

Item 1 Cover Page

Financial Management, Inc.

115 N 50th Avenue, Ste B

Yakima, WA 98908

CRD# 117578

(509) 965-5654

www.fmiwealth.net

October 2014

This Brochure provides information about the qualifications and business practices of Financial Management, Inc. (FMI) If you have any questions about the contents of this Brochure, please contact us at (509) 965-5654/info@fmiwealth.net. 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.

Financial Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Financial Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated August 28, 2014 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

Since our March 2014 annual amendment was filed, there has been an increase in the amount of client assets our firm manages. As of September 2014, our assets under management are \$126,832,566. Please see Item 4 – Advisory Business for further details. The increase in assets under management requires us to switch from state registration to SEC registration. Therefore, we were required to switch from state registration to SEC registration and submit our application with the U.S. Securities and Exchange Commission (“SEC”) in September 2014.

Item 3 Table of Contents

| | | |
|---------|---|----|
| Item 1 | Cover Page..... | 1 |
| Item 2 | Material Changes | 2 |
| Item 3 | Table of Contents..... | 3 |
| Item 4 | Advisory Business | 4 |
| Item 5 | Fees & Compensation..... | 6 |
| Item 6 | Performance-Based Fees & Side-By-Side Management | 10 |
| Item 7 | Types of Clients..... | 11 |
| Item 8 | Methods of Analysis, Investment Strategies & Risk of Loss | 12 |
| Item 9 | Disciplinary Information..... | 13 |
| Item 10 | Other Financial Industry Activities & Affiliations | 14 |
| Item 11 | Code of Ethics, Participation or Interest in Client Transactions & Personal Trading | 15 |
| Item 12 | Brokerage Practices | 19 |
| Item 13 | Review of Accounts | 21 |
| Item 14 | Client Referrals & Other Compensation | 22 |
| Item 15 | Custody..... | 24 |
| Item 16 | Investment Discretion..... | 25 |
| Item 17 | Voting Client Securities | 26 |
| Item 18 | Financial Information..... | 27 |

Item 4 Advisory Business

We are dedicating to providing individuals and other types of clients with a variety of investment advisory services. Our firm is a corporation formed in the State of Washington. Our firm has been a registered investment adviser since 1999. FMI is owned by Clark L. Permann. Individual advisor practices/clients are owned by each applicable advisor.

We specialize in the following types of services: Asset Management, Financial Planning and Consulting and LPL Sponsored Advisory Programs.

Advisory Services We Offer

Financial Planning and Consulting

The investment advice of the consultation is a function of the financial planning process. In preparation of a modular or integrated financial plan, the planner gives investment advice pursuant to the clients existing portfolio, holdings, and allocations in making financial planning recommendations. Occasionally, while not a standard practice nor customary, FMI may engage qualified professional third parties to assist with the generation of financial plans for our clients. However, all final reviews and recommendations of plans will be made by FMI advisors.

Throughout the year, we may provide analysis, advice and recommendations regarding various aspects of our clients' financial plans and programs. Our systems provide for various types of ongoing alerts and tracking. In determining the appropriate advice, allocations, and recommendations, FMI and its planners/advisors utilize various questionnaires to collect data and responses from their clients to tailor the financial plans and recommendations to individual situations. FMI considers the clients data, goals, objectives, circumstances, income, expenses, resources, education and personal preferences.

Asset Management

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

Bundled Asset Management - State of Washington Residents Only

In addition to the services provided by our Asset Management service, Bundled Asset Management allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher

advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in the Bundled Asset Management service, you may end up paying more or less than you would through an Asset Management service program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

LPL Sponsored Advisory Programs:

Our firm may provide advisory services through certain programs sponsored by LPL Financial, LLC ("LPL"), a registered investment advisor and broker-dealer. Below is a brief description of each LPL advisory program available to our firm. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the LPL Financial Form ADV Part 2 and the applicable client agreement.

- **Retirement Plan Consulting Program ("RPCP")**

The Retirement Plan Consulting Program is a fee-based 401(k) plan consulting platform for qualified financial advisors who specialize in Corporate Retirement Plans. By utilizing this service, our firm is serving as a 3(21) ERISA fiduciary for investment selection, acting in the best interest of the plan and its participants.

Tailoring of Advisory Services

We offer individualized investment advice to clients utilizing our Asset Management service. Additionally, we offer general investment advice to clients utilizing our Financial Planning & Consulting and Pension Consulting services. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Asset Management Service. We do not manage assets through our other services.

Participation in Wrap Fee Programs

We offer wrap fee programs as further described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services. Residents of the State of Washington are not eligible for wrap fee programs.

Assets Under Management

As of September 2014, Financial Management, Inc. has \$126,832,566 total assets under management. We manage \$122,636,814 on a discretionary basis and \$4,195,752 on a non-discretionary basis as of September 2014.

Item 5 Fees & Compensation

How We are Compensated for Our Advisory Services

Financial Planning and Consulting

Financial Planning fees are subject to negotiation.

The specific manner in which fees are charged by FMI is established in a client's written agreement with FMI. FMI will generally bill its fees upon completion of work or on a quarterly basis. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

FMI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to FMI's fee, and FMI shall not receive any portion of these fees, and costs.

The standard fee for a financial plan is based upon an hourly rate of \$150 and the total may range from \$300.00 to \$3,000.00, depending on the scope and areas of analysis. Financial plan fee ranges are based upon hourly fee rates. These fees include the initial annual retainer unless otherwise specified. Annual retainer fees for financial planning will be disclosed in advance to the client. The amount of 50% of the total fee is due upon initiation of services while the balance is due upon completion of work. Your financial plan may differ slightly from the proposed fee for services listed above. FMI does not require the greater of 50% up to \$500.00 maximum in prepaid fees per client, nor 6 months paid in advance. Any additional fees will be disclosed in advance with a base hourly rate of \$65.00 for administrative work and \$150.00 per hour for professional planning. Within 5 business days, either party may terminate the contract at any time by written notification. In the event of such termination, the client is entitled to a refund of any unearned portion of fees already paid, on a pro-rata basis, along with a partial financial plan. No refunds will be made after completion and delivery of the plan. The client may cancel the contract within 5 business days of entering the contract and receive a full refund. In the event that the contract is cancelled after the initial 5 business days and the client is not satisfied with the completed financial plan, the advisor and client will agree upon a refund arrangement.

Fixed Fees. Certain projects and plans will be quoted in advance as a fixed charge based upon our hourly fees listed above.

Asset Management

| Assets Under Management | Annual Percentage of Assets Charge |
|--------------------------------|---|
| \$25,000 to \$99,999.99 | 1.35% |
| \$100,000 to \$249,999.99 | 1.20% |
| \$250,000 to \$499,999.99 | 1.10% |
| \$500,000 to \$999,999.99 | 0.95% |
| \$1,000,000 to 2,000,000 | 0.75% |
| Over \$2,000,000 | 0.55% |

Minimum account sizes are \$25,000 for advisory accounts. Client will pay Adviser a fee for its investment management services according to the fee schedule set forth above. The Fee will be payable quarterly in advance upon deposit of any funds or securities in the account. The first payment is due upon execution of an advisory contract and will be based upon the opening value of the Account. The first payment will be prorated to cover the period from the date the Account is opened through the end of the first calendar quarter. Thereafter, the fee will be based on the Account value on the last business day of the preceding calendar quarter and will be due the following business day. The Client may make additions to the Account at any time. Additional assets received into the Account after it is opened will be included in the fee calculation for the following quarter. The Client may withdraw Account assets upon notice to the Adviser, subject to the usual and customary securities settlement procedures. No fee adjustments will be made for partial withdrawals or for Account appreciation or depreciation within a billing period.

- LPL Financial as your custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- You provide authorization permitting LPL Financial to deduct these fees;
- LPL Financial calculates the advisory fees for all flat fee schedules and deducts them from your account;
- LPL Financial calculates all tiered advisory fee accounts. LPL Financial will deduct advisory fees from your account.

In rare cases, we will agree to direct bill clients.

Bundled Asset Management - State of Washington Residents Only

| Assets Under Management | Annual Percentage of Assets Charge |
|--------------------------------|---|
| \$25,000 to \$99,999.99 | 1.50% |
| \$100,000 to \$249,999.99 | 1.35% |
| \$250,000 to \$499,999.99 | 1.25% |
| \$500,000 to \$999,999.99 | 1.06% |
| \$1,000,000 to 2,000,000 | 0.85% |
| Over \$2,000,000 | 0.65% |

Minimum account sizes are \$25,000 for advisory accounts. Client will pay Adviser a fee for its investment management services according to the fee schedule set forth above. The Fee will be payable quarterly in advance upon deposit of any funds or securities in the account. The first payment is due upon execution of an advisory contract and will be based upon the opening value of the Account. The first payment will be prorated to cover the period from the date the Account is opened through the end of the first calendar quarter. Thereafter, the fee will be based on the Account value on the last business day of the preceding calendar quarter and will be due the following business day. The Client may make additions to the Account at any time. Additional assets received into the Account after it is opened will be included in the fee calculation for the following quarter. The Client may withdraw Account assets upon notice to the Adviser, subject to the usual and customary securities settlement procedures. No fee adjustments will be made for partial withdrawals or for Account appreciation or depreciation within a billing period.

- LPL Financial as your custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;

- You provide authorization permitting LPL Financial to deduct these fees;
- LPL Financial calculates the advisory fees for all flat fee schedules and deducts them from your account;
- LPL Financial calculates all tiered advisory fee accounts. LPL Financial will deduct advisory fees from your account.

In rare cases, we will agree to direct bill clients.

LPL Sponsored Advisory Programs:

The RPCP fee may be based on a percentage of the assets held in the Plan (up to 1.00% annually), on an hourly basis (up to \$400 per hour) or on a flat fee basis. Fees are negotiable.

Fees will be payable in advance or in arrears on the frequency (quarterly or month) as agreed upon by all parties. If an asset based fees are negotiated, the RPCP fee payment will generally be based on the value of the Plan assets as of the close of business on the last day of the period.

Other Fees

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

Refunds Following Termination

We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

Commissionable Securities Sales

In order to sell securities for a commission, our supervised persons are registered representatives of LPL Financial, LLC, member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

1. Presents a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise:
 - a) when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our supervised persons may earn and may not necessarily be in the best interests of the client;

b) when recommending commissionable mutual funds, explaining that “no-load” funds are also available.

2. In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.

Item 6 Performance-Based Fees & Side-By-Side Management

FMI does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 Types of Clients

FMI provides financial planning services to individuals, high net worth individuals, corporations, charitable institutions, foundations, and endowments. Minimum account sizes are \$25,000 for advisory accounts.

Item 8 Methods of Analysis, Investment Strategies & Risk of Loss

“Investing in securities involves risk of loss that clients should be prepared to bear.” FMI performs analysis as part of the financial planning process on a variety of securities and investments. FMI utilizes internal and external sources of information, technology and research as well as industry sources and standards. Our research process is ongoing and is structured in a team approach amongst staff and each of our advisors/planners. Advisors specialize in certain asset classes and quarterly consult and review existing holdings as well as other options and ideas they have researched with respect to various risk and return measurements available from respected industry sources and tools. We would be happy to review our research on an individual consultative basis.

FMI utilizes a broad variety of qualitative tools that deal with a specific investments merits as well as quantitative resources in evaluating investments such as stocks, bonds, ETF's, index funds, individual holdings, traded and non-traded investments, alternatives, UIT's, annuities, options, futures, commodities, closed and open end mutual funds and other investments approved within LPL Financial's platforms. Some of these are provided through it's relationship with LPL Financial, and others are secured through other companies and research providers that we subscribe to as a firm. FMI also subscribes to various research companies for a fee to review reports on the quality, statistical data, risk measurements, company financial reports, press releases, conference calls, proxy reports, and quantitative data available in the industry.

In evaluation of a particular investment, some of the material risks that are determined and analyzed are market, credit, default, liquidity, concentration, interest-rate and other factors. Types of analysis may include charting, fundamental analysis, technical analysis, cyclical analysis, from newspapers, research reports, online sources, rating services, timing services, SEC filings, press releases, etc. Strategies utilized may include long term purchases, short term purchases, trading, short sales, alternative investments, futures contracts, options, etc. All of these methods and strategies are taken into account for appropriateness of a client's individual situation and objectives. All of the above terms are well recognized within the industry and definitions of any of the above terms can be secured online or in Wikipedia. Certain terms have different specific meanings and applicability when applied to different investment types. Please ask FMI or a planner personally for specific questions.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of FMI or the integrity of FMI's management.

Complaint on File:

Firm received complaint on October 20, 2008; advisor received complaint in June 2008 and responded to allegations, denying liability. After conducting a detailed review of customer's allegations, both the advisor and the firm concluded that the allegations were without merit and denied customer's claims in their entirety. Specifically, the advisor and firm concluded that the variable annuity investment recommendations made were entirely suitable and consistent with the customer's stated investment objectives of lifetime income and maximization of death benefit value of customer's heirs. Subsequently, the annuity carrier (Lincoln Financial Group) agreed to reimburse the customer for market losses sustained on her contract after she moved her account to a different financial advisor. It should be noted that these losses did not occur while the customer had her account with Mr. Permann (during which time the customer had a net gain on her investment), and that the carrier entered into this separate settlement with the customer without involving Mr. Permann or LPL, who were not parties to this settlement agreement and did not contribute toward the settlement. Mr. Permann and LPL continue to maintain that the customer's allegations are without merit as they pertain to Mr. Permann.

Item 10

Other Financial Industry Activities & Affiliations

Financial Management, Inc. advisors and planners are Registered Representatives, and Insurance Agents. They spend 40% of their time pursuant to activities as planners and 20% of their time providing brokerage services as Registered Representatives with LPL Financial (LPL). In such capacity they may offer securities and receive normal and customary fees and commissions as a result of investment management and securities transactions.

Financial Management, Inc advisors are also licensed independent agents and represent numerous insurance companies. In such capacity, they may offer insurance products and receive normal and customary commissions as a result of such a purchase. They spend 20% of their time in this capacity.

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

FMI anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which FMI has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which FMI, its affiliates and/or clients, directly or indirectly, have a position of interest. FMI's employees and persons associated with FMI are required to follow FMI's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of FMI and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for FMI's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of FMI will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of FMI's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between FMI and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with FMI's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. FMI will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

FMI's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Corina Martin, Operations Manager or you may obtain a copy by reviewing the FPA website.

It is FMI's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. FMI will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment

adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

The client is under no obligation to purchase products through FMI or its planners. The recommendations of specific products are separate from their role as financial planners.

FMI and its' planners may make recommendations to clients to buy and sell securities they own personally. It is their policy not to perform purchases or sells of securities directly before or after clients so as to cause any detriment in performance or pricing to the client. Whether or not FMI and its' planners owns a particular security has no basis in making a recommendation to the client. FMI and its planners may own or transact securities which may coincide with a client recommendation. In every situation, the client's needs are considered first and the securities are widely held and publicly traded.

Code of Ethics

From its earliest designs, the Financial Planning Association included a mandate that members will adhere to a code of ethics that reflects their commitment to help clients achieve their life goals. One of the first acts of the FPA Board was to develop and institute that code. In accord with founding documents created by the FPA's first board of directors, including the Memo of Intent and Bylaws, all FPA members will be asked to commit to this code of ethics. The guidelines you see below capture the essence of the Certified Financial Planner Board of Standard's code but makes it applicable to all FPA members – CFP® certificants and non-CFP certificants alike. FPA's Ethics Committee is charged by the Board of Directors with reviewing alleged violations of the FPA Code of Ethics and advising staff on ways to enhance awareness by FPA members of their obligations under the Code.

Introduction

This Code of Ethics is an expression of the financial planning profession's recognition of its responsibilities to the public, to clients, to colleagues, and to employers. These principles apply to all Financial Planning Association (FPA) members and provide guidance to them in the performance of their professional services.

Principle 1 - Integrity

An FPA member shall offer and provide professional services with integrity. FPA members may be placed by clients in positions of trust and confidence. The ultimate source of such public trust is the FPA member's personal integrity. In deciding what is right and just, an FPA member should rely on his or her integrity as the appropriate touchstone. Integrity demands honesty and candor, which must not be subordinated to personal gain and advantage. Within the characteristic of integrity, allowance can be made for innocent error and legitimate difference of opinion; but integrity cannot co-exist with deceit or subordination of one's principles. Integrity requires an FPA member to observe not only the letter but also the spirit of this Code.

Principle 2 - Objectivity

An FPA member shall be objective in providing professional services to clients. Objectivity requires intellectual honesty and impartiality. It is an essential quality for any professional. Regardless of the particular service rendered or the capacity in which an FPA member functions, an FPA member should protect the integrity of his or her work, maintain objectivity, and avoid subordination of his or her judgment that would be in violation of this Code.

Principle 3 - Competence

An FPA member shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the designee is engaged. One is competent only when he or she has attained and maintained an adequate level of knowledge and skill, and applies that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation or client referral is appropriate. In addition to assimilating the common body of knowledge required and acquiring the necessary experience, an FPA member shall make a continuing commitment to learning and professional improvement.

Principle 4 - Fairness

An FPA member shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers and shall disclose conflict(s) of interest(s) in providing such services. Fairness requires impartiality, intellectual honesty, and disclosure of conflict(s) of Interest(s). It involves a subordination of one's own feelings, prejudices, and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated and is an essential trait of any professional.

Principle 5 - Confidentiality

An FPA member shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal process, to defend against charges of wrongdoing by the FPA member or in connection with a civil dispute between the FPA member and client. A client, by seeking the services of an FPA member, may be interested in creating a relationship of personal trust and confidence with the FPA member. This type of relationship can only be built upon the understanding that information supplied to the FPA member or other information will be confidential. In order to provide the contemplated services effectively and to protect the client's privacy, the FPA member shall safeguard the confidentiality of such information.

Principle 6 - Professionalism

An FPA member's conduct in all matters shall reflect credit upon the profession. Because of the importance of the professional services rendered by FPA members, there are attendant responsibilities to behave with dignity and courtesy to all those who use those services, fellow professionals, and those in related professions. An FPA member also has an obligation to cooperate with fellow FPA members to enhance and maintain the profession's public image and to work jointly with other FPA members to improve the quality of services. It is only through the combined efforts of all FPA members in cooperation with other professionals, that this vision can be realized.

Principle 7 - Diligence

An FPA member shall act diligently in providing professional services. Diligence is the provision of services in a reasonably prompt and thorough manner. Diligence also includes proper planning for and supervision of the rendering of professional services.

Selecting a Brokerage Firm

We seek to recommend a custodian/broker who will hold your 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, these:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Liquidity of the securities traded
- Willingness to commit capital
- Ability to place trades in difficult market environments
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation

With this in consideration, our firm has an arrangement with LPL Financial, LLC, member FINRA/SIPC/NFA ("LPL"). LPL offers to independent investment advisers non-soft dollar services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some non-soft dollar benefits from LPL through our participation in the program. Please see the disclosure under Item 14 of this Brochure.

We do not receive soft dollars generated by the securities transactions of our clients. The term "soft dollars" refers to funds which are generated by client trades "commission rebates or credits" being used by our firm to purchase products or services (such as research and enhanced brokerage services) from or through the broker-dealers whom our firm engages to execute securities transactions. In addition, neither our firm nor our related person(s) have authority to determine, without specific client consent, the broker-dealer to be used in any securities transaction or the commission rate to be paid.

Our firm, however, does receive some "eligible" products and services under safe harbor as determined under the Securities and Exchange Act, Section 28(e). These products and services include: national, regional or investment adviser specific educational events organized and/or sponsored by LPL Financial; professional compliance; legal and business consulting; publications and conferences on practice management; information technology; business succession; employee benefits providers; human capital consultants; insurance; and marketing. In addition, LPL Financial may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. LPL Financial may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm.

While, as a fiduciary, our firm endeavors to act in its clients' best interests, Adviser's recommendation/requirement that clients maintain their assets in accounts at LPL Financial may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by LPL Financial, which may create a potential conflict of interest.

As a result of receiving such "eligible" products and services for no cost, we may have an incentive to continue to place client trades through broker-dealers that offer those products and services. This interest conflicts with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers. Our firm examined this potential conflict of interest when we chose to enter into the relationship with LPL Financial and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

Our firm does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

Special Considerations for ERISA Clients

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

The firm recommends that clients have a review annually, or in the event of a substantial change in the client's situation. It is the client's responsibility to notify the firm of such changes. Recommendations, if any, will be implemented entirely at the client's discretion. The client is under no obligation to implement any recommendation nor is the client under obligation to engage the services of the firm for reviews.

We review accounts on at least a quarterly basis for our clients subscribing to our Asset Management and Financial Planning services. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. All reviews of client accounts will be conducted by the Chief Compliance Officer and the investment team. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we contact clients who subscribe to our Asset Management service.

Depending on the type of financial planning agreement and plan provided, clients may receive monthly, quarterly, or annual reports on their planning services. Some clients may have access to online reports that provide data and information relating to their plans via our financial planning/wealth management system. FMI maintains systems internally that track various aspects of their clients' plans and accounts. Staff is involved in the preparation of reports as well as initial review of data and information. Advisors and planners are responsible for the analysis and review of reports and recommendations and client meetings.

The reviewer will be the planner who originally presented the plan to the client or a duly trained and a certified planner. Planners will be instructed to review holdings on a quarterly basis and allocation testing annually to insure that the plans conform to generally accepted standards in the financial planning community.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

LPL Financial, LLC**Investment or Brokerage Discretion**

We provide discretionary portfolio management services where the investment advice provided is custom tailored to meet the needs and investment objectives of each client. Accordingly, we are authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. We do not have discretionary authority over the broker or dealer to be used.

Suggestion of Brokers to Clients

We shall recommend LPL Financial. LPL is the broker-dealer with which our representatives are also associated. As a result of the individual association of our representatives with LPL, we are generally required to utilize the brokerage/custodial services of LPL for investment advisory accounts. Our general policies relative to the execution of client securities brokerage transactions are as follows:

Execution of Brokerage Transactions (when applicable)

In seeking "best execution", the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. LPL also takes into consideration the full range of a broker-dealer's services including execution capability, commission rates, and responsiveness. Although LPL will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for all account transactions.

Over-the-Counter (OTC) securities transactions are generally effected based on two (2) separate broker-dealers: (1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, the client may also incur the transaction fee imposed by the executing broker-dealer. We do not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.

Transactions for each client account will be effected independently. We individually review each client's account and place trades accordingly. Despite being purchased or sold at approximately the same time all clients' transactions will incur individual transaction fees.

Additional Compensation

We may receive from LPL or a mutual fund company, without cost and/or at a discount non soft-dollar support services and/or products, to assist us to better monitor and service client accounts maintained at such institutions. Included within the support services we may receive investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by us to assist us in our investment advisory business operations.

Our clients do not pay more for investment transactions effected and/or assets maintained at LPL as result of this arrangement. There is no commitment made by us to LPL or any other institution as a result of the above arrangement.

Referral Fees

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules.

We do not have custody of client funds or securities. All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

FMI normally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold in mutual funds. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

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

As a matter of firm policy and practice, FMI does not have authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. FMI may provide advice to clients regarding the clients' voting of proxies.

Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Item 18 Financial Information

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.