



M Holdings Securities, Inc.™

# WealthPursuit™ Custom SMA Wrap Fee Program

## Part 2A, Appendix 1 of Form ADV: Wrap Fee Brochure

Sponsored by

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This wrap fee brochure provides information about the qualifications and business practices of M Holdings Securities, Inc. If you have any questions about the contents of this brochure, please contact us at (888) 520-6784 or [MHSCompliance@mfin.com](mailto:MHSCompliance@mfin.com). 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 M Securities is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You obtain information by entering our unique identifying number, known as a CRD number. Our firm’s CRD number is 43285.



## Item 2 Material Changes

For this filing and all future filings, this Item 2 will be used to provide the client with a summary of material changes that are made to the brochure since the last annual update.

M Securities updated this document on March 27, 2020 (“**Annual Update**”). There have been no material changes to the brochure since the last annual update on March 30, 2019. M Securities has changed its Chief Compliance Officer but has not made any other material changes.



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## Item 4 Services, Fees, and Compensation

### GENERAL INFORMATION

M Holdings Securities, Inc. (“We,” or “Us,” or “M Securities”) is a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser with its principal place of business located in Portland, Oregon.<sup>1</sup> M Securities began conducting business as an investment advisory firm in 2000. We are a wholly owned subsidiary of M Financial Holdings Incorporated, doing business as M Financial Group (“M Financial Group”).

### SERVICES PROVIDED

#### Investment Advisory Services

M Securities is the Sponsor of the WealthPursuit™ Custom SMA Wrap Fee Program (the “**Program**”), that provides our clients access to sub-accounts managed by third-party registered investment advisors. These accounts are known as separate account managers (referenced henceforth as “**Portfolio Manager(s)**”). Envestnet Portfolio Solutions, Inc. (“**Administrator**” or “**Envestnet**”) provides administrative services to M Securities, and supervises and directs the investment of monies contributed by a client to a Program account (“**Account**”) on a discretionary basis.

Program clients pay one asset-based wrap fee (the “**Program Fee**”) that covers certain costs of the Program, including investment advice, Envestnet program fees, execution and clearing of transactions, and record-keeping services. Certain other costs, as described below, are not covered by the Program Fee.

Prior to opening an Account (the “**Account**”), the client will consult with their investment advisory representative (“**Representative**”) concerning the suitability of the Program. The client will complete a risk tolerance client profiling questionnaire (the “**Profile**”) and the M Securities’ client account form in order to provide a full description of assets and liabilities, investment objectives, earnings, financial needs, time horizon, risk tolerance, marginal federal and state tax rates, any reasonable restrictions the client wish to impose on the management of their Account, and any other pertinent information. Based upon the information you provide on the Profile and on the M Securities client account form, the Representative will make investment recommendations to the client, which will be documented on a form called the Statement of Investment Selection (“**SIS**”).

Upon receipt of the client’s signature on the SIS, Representative will take appropriate actions to establish an Account and will direct the investment and reinvestment of the assets in the Account on a discretionary basis, as the client has authorized on the M Securities Client Account Form. Representatives may select or recommend Portfolio Manager(s) to manage all or a portion of the Account’s assets. Representatives will implement the investment recommendations by establishing sub-accounts with one or more Portfolio Manager(s).

Representatives will meet with the client at least annually to discuss the client’s Account(s) and to determine whether there have been any changes in financial situation, investment objectives, restrictions or other instructions. Accounts will be reviewed by Supervisory Principals of M Securities for suitability prior to opening. Accounts will also be reviewed by Supervisory Principals of M Securities for suitability and trading violations as transactions take place.

#### Execution and Clearance Services

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<sup>1</sup> Please note that registration as an investment adviser does not imply a certain level of skill or training.



Pershing LLC (“**Pershing**” or “**Custodian**”) will execute all Portfolio Manager transactions and perform the clearance for such transactions. The Custodian will maintain custody of all Account assets, and its custodial functions, among other things, will include (i) crediting of interest and dividends on Account assets, (ii) crediting of principal on called or matured securities in the Account, (iii) debiting Program Fee from the Accounts, (iv) processing, pursuant to M Securities’ instructions, of deposits to and withdrawals from Accounts, and (v) other custodial functions customarily performed with respect to securities brokerage accounts.

The Custodian will forward confirmation of each purchase and sale to the client and to M Securities in accordance with applicable law. However, the client may choose to opt out of receiving confirmations by completing a form required by the Custodian and M Securities. For each month in which activity occurs in the client’s Account (but no less frequently than quarterly), Account statements will be forwarded by the Custodian to the client and to M Securities. If you do not receive such documents, please contact M Securities Compliance at (888) 520-6784 or [MHScompliance@mfin.com](mailto:MHScompliance@mfin.com).

## Administrative Services

Investnet provides certain services to M Securities in connection with the Program which include, but are not limited to: (i) providing the technology platform through which Program activities occur, (ii) maintaining records of activity in Program Accounts, (iii) maintaining an electronic interface of Program Account data with the applicable Custodian, (iv) calculating the Program Fee and instructing the applicable Custodian to debit the Accounts accordingly, and (v) providing the client and M Securities with quarterly reports analyzing the performance of the client’s Account, (vi) communicate requests between M Securities and the Sub-Advisor(s). M Securities provides administrative services related to monitoring Investnet to ensure that the services described above occur, performing due diligence related to the program and generally coordinating operational functions between M Securities and Investnet.

## FEES AND CHARGES

### Program Fees

A client will pay an asset-based Program Fee based upon a percentage of the value of the assets in the Account. Investment advice from the Representative, Investnet fees, execution and clearing of transactions, administrative fees and record-keeping services are included in the Program Fee.

The Program Fee will be calculated based upon the following tiered scale of annualized assets:

Market Value	Administrative Fee	Execution Fee	Portfolio Manager(s) Fee*	Representative Fee
First \$500,000	0.13%	0.00 - 0.05%	0.25% to 0.60%	Negotiated
Next \$500,000	0.12%	0.00 - 0.05%	0.25% to 0.60%	Negotiated
Next \$2,000,000	0.105%	0.00 - 0.05%	0.25% to 0.60%	Negotiated
Next \$7,000,000	0.085%	0.00 - 0.05%	0.25% to 0.60%	Negotiated
Next \$10,000,000	0.045%	0.00 - 0.05%	0.25% to 0.60%	Negotiated
Next Amounts over \$20,000,000	0.03%	0.00 - 0.05%	0.25% to 0.60%	Negotiated

\*Fee dependent upon the Portfolio Manager(s) that is selected.



The Representative's fee and the execution fee may be negotiated directly between the client and the Representative, but in no case will the total Program Fee, identified by the all the fees noted in the above schedule, exceed 3%. The minimum fee is \$150 per year. A portion of the Program Fee is paid to M Securities for administrative purposes.

Prior to establishing an Account, the total fee to be paid by a client will be set forth in writing in the SIS.

The Program Fee is assessed quarterly and is paid in arrears. The Program Fee will be assessed on the first day of each calendar quarter and will be calculated based on the average daily fair market value of Account assets during the preceding calendar quarter, as valued by an independent pricing service, where available, or otherwise in good faith. The client will instruct the Custodian to pay the Program Fee out of assets in the Account by authorizing the Custodian to withdraw the appropriate amount from the Account upon receipt of instructions from Envestnet.

Accounts opened during any calendar quarter will be billed, for the first quarter, in arrears based on the average daily fair market value of assets in the Program Account during the portion of the quarter the Program Account was open. Upon any termination of the Program, Envestnet will calculate the amount of the Program Fee and any other fees and charges due and payable through the effective date of termination and then instruct the Custodian to debit and collect that amount prior to any assets in the Account being transferred to the client or another custodian.

The Program Fee may be more or less than the cost of purchasing each service included separately in the Program, assuming similar services could be purchased separately. Other investment advisors may charge a higher or lower fee for giving advice concerning securities without offering the other services available in the Program. Also, depending upon the frequency of trading in an Account, brokerage and/or clearing fees could be higher or lower if purchased separately. The Program Fee may be negotiated at the discretion of M Securities and/or the Portfolio Manager(s). The Program Fee may be discounted for associated persons of M Securities or the Portfolio Manager's employer.

#### Fees in addition to Program Fees:

- **Custodial Fees:** Clients can incur certain charges imposed by custodians for Account maintenance that are in addition to the Program Fee. The Program Fee does not include fees incurred for products or services that are not part of the Program Fee including, but not limited to, mark-ups, mark-downs, spreads paid to market makers, electronic fund and wire fees, IRA and qualified retirement plan account fees, termination fees, the costs of the operating expenses of the mutual funds that are held in the Account, including exchange-traded funds and money market funds, as well as any applicable shareholder fees that may be assessed by such funds or charges and taxes currently imposed by governmental authorities, self-regulatory bodies, transfer agents and other outside entities with respect to securities transactions (including, but not limited to SEC Section 31 transaction fees, Depository Trust Company fees, redemption and transfer fees) (collectively, "**Additional Costs**"). Clients will separately bear these Additional Costs.
- **Mutual Fund and/or ETF Fees:** All fees paid to M Securities for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, these charges will be suppressed. In no case should the Representative receive any commissions. However, M Securities and its Representative may receive other fees (e.g., finders fees) associated with mutual fund transactions.

A client could invest in a mutual fund directly, without our services. When purchasing directly with a mutual fund company, except when purchasing American Funds F-2 share class mutual funds, the client would not receive the services provided by M Securities which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to the client's financial condition and objectives. In all cases, the client should review the fees charged by



the funds and the fees charged by M Securities to fully understand the total amount of fees to be paid, and thereby evaluate the advisory services being provided.

In many instances, we make available mutual funds in our advisory programs that offer various share classes. Not all mutual funds have the same share classes available. Each share class charges different expenses, including but not limited to 12b-1 fees, also known as a distribution and service fee. While each mutual fund prospectus indicates whether the share class invested charges a 12b-1 fee, some share classes typically charge 12b-1 fees while others do not. For illustrative purposes, Class A Shares typically charge a 12b-1 fee and Class I Shares do not charge a 12b-1 fee. As a result, it is typically more expensive for the client to own Class A Shares than Class I Shares. In an effort to reduce the financial incentive to recommend a mutual fund share class that charges a 12b-1 fee, in most instances, M Securities' reimburses the client's account with the 12b-1 fee charged. In some instances, the 12b-1 fee is retained by the qualified custodian that makes the mutual funds available to us. Whether the 12b-1 fee is reimbursed to the client or retained by the qualified custodian is dependent on which qualified custodian holds the client's assets. Note that some mutual funds will offer both Class A and Class I Shares but in other instances, a mutual fund may offer only Class A Shares. The availability of a lower-cost share class is fund specific and not all Class I Shares may be available for investment due to investment minimums and other fund-specific requirements.

M Securities and our Representatives receive compensation as a result of a client's participation in the Program. Depending on, among other things, the size of an Account, changes in its value over time, the number of transactions and the ability to negotiate fees and commissions, the amount of compensation under the Program may be more or less than what the Representative would receive if the client paid separately for investment advice, brokerage and other services. Therefore, M Securities and our Representatives may have a financial incentive to recommend the Program over other programs or services offered by M Securities.

## **Item 5 Account Requirements and Types of Clients**

The minimum amount of assets required for a client to establish a Program account is generally \$50,000. Exceptions to this account minimum may be made upon M Securities approval. If a client's Account falls below the minimum amount, the Account is subject to termination by us at our discretion. Clients may add assets to an Account at any time.

M Securities provides advisory services to a wide variety of clients including but not limited to: Individuals, charitable organizations, corporations, and other business entities, retirement plans (including 401(k) plan sponsors and pension plans) and trusts.

## **Item 6 Selection and Review of Portfolio Manager(s)**

Investnet is responsible for performing due diligence on each Portfolio Manager(s) that is available through the Program; however, M Securities is responsible to ensure that the investment strategy recommended by the Representative to a client is suitable for the Account based upon the client's investment objectives, financial situation and any restrictions imposed by the client. In circumstances where the Portfolio Manager does not appear on Investnet's approved managers list, M Securities is responsible for performing the initial due diligence. M Securities does not review the performance of the Portfolio Manager. Investnet will provide performance-reporting services to the Representative and to M Securities for the client's Account; Portfolio Manager performance information may not be calculated on a uniform or consistent basis. M Securities does not validate the any performance report produced by Investnet.



## Item 7 Client Information Provided to Portfolio Manager(s)

As discussed above, the Profile is designed to gather information to determine objectives and risk tolerance of the client. The answers to the Profile assist M Securities in selecting the Portfolio Manager(s) for the client. M Securities provides a copy of the Profile once the Portfolio Manager(s) is/are selected. The client is responsible to notify their Representative of any changes to their objective and risk tolerance.

## Item 8 Client Contact with Portfolio Manager(s)

Clients do not have the ability to communicate directly with the Portfolio Manager(s) associated with this program. M Securities recommends that clients inform their Representative regarding changes in their risk tolerance and objectives and discuss reallocation of existing managed programs within their portfolio.

## Item 9 Additional Information

### DISCIPLINARY INFORMATION

M Securities is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

On March 11, 2019, the SEC published IA Release No. 5193, an Order instituting Administrative and Cease and Desist Proceedings, pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“**Advisers Act**”), against M Securities. M Securities self-reported the violations to the SEC. The proceedings arose out of breaches of fiduciary duty and inadequate disclosures by Respondent in connection with its mutual fund share class selection practices and the 12b-1 fees M Securities and/or its associated persons received. At times during the relevant period, M Securities purchased for, recommended to, or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. M Securities failed to disclose in its Form ADV or otherwise conflicts of interest related to the collection of such fees. As a result of the conduct, M Securities willfully violated Sections 206(2) and 207 of the Advisers Act. M Securities agreed to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act. Respondent was censured, agreed to pay disgorgement plus interest of \$1,022,048.49 and shall comply with the undertakings described in the Offer of Settlement.

On July 9, 2018, M Securities was found to be in violation of FINRA’s rules related to its brokerage activities. Without admitting or denying the findings, M Securities consented to sanctions equal to \$135,000 and to the entry of findings from December 2013 to June 2017, that specified it did not establish, maintain, and enforce a supervisory system, including written supervisory procedures (“**WSPs**”), reasonably designed to supervise registered representatives’ use of consolidated reports. The findings stated that during this period, associated persons of M Securities created and disseminated consolidated reports to customers, yet it had no WSPs directly addressing the supervision of consolidated reports. Further, M Securities did not maintain or review consolidated reports as communications with customers and did not maintain or review the supporting documents related to assets and asset values entered manually by registered representatives in the consolidated reports. In response, M Securities created WSPs addressing the use and dissemination of consolidated reports by its registered representatives. The WSPs included M Securities’ requirements for review and approval before submitting of consolidated reports to firm customers or prospective customers, and prohibited the dissemination of consolidated reports unless and until approval was provided by M Securities.

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS





## M Holdings Securities, Inc.

In addition to M Holdings Securities, Inc. being a registered investment advisor, our firm is registered as a broker/dealer with the SEC and a member of FINRA. Most Representatives also offer brokerage services as registered representatives. M Securities as a broker/dealer transacts business in various types of securities, including mutual funds, stocks, bonds, alternative investments, variable annuities, real estate investment trusts and other investment products. M Securities is registered to operate in all 50 states and has an independent-contractor sales force of Representatives and registered representatives throughout the United States. Before engaging with a Representative, clients should understand the differences between advisory services and brokerage services to determine which account meets their needs. Clients are encouraged to discuss the differences with their Representative.

While M Securities and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

As required, any affiliated investment advisors are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the cover page of this brochure.) Clients should be aware that the receipt of additional compensation by M Securities and its management personnel, employees and Representatives creates a conflict of interest that may impair the objectivity of M Securities and these individuals when making advisory recommendations. M Securities takes the following steps to address this conflict:

- M Securities discloses to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- M Securities discloses to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- M Securities collects, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- M Securities' management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- M Securities requires that our employees seek prior approval of any outside employment activity so that M Securities may ensure that any conflicts of interests in such activities are properly addressed;
- M Securities periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- M Securities educates our employees and Representatives regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## M Wealth

We are affiliated with M Financial Asset Management, Inc. ("**M Wealth**") is wholly owned by our parent company, M Financial Group, and offers investment management services as a sub-advisor to M Securities and other independent registered investment advisors that are owned by registered representatives of M Securities. M Wealth is recommended by us as a sub-advisor when appropriate for the client. An incentive and therefore a potential conflict of interests exists to offer



the management services of M Wealth as opposed to other investment advisory managers since many Representatives and their private agencies have an ownership stake in M Financial Group. Please see the “Additional Compensation” sub-section below for more information regarding the manner in which compensation could ultimately find its way to a Representative through the client selecting M Wealth to manage their assets.

## MFIA and M Funds

We are affiliated with M Financial Investment Advisors (“MFIA”) and M Fund, Inc. (“M Funds”). MFIA is wholly owned by our parent company, M Financial Group, and it serves as the investment adviser to M Funds, an open end mutual fund registered with the SEC. M Securities, as broker/dealer, is the distributor for M Funds.

M Funds are not sold directly to the general public but instead are offered as an underlying investment option for variable annuity policies issued by certain insurance companies or through qualified pension and retirement plans. The use of M Funds in such variable annuity policies are only available to M Securities clients.

An incentive exists to recommend insurance products that offer M Funds and to recommend the use of M Fund subaccounts within these products, as opposed to other insurance products and subaccounts, because many Representatives and their private agencies have an ownership stake in M Financial Group. Revenue from both MFIA and M Funds is used in the calculation of the M Financial Group Incentive Compensation Plan. Please see item 14 for more information regarding the manner in which compensation could ultimately find its way to a Representative through the client selecting M Funds as a subaccount within an insurance policy.

## M Financial Securities Marketing, Inc.

We are affiliated with M Financial Securities Marketing, Inc., a broker/dealer and wholly owned by our parent company, M Financial Group. This entity does not have any securities clients, since its purpose is to receive broker/dealer marketing fees and overrides. No marketing fees related to investment advisory services are received by M Financial Securities Marketing, Inc. Please see item 14 for more information regarding the manner in which compensation received by M Financial Securities Marketing, Inc. could ultimately find its way to a Representative.

## M Benefit Solutions and M Insurance Solutions, Inc.

We are affiliated with Management Compensation Group, Northwest, LLC, doing business as M Benefit Solutions (“M Benefit”) and M Insurance Solutions, Inc. (“MIS”) are each licensed insurance agencies that are wholly owned by our parent company, M Financial Group. To the extent securities related insurance products are sold, they are executed through M Securities’ broker/dealer. To date, neither M Benefit nor MIS have conducted any investment advisory activities. Please see the “Additional Compensation” sub-section below for more information regarding the manner in which compensation could ultimately find its way to a Representative by the client selecting M Benefit or MIS to purchase securities related products.

## M Life Insurance Company

We are affiliated with M Life Insurance Company (“M Financial Re”), a life insurance company and wholly owned subsidiary of our parent company, M Financial Group, and reinsures a portion of the mortality risk on some policies issued by unaffiliated insurance carriers and sold by Member Firms.

## Unaffiliated Investment Advisors

As previously disclosed, we recommend the services of various registered investment advisers to its clients. In exchange for this recommendation, we receive a referral fee from the selected investment adviser. The fee received by M Securities



is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to M Securities does not increase the total advisory fee paid to the selected investment adviser by the client. Although M Securities does not charge the client any fees for these referrals, this creates conflicts of interest by providing a financial incentive to refer business to investment advisors that will pay us a solicitor fee, generally, and provides a further financial incentive to refer business to investment advisors that will pay us the highest solicitor fee (as compared to other advisors that will pay a solicitor fee). We address these conflicts of interest by requiring a written disclosure detailing all facts to be acknowledged by the client, and through the review of documented arrangements by M Securities supervisory personnel. . M Securities will only recommend advisers that pay us a referral fee.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

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

M Securities has adopted a Code of Ethics (the “**Code**”) which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

M Securities and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by M Securities’ access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or initial public offering. Our Code also provides for oversight, enforcement and recordkeeping provisions.

M Securities’ Code of Ethics further includes our policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email at [MHSCompliance@mfin.com](mailto:MHSCompliance@mfin.com), or by calling us at 888-520-6784.

In addition, access persons of M Securities are required to report all personal securities transactions conducted in our affiliated fund company.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

M Securities and/or individuals associated with M Securities may buy or sell securities identical to or different from those recommended to our clients for their personal accounts. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client.

It is M Securities’ policy that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.



We may aggregate our employee trades with client transactions, where possible, and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing M Securities' Code of Ethics, to ensure compliance with its regulatory obligations and to provide our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of M Securities may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is based on information received as a result of his or her employment, unless the information is also available to the investing public.
- No person employed by M Securities may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- M Securities requires prior approval for any initial public offering ("IPO") or private placement investments by related persons of M Securities.
- We maintain a list of all reportable securities holdings for M Securities and anyone associated with this advisory practice who has access to advisory recommendations ("**access person**"). These holdings are reviewed on a regular basis by M Securities' Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of M Securities.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

Our internal supervisory procedures and compliance audit and sampling procedures are designed to detect potential breaches of conduct by our investment advisory representatives. As disclosed above, in this section, related persons of our firm are separately registered as representatives of M Securities' broker/dealer and they receive commissions as a result of establishing a broker/dealer account with the client and entering transactions on the client's behalf. Many of the transactions entered through the broker/dealer involve the purchase of securities related insurance products in addition to general securities products. Additionally, nearly all representatives of M Securities' broker/dealer and registered investment adviser are involved with insurance agencies that are independent from M Securities and sell insurance products that are not securities related.



Marketing fees may be received in some cases, in addition to the advisory fees received by the investment advisory representative. The amount of these fees will be provided to the client upon request.

## REVIEW OF ACCOUNTS

The Representative is responsible for reviewing the client's account on an ongoing basis to assure that the securities held and the transactions conducted on the client's behalf are suitable and are conducted in a manner that meets regulatory requirements. M Securities reviews client account forms and other required documentation to ensure that all information required to be collected from the client is on file and that it is complete. Representatives are aware of risk tolerance, goals and objective information when reviewing daily transaction. Representatives are responsible for considering existing client holdings and pending orders prior to entering each transaction on behalf of the client. M Securities also reviews accounts using risk-based criteria that may include trading activity, concentration, and performance. Clients will meet with the Representative at least annually to review their account, and clients can request more frequent reviews. Additionally, Representatives may review accounts more frequently due to changes in market conditions, political or economic environment. Clients should notify their Representative of any material changes to their financial condition, investment objectives, personal circumstances that could affect the overall investment goals and strategies or the investment advice provided or investment decisions made by the Representative.

## ADDITIONAL COMPENSATION

M Securities offers a broad range of options to its investment advisory clients through access to multiple product sponsors and service providers, including insurance companies, mutual funds, private investment funds, alternative investments, wrap programs, asset allocation programs, separate account managers, registered investment advisors, and broker-dealers ("**Investment Providers**").

Certain Investment Providers provide revenue sharing arrangements or fee payments to M Securities that are separate from the fee charged to Clients for providing investment advisory services. All revenue and/or fee payments received by M Securities are retained at the firm level to help defray marketing and business costs, such as training and educating, investment conferences, meals or entertainment (non-cash compensation), provider due diligence, sales and marketing, and administrative costs. The method of calculation and the amount of revenue sharing or fees paid by each Investment Provider may vary and is subject to change at any time. Clients should be aware that revenue sharing arrangements and/or fee payments create potential conflicts of interest for M Securities. However, participation in any revenue sharing or fee payment arrangement has no contingency on payment to our Representatives, as we do not create any incentives for our Representatives to use any particular Investment Provider. Clients are encouraged to determine whether any conflicts of interest to M Securities are relevant to investing with an Investment Provider, and are welcome to contact us for additional information.

### Compensation from Pershing, LLC

We have access, without charge, to Pershing's NetX360 software and website, which provides access to client account records and facilitates the execution and review of client transactions.

Pershing offers a no-transaction-fee program ("**FundVest**") in lieu of clearance charges in which M Securities voluntarily participates. Pershing may receive negotiated servicing fees from participating mutual funds in this program and shares a portion of those fees with M Securities. M Securities advisory clients can find additional information about this arrangement in their Pershing New Account Disclosure.

Pershing offers clients a variety of supplementary account features, which are available for additional fees. Some of these features may share a percentage of the additional service fee collected from clients with M Securities and/or the servicing



Representative. Prior to participation in these supplementary features, Clients should read the associated disclosures to determine the relevance and possible conflict of interest to Representatives.

## M Financial Group and its Member Firms

M Securities is a wholly owned subsidiary of M Financial Group. M Financial Group and its subsidiaries, including M Securities, provides a variety of support services to a select network of independently owned and managed financial service firms (“**Member Firms**”). Individuals associated with a Member Firm are not required to become registered with M Securities and may associate with a third party broker-dealer or third-party registered investment advisor. However, if a Member Firm desires to sell proprietary insurance products (as the term is described below) that require a securities license, they are required to sell those products through M Securities or a third-party broker-dealer who has been approved by M Financial Group. M Securities will only license a registered representative or an investment advisory representative who is associated with M Financial Group and a Member Firm. Member Firms are independently owned and managed financial service firms (other than M Benefit Solutions, a Member Firm wholly owned by M Financial Group), and are not agents of M Financial Group.

Member Firms provide a broad range of financial products and services, primarily to highly affluent clients, including:

- Life insurance
- Fixed and variable annuities
- Disability and Long Term Care insurance
- Employee benefits
- Mutual funds and private investment funds
- Investment advisory services
- Securities brokerage services
- Life settlements with respect to existing insurance contracts

In providing these and other financial services, M Financial Group is recognized as one of the nation’s premier financial services distribution networks for the affluent and corporate markets.

## Services to Member Firms

M Financial Group and its subsidiaries provide to Member Firms a variety of support services, including product design and marketing assistance, as well as access to securities-related products and services. M Financial Group (on behalf of unaffiliated financial service providers) has direct dealings with Member Firm clients at the request of a Member Firm, typically in conjunction with a Member Firm client presentation or proposal. M Financial Group may also engage in direct sales and service activity with clients referred to M Financial Group pursuant to strategic partnerships with financial institutions that utilize M Financial Group's expertise to serve the life insurance needs of their clients.

Member Firms are free to offer products and services provided by any financial service provider and are not required to offer products or services designed or promoted by M Financial Group.

## Proprietary Insurance Products

M Financial Group develops life insurance products in conjunction with unaffiliated insurance companies, which products can be offered only by M Financial Group, its Member Firms and their affiliated producers. These products are designed using M Financial Group’s proprietary experience data (such as mortality, persistency, and policy size) derived





from policies reinsured by M Financial Re. These proprietary products may include pricing advantages and other features that benefit the highly affluent clientele primarily served by Member Firms.

When M Financial Re reinsures proprietary products, M Financial Group has direct access to policy experience data. This direct access facilitates active management of inforce business. With this data, M Financial Group can continuously monitor the service, experience, and performance of inforce business on behalf of Member Firms and their clients. From time to time, policy experience data may result in pricing enhancements that apply to new sales. M Financial Group uses its influence to encourage insurance carriers to apply these improvements to inforce business as well. Since the first M Financial Group proprietary product was introduced in 1996, there have been fifty-four pricing enhancements for new sales, all of which were also applied to inforce policies. Although M Financial Group has had success encouraging insurance carriers to improve inforce policy performance in the past, carriers are not required to do so and accordingly this success may not continue in the future.

## Ownership of M Financial Group

Member Firms and many of their affiliated producers are stockholders of M Financial Group. As stockholders, they share in the profits of M Financial Group via periodic stock or cash dividends.

M Financial Group also maintains an Incentive Compensation Plan pursuant to which it annually distributes to Plan Participants (e.g., Member Firms or their producers) most of M Financial Group's consolidated net cash profits. Although distributions under the Plan are, to some extent, averaged among the various Member Firms, lines of business, and cost centers of M Financial Group, a significant portion of Plan distributions are made in proportion to the revenue that a Member Firm generates. Member Firms and producers do not receive credit under the Plan for business deriving from retirement accounts which are subject to ERISA. .

Distributions of dividends and Incentive Compensation to Member Firms or their producers are in addition to compensation paid to producers by unaffiliated insurance carriers and other financial service providers. Many Member Firms remit these distributions to their owners or individual producers (in some cases in proportion to business generated). Additionally, M Financial Group may provide benefits and non-cash compensation to Member Firms and their affiliated producers. These include, but are not limited to, subsidized expenses, meetings, and trips.

## Sources of M Financial Group Revenues

M Financial Group derives its consolidated revenues from a variety of sources, which include both its Member Firms and unaffiliated insurance carriers and other financial service providers. The majority of these revenues come from two sources:

- “Override” compensation paid to M Financial Group by insurance carriers and other financial service providers on both proprietary and non-proprietary products. Override compensation is based upon such factors as aggregate policy premiums paid to a carrier from sales by all Member Firms, aggregate assets placed under financial management from sales by all Member Firms, and profits earned and/or services utilized from sales by all Member Firms. The amount of compensation varies among products and carriers.
- Reinsurance profits (or, potentially, losses) from the mortality, investment, and persistency risks assumed by M Financial Re on certain proprietary and non-proprietary policies.

M Financial Group derives revenue from other sources as well, including:

- Annual membership fees paid by Member Firms to M Financial Group.



- Solicitation fees, 12b-1 fees, sales and other forms of compensation paid to M Financial Group or its subsidiaries by financial service providers, including without limitation mutual funds and hedge funds that are investment options under variable insurance products sold by Member Firms.
- Investment advisory fees with respect to assets invested in the M Funds, a family of proprietary mutual funds that are available as investment options under insurance products.
- Investment advisory fees for investment advisory services provided through registered investment advisor subsidiaries of M Financial Group.
- Brokerage fees or commissions for securities transactions executed by a registered broker-dealer subsidiary of M Financial Group.
- Arrangement fees for life settlements representing a percentage of the compensation paid to the broker arranging the settlement.
- Administrative and service fees paid by Member Firms for particular services provided by M Financial Group such as compliance fees, software applications, or other services.

## Compensation of Member Firms and Producers

The primary source of compensation for Member Firms and their producers is the traditional system of commissions and fees applicable to insurance agents, securities representatives and investment advisory representatives. In addition to the indirect compensation arrangements (described above) which Member Firms and their producers derive from membership in M Financial Group, Member Firms and producers typically receive from unaffiliated financial service providers some or all of the following compensation, as applicable:

- Commissions and other cash and non-cash compensation (sales incentives) paid by the unaffiliated insurance carriers with respect to products offered by the carrier.
- Renewal commissions from unaffiliated carriers for servicing and keeping in force policies previously purchased by clients.
- Commissions and fees for execution of securities transactions.
- Fees for providing investment advisory services.
- Percentage fees for facilitating settlements of existing life insurance contracts.

Compensation to Member Firms and their producers varies, depending upon, among other factors, the product type, the issuer, and the features and/or riders which are attached to the particular product.

M Financial Group and its subsidiaries receive additional compensation from and/or enter into reinsurance arrangements with numerous insurance carriers and financial service providers including, but not limited to: Advisors Asset Management, Allianz, American Funds, American General, Bank of New York (and its subsidiaries), Brinker Capital, Crown Global, Delaware Life, Equus Financial Consulting, Exceptional Risk Advisors, Global Benefits Group, Guardian Life, JP Morgan Asset Management, ING, John Hancock, Legg Mason, LifeSecure, Lincoln National, Lombard International, MedAmerica, the M Funds (i.e., M International Equity Fund, M Large Cap Growth Fund, M Capital Appreciation Fund, and M Large Cap Value Fund), Manulife (and its subsidiaries), MetLife, Mutual of Omaha, Nationwide Financial, New York Life, OneAmerica, PNC Financial Services, Pacific Life, Pershing, LLC (and its subsidiaries), Pan American, Penn-Mutual, Prudential, the SALI Funds (the Chairman of the M Financial Holdings Incorporated Board of Directors has a minority ownership interest in Main Management, a SALI subfund), The Standard, Sun Life Financial, Symetra, TIAA-CREF Financial Services, Transamerica, Unum Group, VOYA, Welcome Funds, West Corporations, and Worldwide Benefits LLC.

The subsidiaries of M Financial Group are as follows: M Life Insurance Company (dba M Financial Re), M Administrative Services, LLC, Management Compensation Group, Northwest, LLC (dba M Benefit Solutions), M Holdings Securities, Inc., M Financial Securities Marketing, Inc., M Financial Investment Advisers, Inc., M Financial





Asset Management, Inc., M Financial Wealth Partners, Inc., M Insurance Solutions, Inc., M Subco, Inc., M Financial Bermuda, Ltd., M Financial Global Services, Ltd., and Management Partnership (dba M Marketing Company).

The above list of insurance carriers and financial service providers, as well as the list of M Financial Group subsidiaries will change from time to time. Please review the lists periodically.

Some Member Firms have entered into arrangements under which they receive compensation directly or indirectly from managers of funds available as investment options under certain private placement variable insurance contracts. Please discuss with your Member Firm representative whether your Member Firm has such an arrangement in place.

## Certain Potential Conflicts of Interest

The culture of M Financial Group and its Member Firms is to serve the client. However, clients of Member Firms should be aware that the direct and indirect compensation arrangements described in this summary create economic incentives which could influence recommendations for particular financial products or services (including proprietary products referenced above). These incentives include, but are not limited to, the following:

- Commissions or other compensation in respect of one particular financial service provider, product, investment, or service may exceed commissions or compensation payable in respect of a comparable provider, product, or service.
- Certain policy features or riders may involve commissions or compensation that differ from compensation payable in respect of “base” or standard contractual features.
- Products or services which provide revenue, including override commissions or potential reinsurance profits, to M Financial Group could indirectly provide incentives to producers to recommend such products over similar products or services which do not provide revenue to M Financial Group.

M Financial Group, its Member Firms, and its Member Firms’ clients benefit from open discussions concerning all aspects of products, services, and the compensation of producers. If you wish, your Member Firm will discuss with you the types of direct and indirect compensation applicable to particular products or services.

For a list of M Financial Group subsidiaries, and the names of financial services providers from which M Financial Group receives payments or fees or with which M Financial Re maintains reinsurance agreements, please go to [www.mfin.com/DisclosureStatement.htm](http://www.mfin.com/DisclosureStatement.htm).

## Non-Cash Incentive Program

Advisors may receive indirect compensation in the form of an incentive trip provided by M Financial Group. Every two years, M Financial Group calculates the cumulative investment advisory fees and commissions generated by its Member Firms from sales of general securities, securities related insurance products, non-securities related insurance products and the provision of investment advisory services. Member Firms with the highest sales revenue are allowed to designate an individual representative to receive an incentive trip sponsored by M Financial Group. For every dollar generated from these commissions and investment advisory fees, less than 1/100<sup>th</sup> of a cent of indirect compensation is generated in the form of these incentive trips.

## FINANCIAL INFORMATION

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



M Holdings Securities, Inc.™

# WealthPursuit™ Custom SMA Wrap Fee Program

In addition, M Securities is required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. M Securities has no additional financial circumstances to report.

M Securities has not ever been the subject of a bankruptcy petition.