



Financial Security Management

————— A Registered Investment Advisor —————

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**FORM ADV PART 2A
BROCHURE**

This brochure provides information about the qualifications and business practices of Financial Security Management, Inc. If you have any questions about the contents of this brochure, please contact us at 303.988.1411. 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 Financial Security Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Financial Security Management, Inc. is 116570.

Financial Security Management, Inc. is a registered investment advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

Summary of Material Changes

Set for below is a summary of material changes in this brochure since our last annual update on January 27, 2023:

- Item 4 was updated to clarify asset allocations included in client portfolios.
- Item 4 was updated to include disclosure around rollovers.
- Item 7 was updated to clarify types of clients that investment advisory services are offered to.
- Item 15 was updated to include the use of Standing Letters of Authorization.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated on the cover page or you may contact our Chief Compliance Officer (CCO) at 303.988.1411 or CCO@fsm-inc.com.

We encourage you to read this document in its entirety.

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ITEM 4. ADVISORY BUSINESS

Financial Security Management, Inc. ("FSM") is a registered investment adviser based in Lakewood, Colorado. This disclosure document is being offered to you in connection with the investment advisory services we provide. It discloses information about the services we provide and the manner in which those services are made available to you, the client.

We are organized as a corporation under the laws of the State of Colorado. We have been providing investment advisory services since 1995. Jeffrey Larkin is the principal owner and a shareholder of our firm. Jeffrey Torrison is also a shareholder but is no longer employed by FSM and is not active in the day-to-day operations of the firm. Lori Miller is the Vice President of FSM. Amy Terry is the Secretary of FSM.

We are committed to helping clients build, manage, and preserve their wealth while providing assistance focused on achieving their stated financial goals. We may offer an initial complimentary meeting at our discretion; however, investment advisory services are initiated only after you and FSM execute an Investment Management or Consulting Services Agreement.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our" and "us" refer to Financial Security Management, Inc., and the words "you," "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term "associated person" throughout this brochure. As used in this brochure, our associated persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Investment Management and Supervision Services

We offer discretionary and non-discretionary investment management and investment supervisory services for a fee based on a percentage of your assets under management. These services include investment analysis, allocation of investments, quarterly portfolio statements and ongoing monitoring services for the portfolio.

We determine your portfolio composition based on your needs, portfolio restrictions (if any), financial goals and risk tolerances. We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, time horizons, and any restrictions on investing. This enables us to determine the portfolio best suited for your investment objective and needs.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we may recommend and/or engage the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professionals.

For accounts designated as "non-discretionary," FSM will render investment advice and recommendations, but all investment decisions will be made by you, the client. No purchase, sale, or other transaction(s) will be made with respect to any security or other assets in the Account without your authorization. You retain control over all investment decisions in your Account. You have the discretion to follow, or not to follow the investment advice provided to you by FSM.

Once we have determined the types of investments to be included in your portfolio, and allocated them, we will provide ongoing portfolio review and management services. Allocations may be made among cash and money market funds, equities, ETFs, bonds, U.S. government treasuries, mutual funds within the same family or group of mutual funds or among different mutual fund families. All of which are considered asset allocation categories for the client's investment strategy. Funds to be managed by our firm may be invested by establishing an account registered in your own name at a qualified custodian.

We will rebalance the portfolio, as we deem appropriate, to meet your financial objectives. Our advisory services are tailored to meet your individual needs. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

While our advisory services are tailored to you as an individual, when using mutual funds, it is difficult for us to ensure that your portfolio will not invest in a particular industry or security. However, we are happy to discuss your preferences and we will try, as much as possible, to accommodate them.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that may adversely affect an account's performance. This could result in capital losses in your account.

For assets held in a 401k account through your employer our supervision shall be limited to recommending the potential purchase of investments for your account or sale of investments in your account; which in each case we believe in good faith, would be appropriate for your account in light of the agreed-upon investment objectives and restrictions. Client acknowledges that client is solely responsible for all purchases and sales made in the client's 401k account.

Financial Planning Services

Financial advisory services provided by us may include the analysis of your situation and assistance in identifying and implementing appropriate financial planning and investment management techniques to help you meet your specific financial objectives. Such services may include a written financial analysis and specific or general investment and/or planning recommendations.

In preparing your financial plan, we may address five areas of financial planning. These include: financial planning, money management, tax, legal and insurance orchestration.

Our specific services in preparing your plan may include:

- Review and clarification of your financial goals.
- Assessment of your overall financial position.
- Creation of a unique plan for each of your goals.
- Development of a goal-oriented investment.
- Design of a complete risk management plan.
- Crafting and implementation, in conjunction with your estate and/or corporate attorneys as tax advisor, of an estate plan to provide for you and/or your heirs in the event of an incapacity or death.
- Assisting in the development of a retirement plan, risk management plan and succession plan for your business, if applicable.

Retirement Plan Advisory Services

The Retirement Plan Advisory Services we offer help employer plan sponsors to establish, monitor and review their company's retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment selection and monitoring plan structure and participant education. We offer management of 401(k) accounts, profit sharing plans and defined contribution plans, on a plan level by managing the investment line-up making changes as necessary.

Plan Level

We will establish the plan's needs and objectives through an initial meeting to collect data, review plan information and assist in developing or updating the plan's provision. Ongoing services may include recommendations regarding the selection and review of unaffiliated mutual funds that, in the Firm's judgment, are suitable for plan assets to be invested. We periodically review the investment options selected and make recommendations to keep or replace plans investment options as appropriate. We perform a comprehensive review of investment options and will assist with converting from incumbent service providers to a new service provider if appropriate.

We will provide quarterly recommendations for the plan's investment allocation. Upon receipt we will review the investment options and provide positions for accounts in accordance with the management style chosen by the client. Analysis is provided for each fund held by the Plan. Clients are responsible for making the fund changes within the account.

Participant Level

We can also be engaged to provide financial education to plan participants. The scope of education provided to participants will not constitute "investment advice" within the meaning of ERISA and participant education will relate to general principles for investing and information about the investment options currently in the plan. We may also participate in initial enrollment meetings and periodic workshops and enrollment meetings for new participant.

Retirement Plan Allocation Advice

FSM will also assist Client in the development, review, evaluation and monitoring of Client assets in a Client's existing retirement plan. FSM will evaluate Client's investments and offer recommendations to Client concerning those assets. FSM may also provide information on the underlying investments, the Fund's managers, capitalization, investment style, expenses, portfolio composition and other factors relevant to the assets. The advice will be based solely on information requested by FSM and (i) provided by Client, or (ii) provided by the custodian, at Client's direction, or (iii) made available to FSM through various third-party data sources. FSM shall not be responsible for the accuracy of the information supplied by the custodian or other third parties or for errors in reports arising solely from such information. If, as a result of review and analysis, FSM believes an investment option should be removed, FSM may recommend a replacement for consideration. Refer to Exhibit A for specific services.

There are no additional fees to Client for the Retirement Plan Consulting.

Client understands that they have sole responsibility for determining whether to implement any recommendations made by FSM during any personal consultation. Client also understands that they are solely responsible for all commissions and other transaction charges and any charge relating to brokerage, banking, custodial, or insurance services. These charges are independent and separate from fees charged by FSM. FSM will not provide continuous and ongoing supervision of the assets in your retirement plan.

Disclosure Regarding Rollover Recommendations

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We must act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

A client or prospect leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) rollover to an

Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). Our Firm may recommend an investor roll over plan assets to an IRA for which our Firm provides investment advisory services. As a result, our Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to our Firm. Our Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that our Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that our Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan’s investment professionals versus those of our Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. Our Firm’s Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding the oversight.

LEGACY MANAGEMENT SERVICES

Our Firm may advise a Client about legacy positions or other investments in Client portfolios. Clients can limit or restrict our trading in these positions.

Tax Preparation and Bookkeeping

We also offer tax preparation services. These services include:

- Individual Tax Preparation and Planning
- Business Start Up, Counsel and Corporate Taxes
- Income, Gift and Estate Tax Returns
- Representation before the IRS
- Relocation Tax Issues

Our bookkeeping services include:

- Profit/Loss and Balance Sheet Preparation
- Payroll Preparation
- Sales Tax Computation
- Business Consulting

Insurance

Financial Security Management is a licensed insurance agency with the State of Colorado. As such, certain Investment Advisor Representatives (IARs) of FSM will be compensated for selling insurance products to clients to whom our investment advisory services are offered. A portion of our IARs’ time is spent in connection with these activities.

Consulting Services

We also provide clients investment advice on a more limited basis on one or more isolated areas of concern such as estate planning, real estate, retirement planning, or any other specific topic. Additionally, we may provide advice on non-securities matters in connection with the rendering of estate planning, insurance, real estate, and/or annuity advice.

Wrap Fee Programs

We do not place client assets into a wrap fee program.

Assets

As of December 31, 2023, we have \$439,444,621 assets under discretionary management. We have \$0 non-discretionary assets under management.

ITEM 5. FEES AND COMPENSATION

Investment Management Fees and Compensation

We charge a fee as compensation for providing investment management services on your account. These services include advisory and consulting services, trade entry, investment supervision, and other account maintenance activities. The custodian may charge custodial fees, transaction costs, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below.

In addition, some mutual fund assets deposited in the account may have been subject to deferred sales charges, 12 (b) (1) fees and other mutual fund annual expenses as described in the fund's prospectus. These fees are independent of our fees and should be disclosed by the custodian or contained in each fund's prospectus. You should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

FSM will receive a fee for investment supervision and management of the portfolio based on the current market value of the portfolio (including cash and equivalent items). The specific determination of the percentage rate charged is based on a combination of the following factors: (a) assets in the account, (b) complexity of the investment strategy employed, and (c) the estimated time the advisor will spend managing the specific assets in the account. The maximum annual advisory fee will not exceed 1%.

Fees are calculated on the total household advisory assets under management and billed quarterly in advance. Household is defined as any related persons residing at the same physical address. The initial fee will be based upon the market value of the account on the date the account is accepted for management by execution of the Investment Management Agreement by FSM and the assets are transferred, and then prorated for the number of days in the calendar quarter that your account is under management and charged at the next quarterly billing cycle. Thereafter, the fee will be based on the market value of the household advisory assets on the last day of the calendar quarter and will cover the period from the first day through the last day of the next calendar quarter. Fees are assessed on all assets under management, including securities, cash and money market balances. Quarterly fee adjustments for additional assets received into the account during a quarter or for partial withdrawals will also be provided on the above pro rata basis. Client authorizes the custodian to deduct from client's account the advisory fee as calculated and billed by FSM and remit said fee to FSM. FSM will send to client a quarterly statement showing the amount of the advisory fee due and the account value on which the fee is based. Client is responsible for verifying fee computations since custodians are not typically asked to perform this task. The custodian will send client a quarterly statement showing all amounts paid from the account including all advisory fees remitted by the Custodian to FSM. There may be a possibility for price or account value discrepancies due to quarter-end transactions in an account. Dividends or trade date settlements may occur, and our third-party billing software may report a slight difference in account valuation at quarter end compared to what is reported on your Statement from the Custodian. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. It is also possible for you to send a check for the fee as opposed to having the fee removed from the account. You are encouraged to review your account statements for accuracy.

Client understands that account assets invested in shares of mutual funds or other investment companies ("funds") will be included in calculating the value of the account for purpose of computing FSM's fees and the same assets will also be subject to additional advisory and other fees and expenses, as set forth in the prospectuses of those funds, paid by the funds but ultimately borne by the investor.

The advisory agreement may be terminated by either party at any time. The agreement shall be deemed terminated at the close of the business day next following the first full business day following our receipt of notice.

You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Financial Planning & Consulting Fees

Our firm also provides financial plans consistent with your individual financial and risk/reward objectives and consulting services. Planning may focus on investments, insurance, taxes and/or estate plans. Our fees for services are computed at the hourly rate not to exceed \$200.00 based on the number of hours expended by our firm. Total consulting fees depend on the nature and complexity of client's circumstances and upon mutual agreement with Client. Fees are negotiable.

We may collect a portion of the estimated fee in advance as a retainer and will bill for actual hours in arrears of the project. The fee for a financial plan is a one-time service. You are encouraged to update financial plans on an annual basis. Our fee for a financial plan is in addition to commissions, advisory fees and consulting fees to be received for implementing any recommendations made under the plan. Fees in excess of \$1,200 or more are not collected for services to be performed more than six months in advance.

After we evaluate your short-term cash needs and emergency fund, we will design investment and insurance strategies to help you achieve your financial goals. Casualty insurance (e.g. homeowners, auto, liability, etc.) are reviewed only at your request and would be provided by an outside casualty firm.

The agreement may be terminated by either party at any time by sending to the address of the other party notice of termination by regular U.S. Mail. The agreement shall be deemed terminated at the close of the business day next following the first full business day following our receipt of notice through the U.S. Mail. A refund of the unearned fees will be made based on time and effort expended before termination. The Agreement terminates upon delivery of the financial plan or the completion of the project. After the financial plan has been delivered or the consulting project completed, no refunds will be made, and all fees are due and payable.

Retirement Plan Advisory Fees

For Retirement Plan Advisory Services compensation, we charge an annual fee as negotiated with the client and disclosed in the Retirement Plan Advisory Agreement. The compensation method is explained and agreed upon in advance before any services are rendered. Asset based fees will not exceed 0.5% annually.

Plan advisory services begin with the effective date of the Retirement Plan Advisory Agreement, which is the date you sign the Retirement Plan Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. Our fee is billed in arrears on the last business day of the calendar quarter or month as outlined in the Agreement. For Plans where our fee is billed to the custodian, the fee is deducted directly from the participant accounts. Written authorization permitting us to be paid directly from the custodial account is outlined in the Agreement.

Either party may terminate the Retirement Plan Advisory Agreement at any time upon immediate notice. You are responsible to pay for services rendered until the termination of the Agreement.

LEGACY MANAGEMENT FEE

Managed legacy positions are included within our Firm's standard investment management fee and are outlined in the executed investment management agreement.

Insurance

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. We provide various Life, Health, Accident, Disability and Long-Term care insurance products based on your individual needs and objectives. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory, consulting & planning fees. These commissions are not negotiable. Commissions are payable and submitted with the respective insurance company's application. Refunds and terminations are governed by the contracts of the respective insurance companies.

This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Tax Preparation and Bookkeeping

Fees for these services are negotiated on a case-by-case basis and are separate from the fees you are charged for investment advisory services, consulting & planning fees. You are not obligated to use our firm for tax preparation or bookkeeping services.

Administrative ServicesOrion Advisor Services, LLC

FSM has contracted with Orion Advisor Services, LLC (referred to as "Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion will have access to client accounts, but Orion will not serve as an investment advisor to our clients. FSM and Orion are non-affiliated companies. Orion charges our Firm an annual fee for each account administered by Orion. Please note that the FSM advisory fee charged to the client will not increase due to the annual fee FSM pays to Orion. The annual fee is paid from the portion of the management fee retained by FSM.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds, equities, bonds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, equities or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker/dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker/dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, equities, exchange traded funds, our firm, and others.

Advisory fees payable to us do not include the fees you may pay when we purchase or sell securities for your account(s). The following list of fees or expenses are what you may pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management:

- Brokerage commissions
- Transaction fees
- Exchange fees

- SEC fees
- Advisory fees and administrative fees charged by Mutual Funds (MF), and/or Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account)
- Custodial Fees
- Deferred sales charges (on MF or annuities)
- Odd-Lot differentials
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Fees on existing variable annuities that may have been subject to trailing service fees, deferred sales charges, and mortality and expense fees
- Fees on Mutual fund assets deposited in the account that may have been subject to deferred sales charges, 12 (b) (1) fees and other mutual fund annual expenses as described in the fund's prospectus

For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

ITEM 6. PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the Fees and Compensation section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

ITEM 7. TYPES OF CLIENTS

We offer investment advisory services to individuals, high-net worth individuals, estates, trusts, and retirement plans. Account minimums may be set by the Investment Advisor Representative at their discretion.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Modern Portfolio Theory (MPT)** - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets. Market risk applies to MPT. Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon,

financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker/dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Our custodian will default to Tax Lot Optimizer and Average Cost for mutual funds. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend mutual funds. However, we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into or sell out of the funds, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through FSM.

You should be aware that your account is subject to the following risks:

- **Stock Market Risk** – The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.

- **Managed Portfolio Risk** – The manager’s investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- **Industry Risk** – The portfolio’s investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- **Non-U.S. Securities Risk** – Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.
- **Emerging Markets Risk** – To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Currency Risk** – The value of your portfolio’s investments may fall as a result of changes in exchange rates.
- **Interest Rate Risk** – The value of fixed income securities rises or falls based on the underlying interest rate environment. If rates rise, the value of most fixed income securities could go down.
- **Credit Risk**. Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.
- **Inflation Risk**. Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.
- **ETFs and Mutual Fund Risk** – When we invest in ETFs or a mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs’ or mutual fund’s operating expenses, including the potential duplication of management fees. The risk of owning ETFs or a mutual fund generally reflects the risks of owning the underlying securities the ETFs or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.
- **Management Risk** – Your investment with us varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- **Liquidity Risk** – Liquidity risk is the risk that there may be limited buyers for a security when an investor wants to sell. Typically, this results in a discounted sale price in order to attract a buyer.
- **Default Risk** – A default occurs when an issuer fails to make payment on a principal or interest payment.
- **Event Risk** – Event risk is difficult to predict because it may involve natural disasters such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.
- **Political Risk** – Political risk is the risk associated with the laws of the country, or to events that may occur there. Particular political events such as a government’s change in policy could restrict the flow of capital.
- **Duration Risk** – Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate, and call feature. Duration is a method to compare how different bonds will react to interest rate changes. If a bond has a duration of five (5) years, it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.
- **Reinvestment Risk** – Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.

- **Tax Risk** – For municipal bonds, depending on the client’s state of residence, the interest earned on certain bonds may not be tax-exempt at the state level. Also, changes in federal tax policy may impact the tax treatment of interest and capital gains of an investment.
- **Regulatory Risk** – Market participants are subject to rules and regulations imposed by one or more regulators. Changes to these rules and regulations could have an adverse effect on the value of an investment.
- **Concentration Risk** – The risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to your overall portfolio.
- **Securities Lending Risk** – Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.
- **Cybersecurity Risk** – In addition to the Material Investment Risks listed above, investing involves various operational and “cybersecurity” risks. These risks include both intentional and unintentional events at our firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm’s ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients’ information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.
- **Commodities Risk** – Exposure to commodities in Adviser Clients accounts is in non-physical form, such as ETFs or mutual funds, there are risks associated with the movement in gold prices and the ability of the fund or trust manager to respond or deal with those price movements. There also may be initial charges as well as annual management fees associated with the fund or trust.
- **Legacy Holding Risk** – Investment advice may be offered on any investment a Client holds at the start of the advisory relationship. Depending on tax considerations and Client sentiment, these investments will be sold over time, and the assets invested in the appropriate strategy. As with any investment decision, there is the risk that timing with respect to the sale and reinvestment of these assets will be less than ideal or even result in a loss to the Client.
- **Alternative Risk** – Alternative investments include other additional risks. Lock-up periods and other terms obligate Clients to commit their capital investment for a minimum period, typically no less than one or two years and sometimes up to 10 or more years. Illiquidity is considered a substantial risk and will restrict the ability of a Client to liquidate an investment early, regardless of the success of the investment. Alternative investments are difficult to value within a Client’s total portfolio. There may be limited availability of suitable benchmarks for performance comparison; historical performance data may also be limited.

In some cases, there may be a lack of transparency and regulation, providing an additional layer of risk. Some alternative investments may involve the use of leverage and other speculative techniques. As a result, some alternative investments may carry substantial additional risks, resulting in the loss of some or all of the investment. Using leverage and certain other strategies will result in adverse tax consequences for tax-exempt investors, such as the possibility of unrelated business taxable income, as defined under the U.S. Internal Revenue Code.

ITEM 9. DISCIPLINARY INFORMATION

FSM does not have any legal, financial, or other “disciplinary” item to report.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**Insurance**

Persons associated with our firm are also licensed as insurance agents. Therefore, these persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

Real Estate

Our firm has an ownership interest in Financial Security Realty, LLC, a real estate brokerage firm. We will recommend that you use the services of Financial Security Realty, LLC if appropriate and suitable for your needs. Our advisory services and fees are separate and distinct from the compensation paid to Financial Security Realty, LLC for their services. You are under no obligation to use the services of Financial Security Realty, LLC.

Other Affiliated Businesses

Persons associated with our firm have an ownership interest in FSM Holdings, LLC, and Financial Security Holdings, LLC. FSM Holdings, LLC and Financial Security Holdings, LLC, own the office building where Financial Security Management, Inc. is located in addition to other businesses, including Northpointe Bank, an unaffiliated mortgage broker. There is no common ownership between Northpointe Bank and our firm, and we do not share any fees or compensation with Northpointe Bank. We may recommend the services of Northpointe Bank to you if you are in need of mortgage services, however you are under no obligation to use their services and we do not receive any form of compensation for the referral.

ITEM 11. CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

FSM and associated persons are allowed to invest for their own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for your account, and may engage in transactions that are the same as or different than transactions recommended to or made for your account. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any potential conflicts of interest.

We have developed and implemented a Code of Ethics policy that sets forth standards of conduct expected of our IARs to avoid this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information, and other situations where there is a possibility for conflicts of interest.

The Code of Ethics is designed to protect our clients by deterring misconduct, educating personnel regarding FSM’s expectations and laws governing their conduct, reminding personnel that they are in a position of trust and must act with complete propriety at all times, protecting the reputation of FSM, guarding against violation of the securities laws, and establishing procedures for personnel to follow so that we may determine whether our personnel are complying with FSM’s ethical principles.

All IARs’ are required to report to FSM’s Chief Compliance Officer, their initial holdings, annual holdings and quarterly transactions in reportable securities, as defined in the Code of Ethics and the Chief Compliance Officer is responsible for reviewing such reports. The Code of Ethics also sets forth general standards of conduct and practices to be followed by all personnel to minimize conflicts of interest, including restrictions on gifts to or from

brokers, clients and others, restrictions on service on the boards of other companies, restrictions on participation in investment clubs and policies designed to prevent personal trading conflicts. In addition, the Code of Ethics (including FSM's Insider Trading Policy Statement) includes provisions designed to prevent and enforce FSM's strict policy against the misuse of material non-public information by all personnel. FSM's Chief Compliance Officer is responsible for the oversight and administration of the Code of Ethics.

All associated persons sign a letter of acknowledgment that they have read the Personal Trading Policy, fully understand it and will abide by it at all times while under the employ of FSM.

We have established the following restrictions in order to ensure our fiduciary responsibilities to you are met:

1. A director, officer or employee of FSM shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer or employee of FSM shall prefer his or her own interest to that of the advisory client.
2. We review on a regular basis the security holdings for anyone associated with this advisory practice with access to advisory recommendations. These reviews are performed by an appropriate officer/individual of FSM.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. The client has the unrestricted right to select and choose any broker/dealer (except in situations where we are granted discretionary authority) he or she wishes.
5. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the address, telephone or email on the cover page of this Form ADV Part 2; ATTN: Chief Compliance Officer.

ITEM 12. BROKERAGE PRACTICES

The Custodian and Brokers We Use

Investment Management Services

Clients must maintain assets in an account at a "qualified custodian," generally a broker/dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker/dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to.

While we recommend that clients use Schwab as custodian/broker, client must decide whether to do so and open their accounts with Schwab by entering into account agreements directly with them. We do not open the account for clients without client approval. The accounts will always be held in the name of the client and never in FSM's name. Even though clients maintain accounts at Schwab, we can still use other brokers to execute trades for client accounts (see client Brokerage and Custody Costs, below).

How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)

2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to FSM and our other clients
10. Availability of other products and services that benefit us, as discussed below (See Products and Services Available to Us from Schwab)

Client Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into clients' Schwab accounts. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker/dealer but where the securities bought or the funds from the securities sold are deposited (settled) in to a client's Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker/dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see How We Select Brokers/Custodians).

Products and Services Available to Us from Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide FSM and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us.

Following is a more detailed description of Schwab's support services:

Services That Benefit Our Clients – Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit our clients and their accounts.

Services That May Not Directly Benefit Our Clients – Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts

3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us – Schwab also offers other services (soft dollars) intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events
2. Technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services – The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients. Some of the products, services and other benefits provided by Schwab benefit FSM and may not benefit our client accounts. Our recommendation or requirement that you place assets in Schwab's custody may be based in part on benefits Schwab provides to us, or our agreement to maintain certain assets under management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

We place trades for our clients' accounts subject to its duty to seek best execution and its other fiduciary duties. We may use broker/dealers other than Schwab to execute trades for your accounts maintained at Schwab, but this practice may result in additional costs to clients so that we are more likely to place trades through Schwab rather than other broker/dealers. Schwab's execution quality may be different than other broker/dealers.

Brokerage for Client Referrals

FSM does not receive client referrals from any broker/dealer or third party in exchange for using that broker/dealer or third party.

While as a fiduciary, we endeavor to act in your best interest, our recommendation that you maintain your assets in accounts at our recommended custodians may be based in part on the benefit to us or the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which creates a conflict of interest. IARs endeavor at all times to put the interest of our clients first as a part of their fiduciary duty.

Aggregation and Allocation of Transactions

FSM may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day. FSM does not aggregate trades of our personnel with those of client accounts.

If we do not receive a complete fill for an aggregated order, we will allocate the order on a pro-rata basis. If we determine that a pro-rata allocation is not appropriate under the particular circumstances, we will base the allocation on other relevant factors, which may include:

1. When only a small percentage of the order is executed, with respect to purchase allocations, allocations may be given to accounts high in cash;

2. With respect to sale allocations, allocations may be given to accounts low in cash;
3. We may allocate shares to the account with the smallest order, or to the smallest position, or to an account that is out of line with respect to security or sector weightings, relative to other portfolios with similar mandates;
4. We may allocate to one account when that account has limitations in its investment guidelines prohibiting it from purchasing other securities that we expect to produce similar investment results and that can be purchased by other accounts in the block;
5. If an account reaches an investment guideline limit and cannot participate in an allocation, we may reallocate shares to other accounts. For example, this may be due to unforeseen changes in an account's assets after an order is placed;
6. If a pro-rata allocation of a potential execution would result in a de Minimis allocation in one or more accounts, we may exclude the account(s) from the allocation and disgorge any profits. Generally, de Minimis allocations do not exceed 5% of the total allocation. Additionally, we may execute the transactions on a pro-rata basis.
7. We will document the reasons for any deviation from a pro-rata allocation.

Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by FSM. If the error is caused by the custodian or third party broker/dealer, the custodian or third party broker/dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

We do not select or recommend broker/dealers based upon receiving client referrals from a broker/dealer or third party. We do not permit you to direct brokerage.

We place trades for your account subject to our duty to seek best execution and other fiduciary duties. We may use broker/dealers other than your custodian to execute trades for your account, but this practice may result in additional costs to you so that we are more likely to place trades through your custodian rather than other broker/dealers. Your custodian's execution quality may be different than other broker/dealers.

As a matter of policy and practice, we do not utilize research, research-related products and other services obtained from broker/dealers, or third parties, on a soft dollar commission basis.

ITEM 13. REVIEW OF ACCOUNTS

Account Reviews and Reviewers – Investment Supervisory Services

We will review individual portfolios at least annually. Portfolios will be reviewed by the advisory representative assigned to your account. The CCO of FSM will review client accounts on a periodic basis. Accounts will be reviewed to ensure the advisory services provided to you are consistent with your investment needs and objectives. Written documentation of reviews will be maintained. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,

- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

The Custodian will provide quarterly statements of the assets in your Account, the purchase date, the cost and the current market value for the period (or since the opening of the Account). The quarterly fee will be reflected on the periodic account statement provided by the Custodian. The Custodian will make available to you a statement no less than quarterly showing all amounts paid from the Account including all management fees paid by Custodian to FSM. In case of an error in such reports, you shall notify FSM promptly, and FSM will use good faith efforts to make corrections to such reports in a timely manner. Additionally, FSM will send the client a notice of amount invoiced and billed as part of its quarterly reporting. You are urged to compare the reports provided by FSM against the account statements you receive directly from your account custodian. There may be a possibility for price or account value discrepancies due to quarter-end transactions in an account. Dividends or trade date settlements may occur, and our third-party billing software may report a slight difference in account valuation at quarter end compared to what is reported on your Statement from the Custodian.

Financial Planning/Consulting clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from FSM.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Schwab Support Products and Services

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's products and services to us.

Non-cash Referral Agreements

FSM may be asked to recommend a financial professional, such as an attorney, accountant, or mortgage broker. In such cases, FSM does not receive any direct compensation in return for any referrals made to individuals or firms in our professional network. Clients must independently evaluate these firms or individuals before engaging in business with them and clients have the right to choose any financial professional to conduct business. Individuals and firms in our financial professional network may refer clients to FSM. Again, FSM does not pay any direct compensation in return for any referrals made to FSM. FSM does recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

ITEM 15. CUSTODY

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

FSM is deemed to have custody of client funds and securities whenever FSM is given the authority to have fees deducted directly from client accounts. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. FSM does not have authority or ability to withdraw client assets for any other reason and we do not maintain physical custody of client assets.

For accounts in which FSM is deemed to have custody, FSM has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore, are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from FSM. When clients have questions about their account statements, they should contact FSM or the qualified custodian preparing the statement.

When fees are deducted from an account, FSM is responsible for calculating the fee and delivering instructions to the custodian. At the same time FSM instructs the custodian to deduct fees from the client's account; FSM will send the client an invoice itemizing the fee. Itemization shall include the amount of assets under management the fee is based on, and the time period covered by the fee.

FSM is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the custodian. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified custodian to each client or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Advisor or the qualified custodian preparing the statement.

Taking into consideration the guidance given by the SEC via the No Action Letter (NAL) to the Investment Adviser Association in February of 2017, FSM has reviewed account authorizations and taken additional steps to ensure that we do not have inadvertent or imputed custody. First Party standing letters of authorization (SLOA) are made to identically registered accounts or we require signatures for each transfer.

FSM does allow for some Third-Party standing letters of authorization (SLOA).

With the help of the qualified custodians our direct clients maintain their accounts with we are able to meet the seven criteria outlined in the NAL to remain exempt from the Surprise Exam requirement. Six of the seven are contingent on custodian forms and procedures. These criteria are as follows:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

FSM maintains such records identified under Item 6 above.

ITEM 16. INVESTMENT DISCRETION

Prior to engaging FSM to provide investment advisory services, clients enter into a written agreement with FSM granting the firm the authority to supervise and direct investments, on an on-going basis, in accordance with the client's investment objective and guidelines. Clients will also execute any and all documents required by the Custodian so as to authorize and enable FSM, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your account. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any investment company registered under the Investment Company Act of 1940 and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such authority will be communicated by you to us in writing.

The limitations on investment and brokerage discretion held by FSM for you are:

1. For discretionary clients, we require that it be provided with authority to determine which securities and the amounts of securities to be bought or sold, as well as the broker/dealer to be used and the commission rates to be paid.
2. Any limitations on this discretionary authority shall be included in this written authority statement. You may change/amend these limitations as required. Such amendments shall be submitted in writing.
3. In some instance, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

Research products and services received by us from broker/dealers will be used to provide services to all our clients.

ITEM 17. VOTING CLIENT SECURITIES**Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

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

ITEM 18. FINANCIAL INFORMATION

We are not required to provide our corporate financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.