you, their client.

If you are a client of Midwest Trust Company, our affiliate, we do not charge you additional fees and Midwest Trust Company may pay us a percentage of the fee you pay them. This would also apply to other Trust Companies who have agreements with Midwest Trust for trust and investment services and with whom we meet with clients at the trust company's request. The client's trust company will collect a fee from their account and in turn pay Midwest Trust for trust and advisory services. Midwest Trust may then pay us a portion of that fee.

### **UMA/SMA Platforms**

FCI offers model portfolios for our investment strategies on various platforms. The fees for the portfolios are negotiated with the platform provider and the end client is typically billed for our fee. Our affiliate, Midwest Trust, offers UMA services through their Manager Access Platform. We may discount our portfolio fees when delivering portfolios to clients for modeling purposes.

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### ***Fee Billing***

We allow clients to elect whether they would like us to invoice our advisory fees directly to them or if they would like to direct their custodians to calculate and pay our fees. Most of our fees are handled quarterly in advance or arrears or monthly in arrears. Other arrangements may be negotiated with clients.

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### ***Other Fees***

FCI is not a custodian so our clients will arrange payment of custodian fees with the custodian of their choice. We work with our affiliated custodians to negotiate our fees to attract clients. Other fees our clients pay include expense ratios associated with mutual funds or exchange traded funds. There are typically also fees related to trading securities such as brokerage commissions (see more information in "Brokerage Practices" on page 16) and transaction fees incurred by other handlers of the trades. Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. We believe the selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

FCI serves as financial advisor for a mutual fund and several Collective Investment Trusts (CITs). If a fund for which we serve as advisor is deemed an appropriate investment for a client of our discretionary service,



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we will waive our advisory fee for the portion of the account invested in those funds or a CIT share class selection with no advisory fee may be used instead.

Under the UMA, clients directly pay for brokerage expenses incurred to balance their account with the selected Portfolios. Managers' expenses are paid by us from fees we or MTC charge to clients. MTC will receive up to 25 basis points for providing the UMA platform.

MTC provides accounting services for FCI and will manage much of the fee collection service from clients and they will also pay the External Manager's fees.

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#### ***Refunds of Advisory Fees Paid in Advance***

If an advisory relationship begins after the first day of a fee period or terminates before the last day of a fee owed, fees are prorated accordingly. Any unearned fees which have been prepaid at the date of termination will be refunded.

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#### ***Compensation for Sale of Securities***

We do not receive compensation from the sale of securities. Some of our affiliates receive shareholder servicing fees associated with their shareholder servicing activities.

### **Performance-Based Fees**

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#### ***Sharing of Capital Gains***

Our fees are **not** based on a share of the capital gains or capital appreciation of managed securities. We do not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

### **Types of Clients**

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#### ***Description***

FCI Advisors provides investment advisory services to individuals, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. FCI provides sub advisory services for our affiliates The Midwest Trust Company and Benefit Trust Company. When we sub advise a trust company, we meet with their clients at their request. We meet regularly with the clients of Midwest Trust, Benefit Trust and Security Trust and Investments.

In addition to the sub advisory role we serve with The Midwest Trust Company as described above, FCI provides sub advisory services to banks and trust companies around the country and a variety of financial institutions. We rarely if ever meet with the clients of the community trust companies who engage our advisory services for the benefit of their clients. If you are the client of a trust company, your trust officer can explain what services the trust company has asked FCI to provide for your portfolio FCI is also a sub-advisor in the UBS and Envestnet wrap programs.

We also provide investment management services to clients using a Model Portfolio (designed for Unified Managed Account, UMA, programs) of one or more of our investment strategies. The model will be provided to banks, trust companies, other investment advisors or other institutional clients for use in management of assets. For these accounts we are not responsible for trade execution, timing of trade placement, brokerage selection, negotiation of commissions, or other fees paid by investors. We will update the model when changes are made to the investment strategies. It is up to the UMA platform client how these updates are executed across its client base.



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### ***Account Minimums***

The recommended minimum account size is:

Separate Accounts: \$250,000

Wrap Accounts:

FCI-UBS ADVISOR ALLOCATION PROGRAM Portfolios: \$100,000

FCI-UBS ACCESS Portfolios: \$100,000

FCI-UBS Strategic Wealth Portfolios: \$100,000

FCI-UBS MAC Portfolios: \$250,000

FCI-Envestnet Wrap Manager Fee Program (SMA) Portfolios: \$250,000

We have the discretion to waive account minimums. Accounts valued below the minimums noted above, and for other strategies, are most often set up when the client and the advisor anticipate the client will add additional funds to the accounts. Other exceptions will apply to employees (and employees' relatives) of FCI and of our affiliates.

UBS bills the client directly for FCI's management fees in accordance with fee schedules that are generally the same as those for separate accounts. As with separately managed accounts, fees and minimums for MAC accounts are negotiable. Additional information concerning wrap fees, commissions, UBS AAP, ACCESS and MAC programs or the Envestnet Asset Management, Inc. – WrapManager, Inc. Program are provided in the UBS Wrap Fee and Alternative Program Disclosure Brochure ("UBS Wrap Fee Disclosure Brochure") and the Envestnet Wrap Fee Program Brochure.

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

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### ***Methods of Analysis and Investment Strategies***

Security analysis methods often include charting, fundamental analysis, technical analysis, and macro analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information include Morningstar mutual fund information, Morningstar stock information, Fact Set, street research, and internet research.

### **Asset Allocation Strategy**

#### ***Investment Process***

The Asset Allocation strategy seeks to provide clients with superior long-term returns while controlling risks. Our tactical asset allocation process evaluates current market conditions and investment indicators to strategically shift or tilt our weightings versus the longer term core strategic asset allocation models. These tactical decisions are made opportunistically and are designed to increase potential relative returns or avoid shorter term risks.



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### ***Tactical Asset Allocation Weightings***

The Asset Allocation strategy establishes tactical weightings for each of the Asset Allocation models. Based on the current economic environment, monetary and fiscal policies, secular, economic, social and demographic trends as well as several technical and financial indicators, we identify the relative attractiveness of the following:

- Equity versus fixed income
- Equity style weightings: value, growth, and core
- Equity capitalization weightings: large, medium, and small
- Domestic versus foreign equities
- Developed versus emerging markets
- Real Estate Investment Trusts
- High yield securities
- Fixed income duration/yield curve analysis
- Money market
- Alternative asset classes

### **FCI Core Equity Strategy**

#### ***Investment Objective***

The FCI Core Equity strategy seeks long-term capital appreciation, investing primarily in equity securities of domestic companies. Our style is designed to meet a variety of investment objectives, including tax efficiency, as we seek to provide consistent growth of principal and to outperform the S&P 500 Stock Index net of fees with less downside risk, over rolling 3- to 5-year time periods.

#### ***Investment Strategy***

FCI's Core Equity strategy offers a unique blend of bottom-up stock selection combined with top-down sector work. The Standard & Poor's 500 Index forms the primary base universe which is then reduced to include only those companies with a market capitalization greater than \$10 billion. Since foreign domiciled companies are excluded from the S&P 500, an additional list of domestically-traded foreign securities and other exchange-traded funds is also considered. Securities are then screened within their economic sector for certain quantitative factors, including: long-term debt to capital, return on equity, revenue growth, and earnings growth. Following this quantitative fundamental screening, stocks undergo a thorough qualitative analysis focusing on the key characteristics and fundamentals of the companies. They are then subjected to a proprietary valuation analysis and an exit strategy.

The top-down sector work and analysis forms the structure of a portfolio. The eleven economic sectors are evaluated within the current economic environment and within the context of current monetary and fiscal policies and secular macro trends to identify market segments and sectors, or industries, which have the potential to outperform the market as a whole.

### **FCI Select Growth Strategy**

#### ***Investment Objective***

The FCI Select Growth strategy seeks long-term capital appreciation, primarily investing in equity securities of domestic companies. Our style is designed to meet a variety of investment objectives as we seek to



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provide consistent growth of principal and to outperform the Russell 1000 Growth Index net of fees over rolling 3-5 year time horizons.

### ***Investment Strategy***

FCI's Select Growth strategy utilizes a unique blend of top down macro-economic trends and bottom up stock selection. Using a top down approach, the advisors evaluate the current economic environment, monetary and fiscal policies, secular macro trends to identify market segments, and sectors or industries they believe have the potential to outperform the market as a whole. Our investment process begins with an initial investment universe including all U.S. listed equities that have a market capitalization greater than \$1 billion and an estimated long term growth rate greater than or equal to 7.0%. Within this initial universe, securities are screened for certain quantitative factors, including: superior sales and earnings growth relative to company's economic sector, return on capital, free cash flow, and relative valuation. Following this quantitative screening, stocks undergo a thorough qualitative analysis focusing on key competitive advantages. They are then subject to proprietary valuation analysis, price confirmation, and exit strategies.

### **FCI Equity Income Strategy**

#### ***Investment Objective***

The objective of FCI's Equity Income strategy is to outperform the Russell 1000 Value Index, net of fees over an entire market cycle, with less risk. The strategy is intended to provide investors with an above-market dividend yield as well as a growing income stream from a diversified portfolio of 35 to 45 individual securities selected from all eleven economic sectors. The portfolio is managed with low turnover to take advantage of preferential tax rates applicable to capital gains and qualified dividends. The yield target for the portfolio is at least 150% of the dividend yield of the S&P 500.

#### ***Investment Strategy***

FCI's Equity Income strategy is a dynamic, valuation-intensive investment strategy that utilizes both top down macro-economic and industry specific research as well as bottom up, stock-specific quantitative and qualitative research. The investment process employs a quantitative screening process as the starting point for creating a universe of investment candidates. Stocks that successfully pass our initial screens can generally be characterized as having a minimum market capitalization of \$1.5 billion, a dividend yield of at least 1%, and a 3 year history of dividend growth. The resulting group of securities is further ranked by a proprietary, multi-factor quantitative model that focuses on fundamental factors such as dividends, dividend growth, balance sheet strength, profitability, and valuation. The output of this screening and ranking process establishes the foundation for what we call our Working List. Working List stocks are candidates for inclusion in the portfolio and undergo rigorous fundamental analysis, both quantitative and qualitative, as well as subjective in-depth analysis focusing on factors such as dividend policy, management quality and competitive advantages. Among other reasons, changes are made to the portfolio when a company's fundamentals deteriorate or when a stock exceeds our fair value target and we believe a better opportunity exists. Among the critical exit triggers is a stock rising to the point where its dividend yield is materially below that of the market or an unfavorable stock-specific change to a company's dividend policy.

### **FCI Value Equity Strategy**

#### ***Investment Objective***

The FCI Value Equity strategy goal is to provide consistent total returns for clients through price appreciation and dividend income. Through proper diversification and stock selection, the managers strive to outperform the Russell 1000 Value Index.



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### ***Investment Strategy***

The Value Equity strategy is a multi-cap value approach to investing that employs both top down macroeconomic and industry specific research as well as bottom up stock specific research. Generally, all sectors of the economy are represented in a value equity portfolio, although the value equity team will overweight or underweight specific sectors based on our research. Stock specific research is extremely disciplined and focuses on insider activity, sales and operating income growth, return on invested capital and ultimately free cash flow generation. After passing initial screens, stocks are screened further with more intricate valuation models utilizing quantitative and qualitative factors. The strategy is not limited to domestic equities, and the portfolio will typically hold between 10-15% in international stocks. The valuation techniques used for selecting stock will generally result in adding companies to the portfolio that pay dividends.

### **FCI Fixed Income Core and Intermediate Strategies**

#### ***Investment Objective***

FCI's Core, Government Credit, Aggregate, and Intermediate fixed income investment strategies seek to deliver superior returns relative to an appropriate Benchmark over a market cycle, while limiting the risk incurred by maintaining a high credit profile. We strive to consistently move the portfolio in the direction of best opportunities while reducing the potential of a significantly negative credit event.

#### ***Investment Strategy***

FCI's Core, Government Credit, Aggregate, and Intermediate fixed income investment strategies involve employing a time-tested, disciplined investment process which combines multiple stages of active management, each of which considers aspects of fundamental, behavioral, and technical analysis.

Duration management is utilized to position the portfolio to deliver the highest return potential according to the outlook for interest rates and term-structure as determined by the firm's Fixed Income Investment Committee. Overall duration risk is limited to a 20% deviation relative to the identified benchmark. With regard to sectors within the high-grade universe, allocations are incrementally emphasized or reduced based on the Committee's assessment of return potential and the risk inherent in each. After careful analysis is performed to determine credit worthiness and relative valuation opportunities, individual issues are then selected to construct portfolios.

Employing fundamental, behavioral, and technical analysis along all stages of our investment process allows the firm's managers to have a forward-looking, three dimensional approach to the construction of client portfolios.

### **FCI All Corporate Fixed Income Strategy**

#### ***Investment Objective***

FCI's All Corporate Fixed Income strategy seeks to deliver superior returns relative to the Merrill Lynch Corporate Intermediate A+ Index over a market cycle, while limiting the risk incurred by maintaining a high credit profile. We strive to consistently move the portfolio in the direction of best opportunities while reducing the potential of a significantly negative credit event.

#### ***Investment Strategy***

The FCI All-Corporate Fixed Income strategy is designed to efficiently provide investors exposure to an actively managed, broadly diversified portfolio of investment-grade corporate bonds with maturities ranging from one to ten years. There are typically 30 to 35 individual bonds issued by large capitalization companies with deal sizes that are generally \$500 million or greater. The large issue size provides liquidity



and transparent pricing for all security holders. These positions are distributed across the maturity spectrum to maintain a steady cash flow from coupon income as well as bonds nearing maturity.

Sectors within the investment-grade corporate bond universe are incrementally emphasized or reduced based on an assessment of their risk and return potential as determined by the firm's Fixed Income Investment Committee. Macroeconomic factors and industry trends often lead to changing outlooks for various sectors. Relative value analysis compares the opportunity of one sector or industry versus another and will drive changes in the allocations. Risks are managed by continuously monitoring and limiting the strategy's concentration in any one industry group.

Individual company credit analysis is performed through a logical step-down process. The larger macroeconomic environment is first considered along with a company's specific competitive position within its industry. Financial statements are dissected and research reports reviewed in order to understand the company's generation and usage of earnings and cash flow. Financial metrics such as leverage and coverage ratios are evaluated relative to industry standards and rating thresholds. Analysis of a company's unique operating ability is considered along with execution challenges such as legal, regulatory, and political risks. Once a favorable company's credit analysis is performed and it is added to the firm's approved list, a relative value analysis is performed to identify the best opportunities for inclusion within the portfolio.

### **Mutual Fund / ETF Selection Strategy**

#### ***Investment Objective***

The Mutual Fund / ETF Selection strategy seeks to provide clients with superior long term returns while controlling risks. The Strategy's goals are to outperform appropriate benchmarks for both equities and fixed income over a full market cycle while managing risks through the construction of a well-diversified portfolio.

#### ***Investment Strategy***

The Manager Research Committee chooses appropriate mutual funds and ETFs to obtain exposure to the asset categories recommended by the Asset Allocation committee.

When analyzing potential mutual funds and ETFs for inclusion on the approved lists, the committee considers current and historical data that are relevant to sound mutual fund and ETF selection. Some of the selection criteria include: management tenure, competitive long term performance, attractive risk/reward characteristics, competitive fee structure, and adherence to style and capitalization categories. After the funds and ETFs are selected, they are monitored regarding key factors that could affect investment performance. Some of the key factors include: fund performance, fund flows, change in fund's management team or strategy, size of the fund relative to its universe, risk metrics or other qualitative factors. The Committee may choose to put a fund or ETF on the watch list for evaluation prior to removal from the approved list.

We offer an ESG (Environmental, Social and Governance) focused option in addition to our mutual fund program. While we recognize ESG factors are among all other factors researched related to companies and managers, we see an increased client interest in ESG. We have added research to identify mutual funds and ETFs containing companies for which environmental, social and governance factor sustainability ratings demonstrated these practices are fully integrated into their business practices. The Manager Research Committee is also responsible for researching managers recommended for the Manager Access Platform, using the investment process described above.





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## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face investment risks including the following:

- **Management risk.** The strategies used may fail to produce the intended results.
- **Asset allocation risk.** Allocations to the various asset classes and market sectors could cause any client account to underperform other accounts with a similar investment objective.
- **Market conditions risk.** The prices of the common stocks and other securities may decline due to market conditions and other factors, including those directly involving the issuers of securities.
- **Concentration risk.** Holding concentrated positions involves risk and is not suitable for everyone.
- **Stock risk.** Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.
- **Value investing risk.** The value approach to investing involves the risk that stocks may remain undervalued or decline in price. Value stocks as a group may be out of favor and underperform the overall equity market for a long period of time, for example, while the market concentrates on growth stocks.
- **Small and medium capitalization company risk.** Such companies may be more at risk than larger companies because, among other things, they may fall out of favor with investors, they may have limited product lines, operating history, market or financial product lines, market or financial resources, or because they may depend on limited management groups. Securities of smaller companies are often more volatile, especially in the short term, may have limited liquidity, and may be difficult to value. Smaller companies are often involved in actual or anticipated reorganizations or restructurings and it may be difficult to obtain information as to the financial conditions of smaller companies.
- **Investing in growth-oriented stocks risk.** Growth-oriented stocks may involve larger price swings and greater potential for loss than other types of investments.
- **Investing outside the U.S. risk.** Securities of issuers domiciled outside the U.S. or with significant operations outside the U.S., may lose value because of political, social, or economic developments in the country or region in which the issuer operates. These securities may also lose value due to changes in the exchange rate of the country's currency against the U.S. dollar. Securities markets in certain countries may be more volatile and/or less liquid than those in the U.S. Investments outside the U.S. may also be subject to different settlement and accounting practices and different regulatory and reporting standards than those in the U.S.
- **Options risk.** Options involve risk and are not suitable for everyone. Please see "The Characteristics and Risks of Standardized Options" brochure published by the Options Clearing Corporation for additional detail. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option.
- **Call risk.** Call risk is the proprietary risk metric incorporating option Greeks (the essential risk measures and profit/loss guideposts in option strategies), such as Delta, with momentum and technical indicators.
- **Turnover risk.** Portfolio turnover measures trading activities over a certain time period. It is usually measured as the rate at which a portfolio is replaced annually.





As transactions are usually not for free, high turnover will result in rising expenses in the form of higher trading commissions. Note that there exists a tradeoff between the transaction costs and upside potential of a transaction.

Another implication of portfolio turnover is tax-efficiency: high turnover results in frequent recognition of capital gains, which might not be optimal in the sense of optimizing after-tax returns in certain tax systems.

Low portfolio turnover is neither necessary nor sufficient for strong returns: Dramatic performance can be achieved with high turnover and low turnover does not automatically lead to superior performance (for example in times when growth stocks outperform value stocks).

- **Liquidity risk.** Liquidity risk is the risk that we may not be able to sell a security timely or at a desired price.
- **Interest rate risk.** The market value of fixed income securities in which we invest can be expected to vary inversely with changes in interest rates. Debt securities with longer maturities are subject to potentially greater price fluctuation than obligations with shorter maturities. Fluctuations in the market value of fixed income securities subsequent to their acquisition will not affect cash income from such securities but will be reflected in the securities market value. Certain segments of the equity market, particularly high dividend yielding stocks, and also preferred stocks, are subject to interest rate risk as well.
- **Duration risk.** Prices of fixed income securities with longer effective maturities are more sensitive to interest rate changes than those with shorter effective maturities.
- **Credit risk.** The issuer of the fixed income security may not be able to make interest and principal payments when due, and the issuer may not be able to make dividend payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on their obligation. The value of securities issued by companies approaching or in default will likely be significantly impaired.
- **Preferred Stock income payment risk.** Preferred stocks are generally “non-cumulative” in nature regarding their dividends. The preferred stocks can remain outstanding and paying no dividends for an indefinite or undefined period. As the company’s financial health improves, the preferred dividend can be reinstated, but with no catch up provision.
- **Prepayment and extension risk.** As interest rates decline, the issuers of certain fixed income securities may prepay principal earlier than scheduled. As interest rates increase, slower than expected principal payments may extend the average life of certain fixed income securities, locking in below-market interest rates and reducing the value of these securities.
- **Government securities risk.** It is possible that the U.S. Government could default on its obligations. It is possible that the U.S. Government would not provide financial support to its agencies or instrumentalities if it is not required to do so by law. If a U.S. Government agency or instrumentality defaults, and the U.S. Government does not stand behind the obligation, the securities prices could fall. Securities of certain U.S. Government sponsored entities, such as Freddie Mac or Fannie Mae, are neither issued nor guaranteed by the U.S. Government. The U.S. Government’s guarantee of ultimate payment of principal and timely payment of interest of any U.S. Government security does not imply that the price of the security will not fluctuate.

Alternative assets come in a variety of forms with varying degrees of risk and liquidity.

- **Alternative investment general risk.** Funds should be considered speculative and no guarantee or representation is made that a fund will be successful, produce positive returns, or achieve its



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investment objective. Funds are appropriate only for investors who can tolerate high degree of risk and do not require liquidity and can sustain a complete loss of their investment.

- Closed-end fund risk. Funds are designed primarily for long-term investors, may be non-diversified and are not intended to be public trading vehicles which differ from open-end funds where investors have the right to redeem units on a daily basis on a price based on net asset value. Closed-end funds have repurchase/redemption of shares risk where units may be purchased or redeemed at the approval of the fund's board of managers on a periodic basis.
- Limited partnerships risk. Funds may have limited transparency, be non-diversified, and hold investments for substantial periods of time and no assurance of funds realizing value and distributing to end investors in a timely manner can be made.
- Transfer of shares risk. Alternative investments may have restrictions as it relates to transferring shares to another party or entity, and may have requirements that will need to be met for board approval prior to transfer.
- Distribution risk. Amount and frequency of distributions from an alternative investment may be uncertain and at the board's discretion and cannot be assured investment results will allow a fund to make a specified level of cash distribution or increase of distribution year-to-year.
- Dilution risk. Offering of additional subscriptions into a closed-end or limited partnership fund may dilute the voting interest of existing shareholders
- Private company risk. Investments into private companies involve a high degree of business and financial risk that can result in substantial losses – operating results of private companies in a specified period are hard to predict. Additionally, Private investments may have short or limited operating history, track records, and differing accounting standards (as they are not subject to public company standards) and weak internal controls which make them highly risky to end investors with limited transparency and may result in loss.
- Direct investment risk. Direct investments by private fund managers will be reliant on the expertise of the lead manager in the investment. Direct investments are highly competitive and may be limited causing adverse selection and/or concentration in a particular fund.
- Valuation risk. Alternative investments may have internal valuation policies that differ from one manager to another which may result in underlying investment being materially inaccurately valued. Valuations may also be received on a delayed basis and may be "smoothed" relative to public market securities resulting in an understated level of risk.
- Allocation risk. Allocations across alternative investments at a fund company may not be pro-rated and, in fact, may have a level of priority resulting in material adverse effect for certain funds and investors.
- Tax risk. Tax and tax documents may be different across funds, which could delay tax documents and/or cause unexpected taxes from an alternative investment



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- **Alternative investment fees.** A fund may have substantial operating expenses not being reported, in addition to their advisory and incentive fees. Additionally, performance based fees may be calculated in a number of ways resulting in higher expenses.
  - **Key personnel risk.** There may be substantial key person risk as it relates to alternative investments, which the fund's performance is dependent on.
  - **Regulatory risk.** Some alternative investments may be excluded from SEC or investment company act requirements, and investors may not receive any protections provided by such regulatory requirements.
  - **Leverage risk.** Alternative investments may use a substantial amount of leverage even if there are regulatory maximums. Funds may use leverage at the fund level, and the underlying investment may have additional, substantial leverage resulting in a high degree of risk that may not be recognized.
  - **Blind pool risk.** Investors may not have the opportunity to evaluate alternative investments before investments are made into a fund.
  - **Geographic risk.** Alternative fund investment may be specialized or concentrated in a specific geography resulting in risk related to local regulations, laws, and economies.
  - **Secondary Investment risk.** Alternative investment managers may acquire interest from other existing investors in a limited partnership with limited negotiations or transparency around the investment pool resulting in substantial risk. Competition in secondary investment transactions may be heavy resulting in limited gain and potentially limited diversification as transactions may be based on an "all or nothing" basis.
  - **Buyout transaction risk.** May result in new enterprises that are subject to extreme volatility, require time for maturity and may require additional capital. In addition, they frequently rely on borrowing significant amounts of capital, which can increase profit potential but at the same time increase the risk of loss. Leveraged companies may be subject to restrictive financial and operating covenants. Although these investments may offer the opportunity for significant gains, such buyout investments involve a high degree of business and financial risks.
  - **Venture capital investment risk.** Private companies that have limited operating history, are attempting to develop or commercialize unproven technologies or to implement novel business plans or are not otherwise developed sufficiently to be self-sustaining financially or to become public. Although these investments may offer the opportunity for significant gains, such investments involve risks that are generally greater than the risks of investing in public or private companies that are at a later stage of development.
  - **The special situations strategies risk.** Involves investing in companies that may be in transition, out of favor, financially leveraged, stressed or distressed, or potentially troubled and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization, or liquidation. These companies may be experiencing, or are expected to experience, financial difficulties that may never be overcome. Such investments could, in certain circumstances, subject a fund to certain additional potential liabilities.



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## Disciplinary Information

### ***Legal and Disciplinary***

The firm and its employees have not been involved in legal or disciplinary events requiring disclosure here related to past or present investment clients.

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## Other Financial Industry Activities and Affiliations

### ***Financial Industry Activities and Affiliations***

Neither FCI nor our employees are registered or have an application to register as a broker-dealer, registered representative of a broker dealer, futures commission merchant, commodity pool operator, or commodity trading advisor.

FCI has **no** relationships or arrangements material to our advisory business or to our clients with any of the following:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker
- External Financial Planning Firms
- Futures commission merchant, commodity pool operator, or commodity trading advisor
- Banking or thrift institution
- Registered municipal advisor, registered security-based swap dealer, or major security-based swap participant
- Accountant or accounting firm
- Law firm
- Insurance company or agency
- Real estate broker or dealer
- Sponsor or syndicator of limited partnerships(or equivalent), excluding pooled investment vehicles

Brad Bergman, a primary owner of our holding company and other administrators at our affiliated trust companies, are lawyers. While this could present a potential conflict with clients, our affiliates strive to assure their knowledge and experience as lawyers benefit clients.

We are affiliated with Benefit Trust Company and Midwest Trust Company. These affiliates provide custodial and other services to many of our clients. Custodians provide cash equivalent vehicles for their clients. Our affiliated custodians offer several cash equivalent vehicles and earn a fee on the cash balances in these vehicles. One of these is an FDIC Insured Cash Equivalent Sweep which places client cash balances with banks providing FDIC insurance for the balances. Some of the banks included in the FDIC sweep vehicle have other business relationships with FCI and/or our affiliates.

We are affiliated with Trust Sourcing Solutions and Trust Technology Solutions, affiliates providing back office and operational support to both FCI and our affiliated custodians. These affiliations present potential conflicts of interest with our clients as we are incented to help our affiliates grow their business. We are aware of these potential conflicts and strive to make clients and potential clients aware of them. We believe these affiliations help us and our partners provide better and more complete financial services to our clients. We are also affiliated, through common ownership, to Mainstar Trust which acts as custodian for self-directed individual retirement accounts; and Private Trust Group of America which serves as an outsourcing operations center for trust companies. We are affiliated with Midwest Institutional Trust Company and Midwest Specialized Insurance by common ownership. Midwest Institutional Trust Company provides



custody and financial services to clients including corporations, insurance companies, endowments, unions and public funds. FCI provides investment services to Midwest Institutional Trust including manager research and marketing support. Midwest Specialized Insurance may provide insurance recommendations to our clients who receive wealth planning services. Insurance products may be sold by Midwest Specialized Insurance to client accounts which FCI manages. The accounts will pay fees for insurance products, these fees will be in addition to trust and investment fees.

FCI serves as financial advisor for multiple commingled funds and a mutual fund. While these relationships may seem immaterial to our advisory business, they present a potential conflict for our clients if a Fund we manage is used in client accounts. We manage this conflict by efforts to assure clients are aware of it and if a mutual fund, for which we serve as advisor, is deemed an appropriate investment for a client of our discretionary service, we will waive our advisory fee for the portion of the account invested in those funds. FCI also serves as advisor to collective funds offered by our affiliate, Benefit Trust Company. In an effort to avoid double dipping on fees we strive to waive our advisory fee or utilize the share class with no advisor fees for our clients.

Our employees have relatives active in the financial services industry at brokerage firms, mutual fund companies and other service providers to our firm. Personal relationships can influence investment and business decisions. These potential conflicts are managed by a focus on our fiduciary duty to our clients. To help manage these potential conflicts, we strive for transparency and use committee structures for investment and service provider decisions.

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

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### ***Code of Ethics***

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

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### ***Specific Areas Covered by the Code***

- Code of Ethics and Standards of Business Conduct
- Personal Trading
- Insider Trading
- Social Media Guidelines
- Political Contributions
- Gifts and Entertainment
- Rumor Mongering
- Service as an Officer or Director
- Whistleblower Policy
- Reporting Violations and Sanctions

FCI places high priority on maintaining its reputation for integrity and professionalism. Any conduct that reflects negatively on our firm's reputation will be evaluated by senior management and dealt with appropriately.

All employees shall be provided this Code initially and any time there is a material change. Employees are expected to read, comply and acknowledge receipt and understanding of this Code.



FCI actively supports the communities in which we operate and we regularly contribute to causes sponsored by charities, foundations and endowments. We provide advisory services to a broad base of clients and many times our clients may be the sponsors of fund raising efforts which we support. While we realize this presents a potential for conflicts of interest, we make every effort to assure these activities are transparent. The goal of our contributions is to benefit the communities in which we live and work and strengthen the relationships with our clients.

FCI Advisors and our personnel owe a duty of loyalty, fairness, and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. A copy of our Code of Ethics will be provided to clients and prospects on request. Contact Amy Schaff at 913-663-0636 or [SourceNotes@fciadvisors.com](mailto:SourceNotes@fciadvisors.com).

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### ***Participation or Interest in Client Transactions***

Our employees are allowed to buy or sell securities that are also held by clients. Employee trades are pre-screened to avoid conflicts with client interests. The pre-screening of employee trades, or review prior to execution, helps ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Some of our associates have FCI portfolio managers manage their accounts, these accounts are included in the pre-screening of trades. Associate accounts may be included with client accounts in model trading in highly liquid securities.

FCI serves as advisor to a mutual fund and several CITs. This presents a potential conflict to place our clients' assets in the funds. If a mutual fund for which we serve as advisor is deemed an appropriate investment for a client of our discretionary service, we will waive our advisory fee for the portion of the account invested in those funds or we may select a Fund share class that waives our advisory fee.

## **Brokerage & Trading Practices**

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### ***Selecting Brokerage Firms***

FCI Advisors does not have any affiliation with product sales firms. We first determine which brokers we would plan to use for execution services for equity trades and those most often used for bond trades. Bond availability sometimes determines a broker for bond trades. In selecting brokers and dealers for execution services, we will consider the full range and quality of a broker's or dealer's services. Factors include the broker's or dealer's reliability and financial responsibility. When relevant, we also consider the ability of the broker or dealer to effect particular securities transactions, particularly with regard to such aspects as timing, order size and execution of orders, and the research services provided by that broker or dealer that help our general portfolio management capabilities. A client may not be the direct or exclusive beneficiary of those services. While we generally seek the best price in placing orders with third party brokers or dealers, a client may not necessarily be paying the lowest price available.

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### ***Best Execution***

We strive to provide best execution for all client trades. We firmly believe best execution includes much more than price or commission. We determine which broker to use at the time the trade is reviewed at the trading desk as the trader evaluates how best to provide best execution for each trade.

FCI provides our commission schedule to our equity brokers. Our commission schedule will be provided to clients and prospects upon request. Our commission schedule will result in a client paying a commission to brokers or dealers greater than the amount another broker or dealer would have charged for effecting the same transaction. This will be done when we have determined in good faith that the commission is reasonable in relation to the value of the brokerage and/or research services provided by the broker to us. We understand that the receipt of research services from brokers creates the potential for conflicts of



interest and that we can choose a broker or dealer that provides research services, instead of one that does not. We believe this is a reasonable approach and believe our clients benefit from this approach.

Most debt securities are traded over the counter. Prices paid to dealers in these transactions generally include a "spread," the difference between the prices the dealer is willing to purchase and sell a specific security.

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### ***Research and Other Soft Dollar Benefits***

FCI receives "street research" or research directly from specific Wall Street firms from virtually all of our equity brokers and many of our bond brokers. We also receive research from firms with whom we do not trade. We use CAPIS, and Instinet Brokerage Services for soft dollar administration. The commission credit from trades done with these firms is then used to pay for "third party research".

FCI receives a variety of research services and information on many topics, which we use in connection with our investment management responsibilities for our accounts. These topics include: issuers, industries, securities, economic factors and trends, portfolio strategy, statistical information, market data, earnings estimates, credit analysis, risk measurement analysis, and other information which may affect the U.S. or foreign economies, security prices, or management of the portfolio. The research services may include written reports, pricing and appraisal services, analysis of issues raised in proxy statements, portfolio attribution and monitoring services, software and access charges which are directly related to investment research. Research services may be received in the form of written reports, on-line services, telephone contacts and personal meetings with security analysts, economists, corporate and industry spokespersons and government representatives. When using commissions to pay for research services, services that are generated by third parties are provided by or through the brokerage firm to which the commissions are paid. This research is used widely within the firm and benefits all investment strategy groups and our manager research, asset allocation, our outlooks and our general investment advisory services. Clients with or without trades generating soft dollar commissions will receive research benefit.

In some cases, services may be used which are partly research and partly not research and are allocated between research and non-research, with the portion allocated to research being paid for through commission dollars, and FCI making a cash payment attributable to the non-research aspect of the service. We believe the soft dollar products and services we use aid in investment decision making and qualify for safe harbor in section 28(e) of the Securities and Exchange Act of 1934.

Research services received from brokers and dealers are supplemental to our own research efforts and, when utilized, are subject to internal analysis before being incorporated into our investment process. As a practical matter, it would not be possible for us to generate all of the information presently provided by brokers and dealers.

We may receive certain research or execution services in connection with transactions; we may purchase securities at a higher price or sell securities at a lower price than would otherwise be paid if no weight was attributed to the research services provided by the executing dealer.

We may also engage in agency transactions in over-the-counter equity and debt securities in return for the types of research and execution services discussed above. These transactions are entered into with procedures that are designed to ensure that the transaction is at least as favorable to the client as it would have been if affected directly with a market-maker that did not provide research or execution services.

We do **not** direct client trades to any particular broker in exchange for client referrals from brokers or a third party.





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### ***Directed Brokerage***

We do **not** recommend, request or require that our clients direct us to use a particular broker. We do permit clients to direct us to use specific brokers for the trades in their accounts. Clients who do so should understand this does not allow us to seek best execution for the trades in their accounts.

For those client accounts that direct us to execute all or a portion of account transactions through one or more named broker-dealer(s), commission rates are generally determined by the client and broker-dealer. When a client directs us to use a particular broker-dealer: (a) the client may be unable to obtain a more favorable price as a result of transaction volume, since the directed transactions may not be included in any aggregation of other clients' orders, and (b) the client may pay higher transaction costs, including commissions, than they otherwise would have had they not designated a particular broker-dealer. For these reasons, among others, if a client has directed us to use a particular broker-dealer, this may result in a client receiving a less favorable execution. We may engage in transactions with a non-directed broker, on occasion, to improve the negative impact of less favorable execution for directed trades. Under its sub-advisory agreement with The Midwest Trust Company (MTC), MTC may direct us to execute transactions for MTC's trust and advisory accounts through one or more broker/dealers with whom MTC has arrangements for the provision to MTC of brokerage and research services. The discussion in (a) and (b) above is applicable to the MTC accounts. Clients who direct us to use particular brokers should expect their trades may be completed after those where we are attempting to achieve best execution.

We do **not** allocate the relative costs or benefits of research among our clients because we believe that the research received is, in the aggregate, of assistance in fulfilling our responsibilities to our clients. The research may be used for the benefit of all of our accounts and not just those for which trades are executed.

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### ***Order Aggregation & Allocation***

Investment decisions for each client account are made independently from those of other client accounts we manage. If we believe that the purchase or sale of the same security is in the best interest of more than one client, we often aggregate the securities to be sold or purchased to obtain a favorable execution or lower brokerage commissions.

Although some accounts may be managed collectively by more than one of our portfolio managers and investment ideas may be shared, generally each portfolio manager trades the accounts he or she manages separately from other portfolio managers' accounts. Thus, aggregation and allocation of orders typically occurs within a portfolio manager's group of accounts. Each portfolio manager generally endeavors to place orders for the purchase or sale of a security for accounts with similar risk profiles through our trading desk on the same day. Portfolio managers may delay or accelerate the placement of orders for a particular account in certain circumstances. These include specific client objectives, cash needs or reserves, tax considerations, or sensitivity to frequency of transactions in a portfolio.

Because IPO's (Initial Public Offerings) are frequently limited in size and availability, we typically will not participate in IPO's without client direction. If we were active in an IPO, our allocation procedures would apply.

Transactions executed on the same day through the same broker-dealer in a specific security may not be accomplished for all client accounts at the same time or at the same price. When a block trade is executed the brokers may average the executions to arrive at an average price that is applied to every account in the block.

In some instances, the procedures described above may adversely affect the size of the position or the price paid or received by the client, as compared with the position size or price which would have been received had no aggregation occurred.

If we did not aggregate client trade orders many clients would pay higher brokerage commissions than they pay when blocked with other client trades. Occasionally, trades are partially filled at market close. If over





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20% of the original order is filled, a pro-rata allocation is done. If 20% or less is filled, we use a random allocation process. This automated process includes only orders that could be completely filled in a random allocation of the available shares. This helps us avoid accounts receiving small odd lot allocations. FCI does not engage in agency cross trades or principal trading (excluding error resolution trades in the error processing account).

Some securities have more demand than supply. Municipal bonds are a good example of this. If a bond with limited availability is sold from our clients' accounts, our traders put the bond out for bid and select the best bid for the selling client(s). If the trader has open buy orders for such a bond he may ask the broker with the winning bid if they would like to extend an offer to us on the bond. If the offer is reasonable, and supports our efforts to achieve best execution, we often buy the bond to fill open purchase orders. If the price is unreasonable we will continue to look elsewhere to fill the buy orders. This activity has the potential to create conflicts between client accounts if proper best execution processes are not in place. We are very aware of this potential conflict and have procedures in place to assist as we strive to manage such conflicts.

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### ***Error Treatment***

The correction of trade errors differs between custodians based on their internal practices. It is our procedure, in all cases, to assure the client account is made whole. In some cases, any inadvertent profits derived from the trade error may be maintained in a gain/loss account and used to offset future losses. This effort to correct errors may result in securities transactions involving both the client accounts and the error account maintained at the custodian. Errors are treated this way at our affiliated custodians. This presents a potential for conflicts of interest between us or our affiliates and clients. Aware of this potential, we train staff on recognizing and reporting errors and we review error treatment carefully to assure the clients are made whole.

## **Review of Accounts**

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### ***Periodic Reviews***

Each individual portfolio is assigned to a primary portfolio manager. The primary manager is responsible for the day-to-day supervision of that account. Often a secondary portfolio manager also is assigned in order to provide back-up in case of illness, vacation, etc. Portfolio Managers periodically review client portfolios for the proper asset mix, suitability of investments, objectives, and other such factors. We utilize portfolio management and compliance systems to assist in this continual oversight of client portfolios.

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### ***Review Triggers***

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation. When portfolio management oversight identifies a variance from target asset allocation, concentrations that have not been addressed, or other risk factors in accounts the portfolio managers are prompted to review, and address the specific account issues. Referrals from compliance testing may also prompt a review.

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### ***Regular Reports***

Unless we are directed otherwise, clients who have signed advisory contracts directly with us may receive a quarterly report that includes a review of their holdings, and some brief comments by the primary portfolio manager. Clients should also receive from their custodian, at least quarterly, statements of account activity, holdings and values. In addition, we periodically communicate to our clients our opinions about the financial markets and give a more in-depth report about our investment strategies. We strive to have a periodic personal meeting with each direct advisory client to review investment strategies and investment



objectives for each account. We communicate with our clients in person, by phone, through e-mail, via text (for password resets and ancillary information such as meetings, lunch, current events, and other general information) and through conventional mail.

## **Client Referrals and Other Compensation**

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### ***Economic Benefit***

Some clients who receive our sub advisory services have instructed us to invoice their soft dollar broker for our fees. Client fees (a portion or all) are then, received from the broker. We receive nothing in addition to investment advisory fees in these arrangements.

FCI has been fortunate to receive many client referrals over the years. The referrals come from current clients, estate planning attorneys, accountants, employees, personal friends of employees, and other similar sources.

### ***Client Referrals***

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Occasionally, clients are referred to FCI by persons other than FCI employees. FCI may compensate such individuals or firms. The compensation to individuals will generally be based upon 15% of the management fee for so long as the client remains a client of FCI. However, these compensation arrangements vary. Any outside referral arrangements are pursuant to a written agreement and disclosure statement consistent with requirements of the Investment Advisers Act of 1940.

We require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that requires the client acknowledge receipt of our disclosure document and provides the following information:

- The Solicitor's name and relationship with our firm;
- The fact that the Solicitor is being paid a referral fee;
- The amount of the fee; and
- Whether the fee paid to us by the client will be increased above our normal in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

When FCI employees or affiliate employees are instrumental in referring clients to FCI, we often pay a portion of our advisory fee to said staff. This does not increase client advisory fees. FCI employees are encouraged to attract and retain clients while providing premier investment advisory and client services.

## **Custody**

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### ***Account Statements***

All assets are held at qualified custodians, which mean the custodians should provide account statements directly to clients at their address of record. In addition to the periodic statements that clients receive directly from their custodians, we also send our non-custodial account statements directly to our clients on a quarterly basis unless directed otherwise by the client. We urge our clients to carefully compare the information provided on these statements to their custodian statements to ensure that all account transactions, holdings, and values are correct and current. Our firm does not have actual or constructive custody of client accounts. Due to our affiliation with Midwest Trust Company we disclose we have custody and engage a public accountant to perform an annual surprise exam, consistent with the custody rule.



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When our clients choose unaffiliated custody at Schwab, Fidelity or other custodians they may direct their custodian to allow our fees to be deducted from their accounts.

#### Standing Letters of Authorization (SLOA) and custody

Some of our clients who have chosen Schwab as their custodian have executed Standing Letters of Authorization (SLOA) for us to move money from their accounts to a third party and under the SLOA it authorizes us to designate the amount and or timing of the transfers with the custodian. We do not have a beneficial interest on any of the accounts we are deemed to have Custody due to SLOAs on file. In addition, account statements reflecting all activity on the accounts are provided directly from the qualified custodian to each client or the client's independent representative at least quarterly.

## Investment Discretion

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### ***Discretionary and Non-Discretionary Investment Advisory Services***

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us instructions regarding specific restrictions or guidelines. These are typically provided in an investment policy statement. Clients may also change/amend such limitations by once again providing us with instructions.

We also provide non-discretionary asset management services.

## Voting Client Securities

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### ***Proxy Votes***

Unless the advisory contract or client's direction designates otherwise, FCI Advisors votes proxies for securities over which it maintains discretionary authority consistent with our proxy voting policy.

In summary, FCI, as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting, and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies, and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. Below you will find FCI's Proxy Voting Guidelines.

### ***Proxy Voting Guidelines***

Rule 206(4)-6 issued by the U.S. Securities and Exchange Commission relates to proxy voting by investment advisors. This rule mandates that an advisor voting proxies for its clients maintain written proxy voting guidelines and disclose these guidelines and its voting record to their clients. As quoted below, it is deemed "a fraudulent, deceptive, or manipulative act for an investment adviser to exercise voting authority with respect to client securities, unless

- i) the adviser has adopted and implemented written policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the best interests of its clients,
- ii) the adviser describes its proxy voting procedures to its clients and provides copies on request, and



- iii) the adviser discloses to clients how they may obtain information on how the adviser voted their proxies."

Investment advisors have discretionary authority to manage a significant amount of assets on behalf of their clients. This enormous voting power gives advisors significant ability collectively, and in many cases individually, to affect the outcome of shareholder votes and influence the governance of corporations. Advisors as a group can thus affect the future of corporations and the future value of the securities of those corporations. Understanding the responsibilities that an adviser has as a fiduciary to vote its clients' proxies wisely and in the clients' best interest, FCI has adopted the following policies and procedures for proxy voting with regard to companies in the investment portfolios of our clients.

### ***Proxy Voting Process***

It is stated in each Investment Management Agreement whether or not FCI has the fiduciary responsibility to vote proxies for specific clients. Custodians may be directed to send proxy ballots to the clients themselves. In the case of trust accounts, the custodian is often also a trustee and as such may handle the proxy voting for those accounts.

Proxy voting is overseen at FCI by senior portfolio managers, currently Val Schaff, CFA. FCI uses proxy voting services run by Proxy Trust, which monitors proxy proposals for the companies which are held in the portfolios of FCI clients. Proxy Trust, with information provided to them by custodians for FCI clients on number of shares owned, issues aggregated ballots for each proxy proposal put forward at these companies. FCI is then able to vote online with one vote (or multiple votes if appropriate) on each aggregated proxy ballot. Use of Proxy Trust helps ensure that FCI will not overlook any proxy proposals and helps us to monitor the shares over which we have voting authority.

It is FCI's intention to vote all proxy proposals in a timely manner, unless abstaining on a particular ballot is seen to be in the best interests of the shareholders. In some instances, a proxy vote may present a conflict between the interests of a client, on the one hand, and our interests or the interests of a person affiliated with us, on the other. In such a case, we will disclose this conflict to our clients when it arises and obtain their consents before voting. All proxies that contain only routine director and auditor votes are voted automatically on our behalf by Proxy Trust. We have arranged for electronic retention and retrieval of all voting records with Proxy Trust.

### ***Voting Guidelines***

FCI realizes that no set of proxy voting guidelines can anticipate all situations that may arise. The guidelines below are simply a summary of how proxies will be voted on general topics.

### ***Routine Business Decisions***

In matters which FCI considers routine business (e.g., election of non-contested directors, name changes, company fiscal year, and annual meeting date proposals, etc.), it will be our general policy to support management's recommendations, absent a particular reason to the contrary. Votes for directors in a contested election will be considered on a case by case basis.

The election of a company's board of directors is one of the most fundamental rights held by shareholders. Because a classified board structure prevents shareholders from electing a full slate of directors annually, we will generally support efforts to declassify boards or other measures that permit shareholders to remove a majority of directors at any time, and will generally oppose efforts to adopt classified board structures.

### ***Corporate Governance***

FCI will vote for all measures that act to increase the independence of the Board of Directors and for confidential voting.



In addition, we believe that the relationship between a company and its auditors should be limited primarily to the audit engagement, although it may include certain closely related activities that do not raise an appearance of impaired independence. We will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with a company to determine whether we believe independence has been, or could be, compromised.

### ***Equity-based Compensation Plans***

We believe that appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of shareholders and the interests of directors, management, and employees by providing incentives to increase shareholder value. Conversely, we are opposed to plans that substantially dilute ownership interests in the company, provide participants with excessive awards, or have inherently objectionable structural features.

We will generally support measures intended to increase stock ownership by executives and the use of employee stock purchase plans to increase company stock ownership by employees. These may include:

- 1) Requiring senior executives to hold stock in a company.
- 2) Requiring stock acquired through option exercise to be held for a certain period of time.
- 3) Using restricted stock grants instead of options.
- 4) Awards based on non-discretionary grants specified by the plan's terms rather than subject to managements discretion.

While we evaluate plans on a case-by-case basis, we will generally oppose plans that have the following features:

- 1) Annual option grants that would exceed 2% of outstanding shares.
- 2) Ability to issue options with an exercise price below the stock's current market price.
- 3) Automatic share replenishment ("evergreen") feature.
- 4) Authorization to permit the board of directors to materially amend a plan without shareholder approval.
- 5) Authorizes the re-pricing of stock options or the cancellation and exchange of options without shareholder approval.

These are guidelines, and we consider other factors, such as the nature of the industry and size of the company, when assessing a plan's impact on ownership interests.

### ***Corporate Structure***

We view the exercise of shareholders' rights, including the rights to act by written consent, to call special meetings, and to remove directors, to be fundamental to good corporate governance.

We generally believe shareholders should be able to approve or reject changes to a company's by-laws by a simple majority vote. Obviously this is impacted when classes of common stock with unequal voting rights limit the rights of certain shareholders; we generally believe this should be taken into consideration when share class selection is made by the shareholders.

Because the requirement of a supermajority vote can limit the ability of shareholders to effect change, we will support proposals to remove super-majority (typically from 66.7% to 80%) voting requirements for certain types of proposals and oppose proposals to impose super-majority requirements.

### ***Shareholder Rights Plans***



While we recognize that there are arguments both in favor of and against shareholder rights plans, also known as poison pills, such measures may tend to entrench current management, which we generally consider to have a negative impact on shareholder value.

We believe the best approach is for a company to seek shareholder approval of rights plans and we generally support shareholder resolutions requesting that shareholders be given the opportunity to vote on the adoption of rights plans.

We will rarely support poison pill provisions, but will consider such plans on a case by case basis.

#### ***Proxy Trust and Institutional Shareholder Services (ISS)***

Proxy Trust has established a relationship with Institutional Shareholder Services (ISS) to enable the automatic voting of proxies in line with the ISS guidelines and recommendations. FCI reviews these guidelines on at least an annual basis to ensure they are consistent with our policies.

#### ***Client Information***

A copy of these Proxy Voting Policies and Procedures is available to our clients, without charge, upon request, by e-mailing your request to [sourcenotes@fciadvisors.com](mailto:sourcenotes@fciadvisors.com). In addition, we will provide each client, without charge, upon request, information regarding the proxy votes cast by us with regard to the client's securities.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

After reviewing our proxy policies, procedures and voting guidelines clients may elect to vote their own proxies. Occasionally, clients may notify us (at [SourceNotes@fciadvisors.com](mailto:SourceNotes@fciadvisors.com)) well in advance of a proxy voting deadline, if they want to direct us how to vote their shares.

If on more than an occasional basis clients wish to direct us to vote contrary to our guidelines we recommend they have all proxy materials sent directly to them for voting.

## **Financial Information**

### ***Financial Condition***

FCI Advisors does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

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

FCI has not been the subject of a bankruptcy petition since founded in 1966.

FCI has a line of credit, used for working capital, through a local bank and trust company. While the bank is not a direct client, FCI provides advisory services to trust clients of this bank and trust company through our sub-advisory services relationship with Midwest Trust Company.



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## Privacy Notice

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Since 1966, we at FCI Advisors have been building relationships with our clients. These relationships have been built on trust and commitment. You have trusted us with your personal information and we are committed to keeping that trust.

FCI has always treated personal information as confidential, even though the world of information storage and protection has changed dramatically. Today, data can be stored and transmitted in ways we never would have imagined when FCI was founded. But technology, even with all its amazing capabilities, does not change our commitment or our responsibility to you, our client. We value our relationships highly and protect them in every way that we can. This protection begins with our treatment of the personal information you have chosen to share with us. We believe that you have the right to understand the ways in which we do that.

### ***What information is, or may be, collected from you?***

“Nonpublic personal information” is information that we obtain from you in the course of acting as your investment advisor. Examples of this type of information include:

- Personal information such as name, address, phone number, date of birth and social security numbers.
- Financial information such as income, net worth, risk tolerance, account numbers, tax bracket, assets and liabilities.
- Personal family information such as names, addresses and dates of birth of family members.

### ***How is information collected?***

We might collect nonpublic personal information about you from several sources:

- Directly from you through meetings and phone calls.
- From your account applications, advisory contracts and other forms.
- From non-affiliated third parties such as your accountant, your attorney, or other professionals.
- From members of your family.
- From information received directly from your account custodians.

(Please note that we will not share any of your personal information with your attorney, accountant, other industry professionals, or family members without your prior permission. You may give us this permission by indicating your wishes on your advisory contract or by informing us in writing.)

### ***With whom will we share your information?***

We use your personal information in ways that help us to manage or administer your account. For example, we will use the information we have about you to process your requests and transactions, to provide you with additional information about your account, our services or services of an affiliate, or to evaluate your financial needs. We also use your information in ways that help us administer our business. To do this, we may share your information with:

- Your account custodians.
- An affiliate with whom we contract for operational and account administration purposes.
- A service designed to administer the proxy-voting process in accounts for whom we vote proxies.





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- Individuals with whom you have directed us to speak (such as your accountant, your attorney, or family members).
  - Our accountants for performance verification and annual audits.
  - Other consultants that we may hire from time to time to review our business and regulatory practices.
  - Regulators (such as the U.S. Securities and Exchange Commission and other law enforcement authorities when we are required to disclose your information by law).

We do not sell personal information to anyone. We will not disclose any of your personally identifiable information to nonaffiliated third parties unless we have your permission. Individuals or companies that we may hire to provide additional services are required to conform to our privacy standards.

***What about email?***

If you request it, we will communicate with you using email. Please keep in mind that we cannot guarantee the security of information you submit to us when it travels across the Internet. We have implemented a secure email solution that is available for your secure information to or from us. Contact our office for more information.

***How do we protect your personal information?***

All FCI employees are bound by a code of ethics that includes the responsibility to protect the confidentiality of client information. Only those employees who need nonpublic personal information about clients to do their jobs are given access to this information. We maintain physical, electronic, and procedural safeguards (such as passwords, locked files, electronic firewalls, and employee education) to guard your nonpublic personal information. We maintain a robust Information Security Program designed to protect your information in this time of ever evolving cybersecurity and information security risks.

***When should you contact us?***

We will continue to evaluate our efforts to protect your personal information and ensure that it is kept accurate and current. If you find any error in your personal information, need to make a change to that information, or have any questions about our policies, please contact us.

***What happens if we change our privacy policies?***

We reserve the right to change or update our policies. If we adopt material changes to our privacy policies, we will provide you with a new notice reflecting the new policies. We will never provide any confidential information to anyone other than those listed above without first giving you the opportunity to say no.