

# MBM Advisors, Inc.

## Client Brochure

*This Brochure provides information about the qualifications and business practices of MBM Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (713) 228-6444 or via email at [BBurnam@mbm-inc.com](mailto:BBurnam@mbm-inc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities' authority.*

*MBM Advisor's 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 MBM Advisors, Inc. is also available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*MBM Advisors, Inc. SEC number is: 801-51834*

*The firm's CRD number is: 106507*

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**February 11, 2014**

## ITEM 2 – MATERIAL CHANGES

On an ongoing basis, this item will discuss only specific material changes that are made to the Brochure and provide Clients with a summary of such changes. MBM Advisors, Inc. (“MBM” or “Firm”) will also reference the date of its last annual update of the Brochure.

Further, MBM will provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge. Since the Firm’s last Disclosure Document, Form ADV Part 2A which was dated March 26, 2013, the Firm has experienced no material changes.

Currently, MBM’s Brochure may be requested by contacting Bob Burnam, CCO, by phone at (713) 228-6444 or via email at [BBurnam@mbm-inc.com](mailto:BBurnam@mbm-inc.com). Additionally, the Brochure is available on MBM’s Web site at [www.mbm-inc.com](http://www.mbm-inc.com).

Additional information about MBM is also available via the SEC’s Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site also provides information about any persons affiliated with MBM who are registered, or are required to be registered, as investment adviser representatives of MBM.

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\* The SEC requires all investment advisers to organize their disclosure documents according to specific categories listed above, some of which may not pertain to MBM's business. When a required category is not relevant to our business, we list the category and state that it does not apply.

## **ITEM 4: ADVISORY BUSINESS**

### **A. Firm Description**

MBM, which was originally formed in 1966, and is a corporation organized pursuant to the laws of the State of Texas. MBM is now owned by Donald Black, Robert Burnam, and Lindsay Black. Its principal officers are Donald Black, Chairman of the Board; Robert Burnam, President, Chief Investment Officer and Chief Compliance Officer and Lindsay Black, Chief Executive Officer.

### **B. Types of Advisory Services**

MBM provides investment advisory services on a discretionary and non-discretionary basis to individuals, high net worth individuals, IRA's, and qualified retirement plans. MBM undertakes to provide individual portfolios with objective setting, asset allocation services, and security selection criteria. MBM also provides fiduciaries of 401(k) plans and other types of qualified retirement plans with objective setting, criteria for selecting appropriate asset classes, and assists in the specific asset selection.

In addition, asset allocation strategies for ERISA Defined Contribution Plans will be tailored to meet the requirements of the plan and to satisfy the fiduciary obligations of the trust. MBM may provide Plan Fiduciaries with support and assistance in explaining the Plan to the Plan Participants and providing some basic information to Plan Participants regarding asset classes and asset allocation.

Clients retain MBM by entering into a written agreement for services. The contract is cancelable upon 30 days written notice by either party. Upon initiation of any investment advisory relationship, the client is obligated to pay a fee for three months work as compensation for MBM's efforts in reviewing the portfolio and developing basic asset allocation strategies. If either party cancels the contract after the initial three months, the fee would be prorated through the date of cancellation. If cancelled during the first three months, the full three months of fees, calculated based upon the initial value of the account, will be due. Fees are due the earlier of the date of termination of the contract or after each calendar quarter in arrears.

Clients shall have the right to terminate their advisory agreement, without penalty, at any time within five business days after the effective date of the client contract. Either party may terminate the agreement upon 30 days' written notice to the other party by certified or registered

mail to the address set forth in the contract. In the event, the agreement is terminated, and the client has advanced any fees, which have not been earned, as of the effective date of termination, such unearned fees shall be refunded to the client.

### **C. Client Tailored Services and Client Imposed Restrictions**

MBM assists clients in the preparation of Investment Policy Statements. This service includes determining investment objectives, selecting asset classes, establishing asset allocation models, and establishing criteria for selecting and monitoring investment company securities, if utilized. Each portfolio is tailored to the risk profile of the client, time horizon, liquidity needs and suitability. Each client discloses his/her range of risk tolerance and portfolios are assembled to have a risk profile that falls within the range directed by the client. A client may impose restrictions on the types of securities or funds placed in his/her portfolio.

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

MBM does not sponsor or manage a wrap fee program.

### **E. Amounts of Assets Under Management**

MBM provides investment advice on both a discretionary and nondiscretionary basis. As of December 31, 2013, the Firm managed \$1,221,731,133.00 total assets with \$112,111,058.00 on a discretionary basis and \$1,109,620,075.00 on a nondiscretionary basis.

## **ITEM 5: FEES, COMPENSATION AND TERMINATION OF SERVICES**

### **A. Description of Compensation and Basic Fee Schedule**

Clients retain MBM by entering into a written agreement for services. The contract is cancelable upon 30 days written notice by either party. Upon initiation of any investment advisory relationship, the client is obligated to pay a fee for three months work as compensation for MBM's efforts in reviewing the portfolio and developing basic asset allocation strategies. If either party cancels the contract after the initial three months, the fee would be prorated through the date of cancellation. If cancelled during the first three months, the full three months of fees, calculated based upon the initial value of the account, will be due. Fees are due the earlier of the date of termination of the contract or after each calendar quarter in arrears.

#### **Market Value of Portfolio**

#### **Maximum Annual Rate**

Total Value

2.00%

To the extent mutual funds are selected to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including Rule 12b-1 fees and expenses. The client is advised that, in addition to the annual advisory fee set forth above, each mutual fund in which assets are invested will incur separate investment advisory fees and other expenses for which client will bear a proportionate share.

The Advisory Fee will be payable quarterly, in arrears, and will be based on the Net Asset Value of the Securities under management in the Account. The "Net Asset Value" of the Account shall mean the average of the current value of the Account at the end of the respective quarterly period, computed utilizing the values of the Account at the end of each of the previous four months. The Advisory Fee for the initial quarterly period shall be prorated for the period covered by this Agreement. The term "quarter" as used herein shall mean a calendar quarter.

### **B. Payment of Fees**

Fees are negotiable depending upon the facts and circumstances of each client. An annual minimum fee of \$2500.00 is applied, payable in quarterly increments.

MBM will only be permitted to make withdrawals from accounts as specifically directed by clients. When authorized by clients, MBM will take payment of fees when due out of a client's account. At MBM's discretion, a sufficient number of shares of mutual funds in the account will be redeemed at the current net asset value to pay fees when due.

### **C. Other Fees**

Additionally, the advisory fee does not include certain costs or charges associated with securities transactions with or through a broker/dealer including brokerage commissions and dealer mark-ups or mark-downs in principal transactions or stock exchange fees, transfer taxes or other charges mandated by law, which will be separately charged to the client's account.

MBM provides financial planning services for the clients. Based on the specific needs of the client, Financial Planning may be included in the asset base fee or there may be a separate charge for this service. If Financial Planning is a separate charge, the client will sign a separate consulting agreement. Fees range from \$150 to \$500 an hour depending upon the nature and complexity of each client's individual circumstances. The client is billed in arrears upon completion of this service.

MBM Advisors has a blanket plan expense reimbursement arrangement with Fidelity Investments and Charles Schwab, providing that where MBM is acting as a Third Party Administrator of a qualified retirement plan or a non-qualified retirement plan Schwab or Fidelity pays to MBM Advisors certain basis points for the average investments our clients have in certain funds. MBM discloses this revenue sharing to all clients and rarely retains it. In most cases, MBM will credit the client with the full amount of the plan expense reimbursement received via an offset to the client's bill. In some cases, clients may choose to pay MBM's entire bill and have any plan expense reimbursement credited to their account. In a very few cases MBM has negotiated that they will retain the plan expense reimbursement payments to offset administrative fees that are charged for non advisory services.

### **D. Prepayment of Fees**

MBM does not normally require prepayment of its advisory fees.

## **E. Other Compensation**

Neither the Firm nor its supervised persons accept any compensation/commission for the recommendation of securities or non-securities products including asset-based sales charges or service fees from the sale of mutual funds or insurance products.



## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

MBM does not charge any performance-based fees that are based on a share of capital gains on or capital appreciation of the assets of a client.

## **ITEM 7: TYPES OF CLIENTS**

MBM provides investment advisory services on a discretionary and non-discretionary basis to individuals, high net worth individuals, IRA's, and qualified retirement plans. MBM undertakes to provide individual portfolios with objective setting, asset allocation services, and security selection criteria. MBM also provides fiduciaries of 401(k) plans and other types of qualified retirement plans with objective setting, criteria for selecting appropriate asset classes, and assists in the specific asset selection.

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

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

MBM believes in the fundamental tenets of Modern Portfolio Theory (“MPT”), active management, and diversification. Following these theories, MBM utilizes mathematically rigorous processes to assure that our clients’ assets are invested to provide an optimal investment solution for their unique needs and circumstances. Clients should be aware that investing in securities involves risk of loss that they should be prepared to bear.

The Firm utilizes two types of strategies in providing invest advisory services to its clients—Absolute Return Strategies and Dynamic Strategies. The MBM Absolute Return Strategies seek positive, consistent absolute returns independent of broad market conditions. The strategy focuses on risk control by investing in quality funds and assets whose managers also focus on risk control by asking “What can go wrong.” The strategies are flexible and benchmark agnostic and focus on absolute returns not benchmarks. The MBM Dynamic Strategies seek to provide traditional asset management with a flexible approach. The Core Holdings utilize the Frank Russell traditional asset allocation model strategies providing independent fundamental research using a time-tested, bottom up approach to reviewing managers. Satellite Holdings utilize the MBM Absolute Return Strategies. Both Strategies are implemented utilizing proven mutual funds and ETFs through MBM’s independent fundamental research and executed through the Schwab Institutional platform.

### **B. Material Risks**

Investing in securities involves risk of loss that clients should be prepared to bear.

The strategy focuses on risk control by investing in quality funds and assets whose managers also focus on risk control by asking “What can go wrong.” The strategies are flexible and benchmark agnostic and focus on absolute returns not benchmarks. The MBM Dynamic Strategies seek to provide traditional asset management with a flexible approach. The Core Holdings utilize the Frank Russell traditional asset allocation model strategies providing independent fundamental research using a time-tested, bottom up approach to reviewing managers. Satellite Holdings utilize the MBM Absolute Return Strategies. Both Strategies are

implemented utilizing proven mutual funds and ETFs through MBM's independent fundamental research and executed through the Schwab Institutional platform.

## **C. Certain Risk Factors**

All investments carry some amount of risk MBM's investment strategies may be subject to the following principal investment risks:

**Credit Risks** – The risk that the portfolio could lose money if the issuer of guarantor of a fixed-income security, or the counter-party to a derivative contract, is unable or unwilling to meet its financial obligations.

**Counter-Party Risks** – A portfolio may incur a loss if the other party to an investment contract, such as a derivative, fails to fulfill its contractual obligation.

**Currency Risks** – The risk that foreign currencies will decline in value relative to the US dollar and affect a portfolio's investments in foreign (non-US) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-US) currencies.

**Debt Securities Risks** – The issuer of a debt security may fail to pay interest of principal when due, and changes in market interest rates may reduce the value of debt securities or reduce the portfolio's returns.

**Derivatives Risks** – The use of derivatives such as futures, options and swap agreements can lead to losses, including those magnified by leverage, particularly when derivatives are used to enhance return rather than offset risk.

**Emerging-Markets Risk** – Foreign investment risks are typically greater for securities in emerging markets, which can be more vulnerable to recessions, currency volatility, inflation and market failure.

**Equity Risks** – The risk that the value of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

**ETF Risks** – A portfolio will be exposed indirectly to all of the risks of securities held by an ETF.

**Foreign Investment Risk** – Foreign investments face the potential of heightened illiquidity, greater price volatility and adverse effects of political, regulatory, tax, currency, economic or other macroeconomic developments.

High-Yield Securities Risk – High-yield securities have a much greater risk of default or of not returning principal and tend to be more volatile than higher-rated securities of similar maturity.

Interest-Rate Risk – The risk that fixed income securities will decline in value because of an increase in interest rates.

Issuer Risk – The value of a security may decline because of adverse events or circumstances that directly relate to conditions at the issuer or any entity providing it credit or liquidity support.

Issuer Non-Diversification Risk – The risks of focusing investments in a small number of issuers, industries, or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

Leverage Risk – The risk that certain portfolio transactions may give rise to leverage, causing the portfolio to be more volatile than if it had not been leveraged.

Liquidity Risk – A security may not be able to be sold at the time desired or without adversely affecting the price.

Market Risk – The market price of securities held by a portfolio may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries.

Mortgage- and Asset-Backed Securities Risk – These securities may decline in value when defaults on the underlying mortgage or assets occur and may exhibit additional volatility in periods of changing interest rates. When interest rates decline, the prepayment of mortgages or assets underlying such securities may require the reinvestment of money at lower prevailing interest rates, resulting in reduced returns.

Regulatory Risk – The risk that changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

Short Sale Risk – The risk of entering into short sales includes the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to a portfolio.

Private Securities Risk – Private securities contain the risks of their respective public securities, but these risks can be magnified due to their illiquidity and lack of public knowledge on the business. These securities are inherently more risky.

Real Estate Risk – The real estate market has experienced some large swings recently. Due to changes in interest rates, the lending market, economic policy, and supply and demand, in addition to illiquidity, real estate investments can carry a great deal of risk.

## **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 a client's evaluation of MBM or the integrity of the Firm's management.

### **A. Criminal or Civil Action**

Neither MBM, nor any of our employees, has had any civil or criminal actions brought against them.

### **B. Administrative Procedure**

Neither MBM, nor any of our employees, has had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

### **C. Self Regulatory Organization**

Neither MBM, nor any of our employees, has had any proceedings before a self-regulatory organization.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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

The principal executive officers and other employees of MBM are registered as representatives of Triad Advisors, Inc. ("Triad"), a broker/dealer and member of the Financial Industry Regulatory Authority ("FINRA"). The advisory activities of MBM, which involve placing client trades with a broker/dealer, are supervised by Triad as required by the Financial Industry Regulatory Authority ("FINRA"). To meet its supervisory responsibilities, Triad requires that MBM place advisory transactions only through Triad or through those broker custodians that are approved by Triad.

The principal executive officer and other employees of MBM may recommend securities or insurance products offered by Triad. If clients freely choose to implement commissionable transactions, the broker/dealer used for these transactions will be Triad and the registered representatives will receive normal commissions. No client is obligated to purchase recommended products or to purchase through MBM or Triad.

In order to fulfill its obligation, Triad has established a list of custodian and brokerage firms which it has arranged to obtain the required cooperation; and which therefore may be used for custody of accounts directly advised either by Registered representatives of Triad who are investment advisers or other investment adviser entities which are affiliated with Registered Representatives of Triad. In certain instances, Triad will collect as paying agent for MBM, the investment advisory fee remitted to MBM by the account custodian, and Triad will retain a portion as a charge to MBM, (not the client) for the functions Triad is required to carry out by FINRA. This fee will not increase execution or brokerage charges to the client or the fee the client has agreed to pay MBM pursuant to the client's advisory agreement. A portion of the fee by Triad may be re-allocated to other registered representatives of Triad, who as registered representatives of Triad are responsible for the supervision of other representatives and assist Triad with the functions described above.

Triad will not be used to implement transactions for MBM's investment advisory clients investing in no-load or load mutual funds available at net asset value without compensation to MBM's associated persons. These clients will be required to use a Triad-approved custodian broker as their broker/dealer for such transactions placed on their behalf by MBM.

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

Neither MBM nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Adviser.

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

The principal executive officer and other employees in their individual capacities are agents and/or brokers for various insurance companies. In this separate capacity, these individuals will be able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. However, no client is obligated to use these individuals to purchase insurance. The principals and certain representatives of MBM who are licensed as insurance agents are in the business of selling securities, variable contracts, and insurance products.

MBM representatives are associated with accounting firms. It is expected that there will be clients common to both MBM and the accounting firms. The firms operate independently and clients of MBM are free to use any accounting service provider of their choosing.

MBM also provides pension consulting, administrative and actuarial services. The fees for these services are separate and distinct from the advisory fees charged by MBM. MBM provides plan design, record-keeping, investment management services and employee communication to pension, profit sharing, 457, 401(a), and 401(k) plans.

## **D. Selection of Other Advisors of Managers and How This Adviser is Compensated for Those Selections**

MBM does not recommend or select other investment advisers for its clients.



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

### **A. Code of Ethics**

MBM has adopted a Code of Ethics to ensure that securities transactions by MBM employees are consistent with MBM's fiduciary duty to its clients and to ensure compliance with legal requirements and MBM's standards of business conduct. The Company requires transaction confirmation and quarterly reporting of such transactions. A written copy of MBM's Code of Ethics is available upon request.

A director, officer, or employees of MBM shall not buy or sell securities for their personal portfolios(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 person of MBM shall prefer his or her own interest to that of the advisory client. MBM maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of MBM. MBM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered advisors.

### **B. Recommendations Involving Material Financial Interests**

It is MBM's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. MBM 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. 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.

### **C. Investing in the Same Securities as Clients**

MBM or individuals associated with MBM may invest in securities identical to those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security or securities which may also be recommended to a client. As these situations represent a conflict of interest, MBM has established restrictions within its Code of Ethics in order to ensure its fiduciary responsibilities.

### **D. Trading the Same Securities as Clients' Securities**

MBM or individuals associated with MBM may trade securities identical to those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security or securities which may also be recommended to a client. As these situations represent a conflict of interest, MBM has established restrictions within its Code of Ethics in order to ensure its fiduciary responsibilities.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Selecting Brokerage Firms**

#### **1. Research and Soft Dollars**

MBM requires that consulting clients use the brokerage services of Schwab Institutional (“SI”), a division of Charles Schwab & Co. (“Schwab”), or Fidelity Institutional Advisor Group (“FIAG”) for implementation of all recommended transactions in no-load and load mutual funds at net asset value without compensation to MBM’s related persons.

MBM participates in the service program offered by Schwab Institutional (“SI”), a division of Charles Schwab & Co., and FIAG. Economic benefits are received which would not be received if MBM did not give investment advice to clients. These benefits include: receipt of duplicate client confirmations; bundled duplicate client confirmations; and bundled duplicate statements. In addition, the client will have access to a trading desk serving SI and FIAG participants exclusively; access to block trading, which provides the ability to aggregate securities transactions and then allocate the appropriate shares to the client’s address, for a fee. Benefits also include access to an electronic communication network for client order entry and account information. Also included, are receipts of compliance publications, and access to mutual funds generally requiring a significantly higher minimum initial investment or available only to institutional investors. These benefits received through participation in the SI and FIAG programs do not depend upon the amount of transactions directed to Schwab or Fidelity.

SI and FIAG also make available to MBM, other products and services that benefit MBM but may not benefit its clients’ accounts. Some of these other products and services assist MBM in managing and administering clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of MBM’s fees from its clients accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of MBM’s accounts, including accounts not maintained at SI or FIAG. SI or FIAG may also make available to MBM other services intended to help MBM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information

technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of these services or pay all or a part of the fees of a third party providing these services to MBM. While as a fiduciary, MBM endeavors to act in its clients' best interests, and MBM's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to MBM of 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 SI or FIAG, which may create a potential conflict of interest.

Unless the client instructs MBM otherwise, the Firm may place orders for the execution of transactions with or through a broker/dealer as MBM may select, and complying with Section 28(e) of the Securities Exchange Act of 1934, may pay a commission on transactions in excess of the amount of commission another broker or dealer would have charged. MBM will select such brokers that can effect transactions at the best price and execution under the prevailing circumstances. In managing investment portfolios, MBM acts in a manner in keeping with what it understands and believes to be the best interests of the client. Individual securities are selected to provide diversification among economic sectors and industries which are chosen to achieve the desired balance between expected risk and expected return. Transactions of an unusual nature are discussed with clients before execution. MBM may receive from custodians, without cost, software and support which allow MBM to better monitor and service client accounts. The Firm may receive the software and support without cost because MBM renders investment advisory services to clients that maintain accounts with certain custodians.

With respect to any brokerage commissions charged by executing broker/dealers, MBM will regularly and continuously review such charges within the foregoing criteria and such other comparative standards which it may regard as pertinent for the purpose of evaluating the reasonableness of such commissions. As permitted by law, and specifically by provisions of Section 28(e) of the Securities Exchange Act of 1934, MBM may cause its clients to pay a broker/dealer an amount of commission for executing a portfolio transaction order on behalf of its clients which is in excess of the commissions other broker/dealers would have charged for effecting such a transaction. In order to do so, MBM must determine in good faith that the higher commissions are reasonable in relation to the value of the brokerage and research services provided by the executing broker/dealer viewed in terms of either a particular transaction or MBM's overall responsibilities to its other clients.

## **2. Brokerage for Client Referrals**

MBM does not consider the potential receipt of referrals when it recommends or selects brokers or dealers for its clients. In selecting brokers or dealers to effect portfolio transactions, consideration is given to the proven integrity and financial responsibility of the various firms as well as to their demonstrated execution experience and capability generally and in regard to particular markets or securities and to the competitiveness of the commission rates they charge.

## **3. Directed Brokerage**

MBM has discretionary authority to determine securities to be bought or sold; the total amount of securities to be bought and sold; the brokers/dealers through whom securities are to be bought and sold; and the commission rates at which securities transactions are to be affected. MBM will be responsible for any losses with regard to trading errors.

## **B. Aggregation of Securities for Multiple Client Accounts**

MBM's fundamental policy is to seek for its clients what, in its judgment, will be the best overall execution of purchase or sale orders and the most favorable net prices in securities transactions consistent with its judgment as to the business qualifications of the various broker or dealer firms with which MBM may do business. Decisions with respect to the market in which the transaction is to be completed, the form of the transactions, and the allocation of orders among brokers or dealers are made in accordance with this policy.

When trading the same security across multiple accounts, MBM may aggregate or place a block trade and allocate the order to each client accordingly. This will result in less execution costs and expenses. When executing this type of order, the execution price will "averaged priced" so that each client receives the same execution price and to avoid any potential conflicts of interest. If an employee of MBM is included in the order, MBM will ensure that the employee account does not receive a better price than the client.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

All accounts are reviewed either on an annual basis or a when needed basis depending on the specific facts and circumstances surrounding the particular assignment for which MBM was hired. Asset allocation models will be based either on standard model portfolios or upon client specific requests. Reviewers will be the principals or senior associates of MBM Advisors, Inc. The underlying fund investments are reviewed on a quarterly basis to ensure they are meeting and/or exceeding their respective standard market indices.

### **B. Factors that Will Trigger Non-Periodic Reviews**

All accounts are reviewed either on an annual basis or a when needed basis depending on the specific facts and circumstances surrounding the particular assignment for which MBM was hired.

### **C. Reports Provided to Clients**

Clients will receive formal performance reports on a quarterly basis. Reports will reflect deposits and withdrawals from the account, and investment performance. Investment performance will measure performance of individual assets within the account, the account as a composite and compare account performance against standard market indexes. The clients also receive brokerage transaction confirmations and statements at least quarterly from the custodian of the account. All statements sent by MBM include a legend directing the clients to review and compare with statements provided by the custodians.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Third Party Compensation**

MBM's associated persons may, from time to time, receive incentive awards for the recommendation/introduction of investment products. The receipt of this compensation may affect MBM's judgment in recommending products to its clients. MBM will take all necessary steps to ensure it meets its fiduciary duties for its clients including instances where incentive awards may be involved.

### **B. Referrals**

MBM or any related person does not, directly or indirectly, receive compensation or provide compensation to or from any person or entity for client referrals.

## **ITEM 15: CUSTODY**

Clients should receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains clients' investment assets. Clients should carefully review such statements and compare such official custodial records to the account statements that MBM may provide. MBM's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.



## **ITEM 16: INVESTMENT DISCRETION**

MBM is normally granted discretionary authority via the initial contract the clients and the Firm enters into. In cases where the clients have granted MBM discretionary authority, the Firm normally has the authority to determine securities to be bought or sold; the total amount of securities to be bought and sold; the brokers or dealers through whom securities are to be bought and sold; and the commission rates at which securities transactions are to be affected. MBM strives to ensure that such discretion is exercised in a manner consistent with the stated investment objectives and investment policy statements for the particular client account. Such objectives and policy statements are required to be provided by the client in writing.

## **ITEM 17: VOTING CLIENT SECURITIES**

It is the general policy of MBM to not take any action or render any advice in reference to the voting of proxies for those securities held in all client accounts. The proxies are delivered from the custodian to the client for voting and does not keep any record of how or if the proxies are voted.

## **ITEM 18: FINANCIAL INFORMATION**

Investment Advisers are required to provide clients with certain information and disclosures regarding the financial condition of the Firm. MBM is well capitalized, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

### **A. Balance Sheet**

MBM does not require nor solicit prepayment of investment advisory fees which would result in custody issues. Therefore, the Firm is not required to include a balance sheet with this brochure.

### **B. Financial Conditions**

Neither MBM nor its management have any financial conditions that are likely to reasonably impair the Firm's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions**

MBM has not been the subject of a bankruptcy petition in the last ten years.