

# USAA Financial Planning Services Insurance Agency, Inc.

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**This Brochure provides information about the qualifications and business practices of USAA Financial Planning Services Insurance Agency, Inc. (FPS). If you have any questions about the contents of this Brochure, please contact us at 800-640-7526. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.**

Additional information about FPS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

FPS is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (Advisers Act). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser's skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory service to its clients.

## **Item 2 – Material Changes**

This Brochure dated March 31, 2017, is an annual update to our last annual filing dated March 30, 2016. FPS is required to identify and discuss material changes made to this Brochure since its last annual update filed on March 30, 2016. However, for this annual update filed March 31, 2017, there are no material changes to be reported or reflected in this Brochure.

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## **Item 4 – Advisory Business**

### ***Corporate Structure***

FPS is a wholly owned subsidiary of United Services Automobile Association (USAA). USAA is a diversified financial services organization that provides a variety of financial products and services to its members, including, among other things, property and casualty insurance, mutual funds and brokerage products, life and health insurance and annuities, and banking services. FPS is a registered investment adviser and insurance agency that, among other things, provides certain financial planning services to individuals who are USAA members (Member or Members).

FPS has been a registered investment adviser since 1996.

### ***Description of Advisory Services***

At the request of a Member, which may be the result of a discussion and/or a recommendation by a registered representative of USAA Financial Advisors, Inc. (FAI), a registered broker-dealer affiliate of FPS, FPS may provide financial planning services. Such financial planning services, if any, will be provided by a designated financial planning specialist (Planner) who is registered with FPS as an investment adviser representative. A Planner will work with you, either directly or indirectly through a FAI Representative (as further described below), to understand and analyze your current financial situation and then, using financial planning software, will provide you with a personalized written report generated by FPS (a Financial Plan or a Plan) addressing financial planning topics which may include asset accumulation and allocation, wealth protection and distribution, and transfer of wealth, among other possible topics, as applicable to you. Your FPS-produced Financial Plan will generally be delivered to you in a broker-dealer capacity by a registered representative of FAI who is also an employee, and licensed insurance agent, of FPS (hereafter FAI Representative).

### ***Developing Your Financial Plan***

Members desiring a Financial Plan participate in a detailed discovery process to help identify and prioritize their financial needs and goals. During the discovery process, a Planner, an FAI Representative, or a combination of both, will gather information about your financial resources and needs, may request copies of documents to help assess your financial situation, and may ask you to complete a detailed financial planning questionnaire. FPS relies on your diligence in providing complete, clear and

accurate information during the discovery process, as your Financial Plan is based on the factual information you provide.

A Financial Plan is tailored to the individual situation of the Member for whom it was written. Based upon the information you provide and your personal financial situation, a Financial Plan will analyze and provide recommendations on financial planning topics, some of which may include:

- a. Net worth
- b. Cash flow
- c. Retirement planning
- d. Investment and asset allocation
- e. Insurance needs
- f. Planning for long-term goals and other life events

A Financial Plan is a discrete, one-time report that applies to your financial situation at the time the Financial Plan is delivered and does not provide ongoing advice. FPS and FAI do not monitor your Financial Plan or your changing circumstances nor do they update your Financial Plan unless requested by you. Therefore, it is important that you monitor your personal financial situation and current events, such as changes in tax laws and financial markets, and update your Financial Plan as needed. FPS acts as an investment adviser when providing a Financial Plan to a Member. The advisory relationship between you and FPS terminates upon the delivery of your Financial Plan to you.

### ***Implementing Your Financial Plan***

The recommendations provided in your Financial Plan may be implemented through certain USAA affiliates, or other financial services providers not affiliated with USAA. We cannot guarantee future financial results or the achievement of your financial goals through implementation of the recommendations in your Financial Plan. Before implementing any recommendations, you should consider the ramifications of purchasing investment products or services, and you may want to seek further advice from your own legal and tax advisors.

You have sole responsibility for determining whether, when and how to implement any recommendations in your Financial Plan, whether through a USAA affiliate or otherwise. You have no obligation to implement any part of your Financial Plan through USAA affiliates. However, your Planner will recommend that you utilize USAA affiliates, including an FAI Representative and the products and services of USAA affiliates, to implement your Plan. Similarly, the FAI Representative who recommended that you obtain a Plan, if any, and who will generally deliver your Plan

will recommend that you utilize USAA affiliates, and the products and services thereof, to implement your Plan. If you choose to implement your Financial Plan through USAA affiliates, your Plan will be implemented by an FAI Representative, and such FAI Representative will act solely in their capacity as a broker-dealer or insurance agent, and not as an investment adviser.

If you choose to implement your Plan through a FAI Representative, he or she will recommend utilizing USAA products and services, as appropriate, which may include USAA Mutual Funds advised by USAA Asset Management Company (AMCO), a registered investment adviser; USAA Managed Portfolios-UMP®, a managed account program sponsored by USAA Investment Management Company (IMCO), a dually-registered broker-dealer and investment adviser; and/or a USAA brokerage account, called a USAA Investment Account, offered by FAI and IMCO with clearing, custody and other services provided by National Financial Services LLC. AMCO, IMCO and FAI are affiliates of FPS. Your FAI Representative may also recommend, when appropriate, that you consider an annuity or certain insurance coverage and may recommend a particular annuity or insurance product issued or underwritten by USAA and its affiliates. As discussed further below, FPS and/or FAI receive compensation from USAA affiliates when USAA products and services are used.

If you do choose to use an FAI Representative to implement your Plan, your Planner may assist the FAI Representative in conversations with you to further discuss your Plan, your goals and objectives, as well as other factors that affect Plan implementation. To the extent that your Planner is involved and works with an FAI Representative in implementing your Plan, your Planner will also recommend using the products and services of USAA affiliates as set forth above in connection with implementing your Plan.

FPS acts as an investment adviser in providing Financial Plans to Members, but this does not affect any other relationship you may have with USAA or its affiliates. Accordingly, the nature of your existing USAA accounts or any USAA accounts that you may open in the future, the rights and obligations relating to these accounts, and the terms and conditions of any USAA affiliate account agreement in effect now or in the future are not altered by the provision of a Financial Plan by FPS.

By providing you with a Financial Plan, USAA, its affiliates, and your Planner are not acting as a fiduciary for purposes of the Employee Retirement Income Security Act of 1974, as amended (ERISA) or section 4975 of the Internal Revenue Service Code (the Code) with respect to any Retirement Plan (as defined herein) in either the planning, execution or provision of your Financial Plan. Unless otherwise provided in a written agreement between you and FPS, USAA, its affiliates and their respective employees,

any agents and representatives of FPS, including your Planner: (a) do not have discretionary authority or control with respect to the assets in any Retirement Plan included in your Financial Plan, (b) will not be deemed an “investment manager” (as defined by ERISA) with respect to such assets, and (c) will not provide “investment advice” (as defined by ERISA and/or section 4975 of the Code, as amended) with respect to such assets. For the purposes of this paragraph, a “Retirement Plan” means an employee benefit plan as defined in Section 3(3) of ERISA, a plan as defined in Section 4975(e)(1) of the Code, such as an individual retirement account (IRA) or a plan or other arrangement subject to fiduciary and prohibited transaction requirements or substantially similar state, local or foreign law.

### ***Qualification of Planners***

FPS Planners are registered as investment adviser representatives of FPS and may also be registered as broker-dealer representatives of FAI. Planners have a college degree and financial planning industry experience. Planners may possess a CERTIFIED FINANCIAL PLANNER™ certification. Holding a CFP® certification indicates the Planner has completed certain financial planning courses and engages in continuing education. However, the holding of such a certification does not change the nature of the Planner’s, or USAA affiliates’, obligation with respect to the advisory or brokerage products and services that may be offered to you.

### ***Customized Advisory Services and Client Restrictions***

A Financial Plan is based upon information provided to FPS by a Member and includes recommendations tailored to the unique needs of the Member for whom the Financial Plan was written.

A Financial Plan does not provide individual securities or product recommendations.

## **Item 5 – Fees and Compensation**

FPS does not currently charge fees for providing a Financial Plan. However, FPS may charge fees in the future. If FPS does begin charging a fee, Planners will inform those Members seeking a Financial Plan about such fee.

Although no fees are currently charged for providing a Financial Plan, there may be fees associated with implementing your Financial Plan, whether through a brokerage account, advisory account, or the purchase of financial products or investments, or a combination thereof, and whether with a USAA affiliate or a third-party, unaffiliated financial services provider.

If you wish to implement your Financial Plan through USAA, you will work with a FAI Representative. The FAI Representative that works with you may be assisted by your Planner. Working with you, an FAI Representative, and your Planner if he or she is assisting with implementing your Plan, will recommend that you use USAA product solutions and services in connection with implementing your Financial Plan. These USAA products and services could include no-load USAA Mutual Funds, a brokerage account, an advisory account, insurance, annuities, and/or banking products and services, among others. To the extent that you use USAA products and services, FPS and/or FAI are compensated for the acquisition and servicing of such products and services. The revenues of FPS and FAI are primarily derived from the sales and service of USAA products and services. If you choose to open a brokerage account, called a USAA Investment Account, with FAI as part of implementing your Financial Plan, you could incur brokerage and other transaction costs as set forth in the Investment Account's Customer Account Agreement. Please see Item 12 of this Brochure entitled "Brokerage Practices" for additional information.

FPS faces a conflict of interest because, by receiving compensation from affiliates or as a result of the compensation that affiliates receive, FPS has a financial incentive to recommend products and services of its affiliates and/or to recommend that you implement your Financial Plan using an FAI Representative based on the compensation received, rather than your needs. FPS addresses this conflict of interest by disclosing it to you and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

In addition to compensation paid to FPS and/or FAI when you use USAA products and services, if you choose to use an FAI Representative to implement your Financial Plan, such representative is compensated, in part, by your choice to use USAA products and services. In particular, an FAI Representative's eligibility to participate in certain USAA bonus plans is dependent upon his or her individual performance rating which measures factors including, but not limited to, sales of USAA products and services and exemplifying USAA's core values. In addition, some FAI Representatives become eligible to participate in certain other incentive plans through the achievement of goals set by management which may include, but are not limited to, product sales, Member acquisition and retention, and/or asset growth goals. FAI Representatives may also receive non-cash rewards, such as team meals or conference participation, for meeting individual and/or team performance goals. FAI Representatives who perform at a particularly high level as determined by their individual performance rating and/or other criteria selected by management may be chosen to participate in a recognition program that includes, among other things, a trip the focus of which is on developing financial and/or military acumen in order to better serve our



Members. FAI Representatives have an obligation to recommend only those products that are suitable for your particular circumstances.

Planners, too, are compensated, in part, by your choice to use USAA products and services in connection with implementing your Plan. Specifically, a Planner's eligibility to participate in certain USAA bonus plans is dependent upon his or her individual performance rating which measures a variety of factors, including Members' use of USAA products and services to implement their Plans, efforts devoted toward Member planning activities, and exemplifying USAA's core values.

You have the option to implement recommendations in your Financial Plan through other brokers or agents not affiliated with FPS and FAI, and you may incur brokerage and/or other transaction costs charged by such unaffiliated broker or agent.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

FPS does not charge any performance-based fees, and FPS does not engage in side-by-side management.

### **Item 7 – Types of Clients**

FPS provides Financial Plans to natural persons who are Members.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Your Financial Plan is based on general financial planning information and information provided by you during the discovery process. Information obtained during the discovery process typically consists of facts such as your current assets, liabilities, income, expenses, and financial goals. In preparing your Financial Plan we rely on certain information provided solely by you, your agents or designated representatives, without independent verification. As such, it is your responsibility to ensure the information you provide is accurate and complete.

We obtain the following types of general financial planning information from various sources: information about the economy, market data, risk measurement analysis, and other information which may affect the economy. The financial planning software used by FPS also contains financial planning methodologies. Your Financial Plan may include a Monte Carlo simulation or use a methodology based on a Monte Carlo simulation. Monte Carlo simulations are used to show how variances in rates of return each year can affect investment results. Results using Monte Carlo

simulations indicate the likelihood that an event may occur as well as the likelihood it may not occur.

Your Financial Plan may contain analyses that include asset allocations. Our asset allocation models are developed by certain USAA affiliates according to prototype client profiles. In formulating such asset allocation models, such USAA affiliates consider a number of factors, which may include the ramifications of different investor profile characteristics and an assessment of current economic and market views expressed by economists, analysts and bank and securities firms. The asset allocation models may change from time to time at the sole discretion of the relevant USAA affiliate(s). FPS does not provide you with notice of changes to asset allocation models, or other underlying assumptions, made subsequent to the creation of your Financial Plan. Neither FPS nor your Planner will provide you with an updated Financial Plan based upon changes to the asset allocation models or other underlying assumptions. FPS does not update your Financial Plan unless requested by you. Changes in asset allocations or other underlying assumptions may affect your Financial Plan results.

In applying the asset allocation guidelines, Planners will (a) determine your investor profile; and (b) modify the asset allocation to reflect your individual characteristics or circumstances not described in the generalized client profile, as applicable. In determining the appropriate asset allocation for you, we will consider your personal financial situation, investment time horizon, funding strategies, investment experience, tax status, risk tolerances, goals and other life circumstances. Additional information regarding the asset allocation models is available upon request.

Your Financial Plan will provide details on the software and methodologies used, and the software or methodologies that were used in creating your Financial Plan may change at any time. Because your Financial Plan is a discrete, one-time report that applies to your financial situation at the time the Financial Plan is delivered, and FPS does not provide ongoing advice, FPS does not provide you with notice of changes to software or methodologies made subsequent to the creation of your Financial Plan, nor does FPS update your Financial Plan unless requested by you. Changes in software or methodologies may affect your Financial Plan results.

Investment losses may occur as a result of advice provided in a Financial Plan. We cannot guarantee any level of performance from a recommended strategy or investment, nor can we guarantee that you will not experience a loss in your account(s) as a result of the advice we may provide.

## **Item 9 – Disciplinary Information**

FPS is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of FPS or the integrity of FPS's management. FPS has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

FPS is a subsidiary of USAA, which is a diversified financial services organization that provides many different financial products to its members, including, among other things, property and casualty insurance, mutual funds and brokerage products, life and health insurance and annuities, and banking services.

FPS is a registered investment adviser and insurance agency, and therefore provides advice about investments, insurance and annuities. In addition to being licensed as investment adviser representatives of FPS, FPS employees also may be licensed as insurance agents through FPS and, separately, as broker-dealer representatives of FPS's wholly-owned subsidiary, FAI, which is a registered broker-dealer that acts as an introducing broker. If you choose, an FAI Representative, separate from your Planner, will assist you with implementing your Financial Plan by recommending suitable products and services in his or her capacity as a broker-dealer representative or an insurance agent of FPS.

FPS is affiliated with IMCO, a registered investment adviser and broker-dealer. Among other services, IMCO provides advisory services to individuals and other entities through its managed account program, and broker-dealer services.

FPS is affiliated with AMCO, a registered investment adviser that provides, among other services, advisory services to the USAA Mutual Funds Trust (Trust), a registered investment company consisting of multiple USAA mutual fund series. The Trust is distributed by IMCO. FPS is affiliated with the Trust and also with USAA Transfer Agency Company (d/b/a USAA Shareholder Account Services) (SAS), a registered transfer agent, which provides transfer agency services to the Trust.

FPS employees, and employees of its affiliates, may provide material assistance in identifying clients appropriate for services of the relevant USAA affiliate, including FPS. These USAA affiliated entities include but are not necessarily limited to:

Catastrophe Reinsurance Company (insurance company or agency)  
Enterprise Indemnity Captive Insurance Company, Inc. (insurance company or agency)  
Garrison Property and Casualty Insurance Company (insurance company or agency)

USAA Casualty Insurance Company (insurance company or agency)  
USAA County Mutual Insurance Corporation (insurance company or agency)  
USAA General Indemnity Company (insurance company or agency)  
USAA Insurance Agency, Inc. (insurance company or agency)  
USAA Limited (insurance company or agency)  
USAA Texas Lloyd's Company (insurance company or agency)  
USAA Life General Agency, Inc. (insurance company or agency)  
USAA Life Insurance Company (insurance company or agency)  
USAA Life Insurance Company of New York (insurance company or agency)  
USAA Federal Savings Bank (banking and thrift institution)  
USAA Savings Bank (banking and thrift institution)  
USAA Investment Management Company (other investment adviser and broker-dealer)  
USAA Financial Advisors, Inc. (broker-dealer)

Because FPS is part of the above group of USAA companies that collectively offer property and casualty insurance, life and health insurance and annuities, banking products and services, and investment products and services, FAI Representatives that assist in implementing your Plan will recommend products and services offered by USAA or an affiliated company, including banking products, insurance and annuity products, advisory services, and/or mutual funds offered or issued by affiliated companies. Although FPS does not charge fees for Financial Plans, if you choose, as part of implementing your Plan, to purchase products recommended by FAI Representatives that are issued or offered by an affiliated company, the affiliated company will earn fees or other forms of compensation as a result of your purchase of such products or services. FPS and/or FAI also receive compensation from USAA affiliates when Members purchase USAA products and services, and for the ongoing service provided to Members.

FPS faces a conflict of interest because, by receiving compensation from affiliates or as a result of the compensation that affiliates receive, FPS has a financial incentive to recommend products and services of its affiliates and/or to recommend that you implement your Financial Plan using an FAI Representative based on the compensation received, rather than your needs. FPS addresses this conflict of interest by disclosing it to you and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

FPS is subject to an Investment Code of Ethics (Code). The Code incorporates policy

statements regarding insider trading and political contributions, among others. The purpose of the Code is to establish minimum standards of ethical conduct for personnel, guard against conflicts of interest, such as those described above, and ensure compliance with the federal securities laws. All FPS personnel must certify that they have read, received, understand, and agree to comply with the Code.

Under the Code, among other things, all personnel must agree to place the interests of FPS's customers above their own personal interests, to refrain, in the conduct of their personal affairs, from taking any inappropriate advantage of their roles and responsibilities with FPS, and to comply with the federal securities laws.

Accordingly, the Code, among other things, requires such personnel to periodically report their securities transactions and holdings to USAA's Enterprise Compliance Department (ECD). The Code also requires all personnel to report all brokerage accounts in which they have a beneficial interest, and the ECD receives duplicate trade confirmations for each such account. In addition, the Code requires certain personnel to hold securities purchased for a minimum period of time. For example, the Code requires all Access Persons that hold shares in any USAA Mutual Funds to hold the shares for at least 30 days, except for money market and short-term bond funds. Finally, the Code is overseen by the Investment Code of Ethics Committee and enforced by the ECD.

A complete copy of the Code is available upon request by calling 877-314-2255.

FPS may recommend that you effect securities transactions through FAI (its wholly-owned broker-dealer subsidiary), or you may choose to use FAI without any recommendation from FPS. The affiliation between FPS, FAI, AMCO, IMCO and other USAA affiliates is fully disclosed to you, and FAI, AMCO, IMCO and other USAA affiliates receive fees for the services that they perform. In addition, if you choose to use FAI to implement your Financial Plan, FAI may recommend that you purchase USAA Mutual Funds advised by AMCO and distributed by IMCO, or that you open a managed account sponsored and advised by IMCO. AMCO will earn management fees on USAA Mutual Fund investments, and IMCO will earn fees for managed account investments. Another FPS affiliate, SAS, will earn transfer agency fees on USAA Mutual Fund investments. Other USAA affiliated firms may also earn various fees for providing services when USAA products are used. FPS faces a conflict of interest by receiving compensation from certain affiliates because FPS may have a financial incentive to recommend investment products and/or services of those affiliates based on the compensation received, rather than your needs. FPS addresses this

conflict of interest by disclosing it to you and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

## **Item 12 – Brokerage Practices**

FPS, to include your Planner, will recommend that you utilize an FAI Representative to implement your Financial Plan; however, neither FPS nor your Financial Plan selects brokers for you.

If you seek a recommendation for a broker, and an FAI Representative determines that it is appropriate to do so, such FAI Representative will recommend you use FAI as an introducing broker. FPS may be compensated by FAI for that activity. An FAI Representative may determine it is appropriate to recommend FAI only after assessing your individual needs and preferences for certain types of brokerage services, including but not limited to your desire for simplicity and consolidation of account management, for consistency of a technology platform and for a certain level and quality of services provided. If you choose FAI to execute securities transactions through a USAA brokerage account, called an Investment Account, for which FAI acts as introducing broker-dealer, FAI and/or IMCO could earn commissions or other fees for executing such transactions. Neither FAI nor FPS is in a position to evaluate other non-affiliated brokers to determine whether, by using FAI as your introducing broker, you may pay commissions or fees higher than those which are charged by other brokers that are available to you.

In addition, FAI may recommend certain USAA products and services to you, including USAA Mutual Funds advised by AMCO and distributed by IMCO, and IMCO's managed account program, USAA Managed Portfolios – UMP® (UMP). IMCO compensates FPS for distribution and servicing that FAI provides in connection with IMCO's UMP program. IMCO also compensates FAI in connection with distribution and servicing of brokerage accounts opened at IMCO, and for distribution services FAI provides in connection with the USAA Mutual Funds advised by AMCO.

When IMCO acts as a broker-dealer for the purposes of distribution and servicing of the USAA Mutual Funds, and/or acts as an adviser with respect to IMCO's UMP program, IMCO could earn commissions as well as management and other fees for its services. Similarly, AMCO and SAS may earn management fees or transfer agency fees for services provided to USAA Mutual Funds. Other USAA affiliated firms may also earn various fees for providing services when USAA products are used.

FPS does not direct clients or Members to a particular broker in return for products and services and does not use research provided by brokers to service particular

client or Member accounts. FPS will not receive any fees or other direct economic benefit from investment advisers or securities brokerage firms other than the economic benefits received as a result of making referrals to affiliated companies as discussed herein. However, as stated in this Brochure, FPS, including your Planner, will recommend that you use an FAI Representative, and therefore FAI, to implement your Plan.

FPS faces a conflict of interest because, by receiving compensation from affiliates or as a result of the compensation that affiliates receive, FPS has a financial incentive to recommend the products and services of its affiliates and/or to recommend that you implement your Financial Plan using an FAI Representative based on the compensation received, rather than your needs. FPS addresses this conflict of interest by disclosing it to you and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

### **Item 13 – Review of Accounts**

Financial Plans provided by FPS do not constitute an ongoing service with respect to any Member, and FPS's services do not include providing periodic reviews of your financial situation. FPS does not perform account reviews because FPS does not have responsibility for Member accounts and does not custody such accounts.

### **Item 14 – Client Referrals and Other Compensation**

FPS and Planners will refer Members to other USAA affiliates, such as FAI, and such affiliates compensate FPS and/or FAI when products offered by the USAA affiliates are purchased.

FPS does not receive any direct compensation solely for its referrals of Members to USAA affiliates or for making recommendations to Members with respect to products offered by FPS's affiliates. However, FPS does receive compensation when Members referred to affiliates purchase USAA products or services, and a Planner's eligibility to participate in certain USAA bonus plans is dependent upon his or her individual performance rating which measures a variety of factors, including Members' use of USAA products and services to implement their Plans, efforts devoted toward Member planning activities, and exemplifying USAA's core values.

### **Item 15 – Custody**

FPS does not manage any client's or Member's specific investment portfolio and does not maintain custody of any client's or Member's funds.

### **Item 16 – Investment Discretion**

FPS does not manage or exercise any discretionary authority over the securities held in any client's or Member's account.

### **Item 17 – Voting Client Securities**

FPS does not have or exercise any voting authority over the securities held in any client's or Member's account, and thus FPS has not adopted proxy voting policies and procedures.

### **Item 18 – Financial Information**

FPS does not exercise discretionary authority or custody over clients' or Members' funds or securities. FPS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients or Members, and has not been the subject of a bankruptcy proceeding.