



M Holdings Securities, Inc.™

WEALTHPURSUIT™ CLASSIC WRAP FEE PROGRAM

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

Sponsored by

M Holdings Securities, Inc.
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March 30, 2020

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. 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. You obtain information by entering our unique identifying number, known as a CRD number. Our firm’s CRD number is 43285.



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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**”). Since the previous annual update dated March 29, 2019, M Securities has added details to Item 6 of this brochure concerning Methods of Analysis, Investment Strategies and Risk of Loss, and has change its Chief Compliance Officer, but has not made any other any material changes.



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Item 4 Services, Fees, and Compensation

M Holdings Securities, Inc. (“we,” “us,” “our,” 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.¹ 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”). We provide services to a nationwide network of “Member Firms” of M Financial Group.

Investment Advisory Services

M Securities is the sponsor of the WealthPursuit™ Classic Wrap Fee Program (the “**Program**”). We make the Program available to M Securities Investment Advisory Representatives (the “**Portfolio Manager**” or “**Representative**”), who may recommend the Program to clients. Program clients pay one asset-based fee (the “**Program Fee**”) that covers certain costs of the Program, including investment advice, execution of transactions, and administrative fees associated to the Program. Portfolio Manager may invest assets among individual stocks, options, bonds, mutual funds, exchange-traded funds (“**ETFs**”) and other securities. Certain other costs, as described below, are not covered by the Program Fee.

Prior to opening an account (the “**Account**”), a client will consult with his/her Portfolio Manager concerning the suitability of the Program. Each client will complete and sign a WealthPursuit™ Classic Client Service Agreement (“**Client Service Agreement**”) and an M Securities Investment Advisory 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 wishes to impose on the management of the Account, and any other pertinent information. Based upon the information provided by the client, the Portfolio Manager will direct the investment and reinvestment of the assets in the Account on a discretionary basis. All accounts are managed on a discretionary basis, meaning that the Portfolio Manager will not seek approval from the client for each transaction conducted.

The initial minimum amount of assets required to establish a Program account is \$50,000. If an Account falls below that minimum amount, the Account is subject to termination at the discretion of M Securities. Assets may be added to an Account at any time.

Portfolio Manager will be available to meet with clients upon request to discuss their Accounts and will meet with clients at least annually to determine whether there have been any changes in the client’s financial situation, investment objectives, restrictions or other instructions. Accounts will be reviewed by M Securities’ supervisory personnel prior to opening, and subsequently in accordance with M Securities’ supervisory policies and procedures.

Execution and Clearance Services

Pershing LLC (“**Pershing**” or “**Custodian**”) will execute all 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

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



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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 MHScompliance@mfin.com or 888.520.6784.

Administrative Services

Investnet Portfolio Solutions, Inc. ("Administrator" or "Investnet") will perform the calculation of the Program Fee and will send instructions to Custodian to debit the Program Fee from the client's Account on a quarterly basis. Investnet will generate quarterly reports analyzing the performance of the client's Account, and make them available to the Portfolio Manager. The Portfolio Manager can decide to provide the performance reports to the client.

FEES AND CHARGES

Clients in the Program pay a single annualized fee for participation in the Program. The Program Fee is a wrap fee that includes investment advice provided by the Portfolio Manager, the transaction costs for execution of securities, and administrative fees associated with the Program. The client can negotiate the Program Fee directly with their Portfolio Manager. The Program Fee will not exceed 3%. Prior to establishing an Account, Program Fees will be detailed in writing in the Client Service Agreement. The client may choose to have fees billed in advance or arrears, and will make this choice when executing the Client Service Agreement.

- **In Advance:** The Program Fee will be payable quarterly in advance. The first payment is due upon execution of the Customer Service Agreement and will be assessed pro rata for the number of days in the calendar quarter. Subsequent payments are due and will be assessed on the first day of each calendar quarter based on the value of the Account assets under management as of the close of business on the last business day of the preceding quarter as valued by an independent pricing service, where available, or otherwise in good faith.
- **In Arrears:** The Program Fee will be payable quarterly in arrears. Payments are due and will be assessed each calendar quarter based on the average daily balance of the Account as valued by an independent pricing service, where available, or otherwise in good faith.

The Program Fee will be blended as the portfolio reaches various thresholds, as set forth below. The assets above each threshold will be charged a successively lower 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 Fee
From \$0 to \$499,999	0.013%	0.00% - 0.05%	Negotiated
From \$500,000 to \$999,999	0.013%	0.00% - 0.05%	Negotiated
From \$1,000,000 to 2,999,999	0.013%	0.00% - 0.05%	Negotiated



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\$3,000,000 and up	0.013%	0.00% - 0.05%	Negotiated
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**The minimum annual fee is \$24 and the maximum annual fee is \$300.*

The Portfolio Manager fee may be negotiated directly between the client and the Portfolio Manager, but in no case will the total of all fees identified in the above schedule exceed 3%. M Securities receives a portion of the administration fees. The Program Fee may be discounted for associated persons of M Securities

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, transaction and/or clearing fees could be higher or lower if purchased separately.

Fees in Addition to the Program Fee

- **Custodian Fees:** Clients can incur certain charges imposed by custodians 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, 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 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/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 Representatives 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



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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.

The Representative of M Securities receives 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 participated in our other programs or paid separately for investment advice, brokerage and other services. Therefore, the Representative 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 \$50,000. Exceptions to this account minimum may be made upon approval by M Securities. If a client's Account falls below the minimum amount, the Account is subject to termination by M Securities, at its 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 Portfolio Management Review

In this Program, the Portfolio Manager is the client's representative and is responsible for performing careful review on each security purchased for an Account and ensuring that selected securities are suitable for the Account based upon the client's investment objectives, financial situation and any restrictions imposed by the client. Representatives are not subject to the selection and review process as other portfolio managers that provide services in this or other wrap fee programs sponsored by M Securities. Portfolio managers must have a high level of experience in the securities industry and a demonstrated ability to advise clients responsibly with respect to their investment goals. M Securities does not review the performance of the Portfolio Manager, nor is performance information calculated on a uniform or consistent basis.

The Portfolio Manager is also responsible to ensure that the investment strategy recommended is suitable for the Account based upon the client's investment objectives and financial situation. M Securities is responsible for performing due diligence on mutual funds and other non-traded securities, prior to adding them to the Program.

Clients may impose restrictions on investing in certain securities by providing a signed and dated written notification to us, if we are unable to meet the restrictions imposed, we will inform the client of what restrictions we are not able to accommodate.

Because M Securities is the sponsor and portfolio manager for the Program, the Program Fees provide a financial incentive for the Representative to recommend the Program, creating a conflict of interest when we recommend the Program to clients. We address this conflict through enforcement of our Code of Ethics, and recommendation of the Program when we believe it is in the best interest of the client. Additionally, all Representatives must comply with applicable state investment advisory representative registration requirements.



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M Securities offers a variety of investment advisory services outside of the Program. Please see the M Securities ADV Firm Brochure, Item 4 for a complete listing of other investment advisory services. These services vary from the Program, and clients should discuss all options with their Representative prior to entering into an agreement. The M Securities ADV Firm Brochure can be provided to you by your Representative or it can be accessed at www.mfin.com/m-securities, by calling (888) 520-6784 or by emailing MHScompliance@mfin.com.

Performance-Based Fees

M Securities does not charge fees based on appreciation of client assets.

METHODS OF ANALYSIS

Portfolio Managers may use a variety of analysis when selecting securities and/or managing client assets, including but not limited to the following:

- Charting: In this type of technical analysis, charts of market and security activity is reviewed in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.
- Fundamental Analysis: This is an attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- Technical Analysis: Past market movements are analyzed and that analysis is applied to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- Cyclical Analysis: In this type of technical analysis, the movements of a particular stock is measured against the overall market in an attempt to predict the price movement of the security. A risk in using cyclical analysis is that the overall market is subject to change and we may incorrectly identify where we are in the business or economic cycle.
- Quantitative Analysis: Mathematical models are used in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- Qualitative Analysis: This is subjective evaluation of non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that subjective judgment may prove incorrect.



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- Asset Allocation: Rather than focusing primarily on securities selection, an attempt to identify an appropriate ratio of securities, fixed income and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income and cash will change over time due to stock and market movements, and, if not corrected, will no longer be appropriate for the client's goals.
- Mutual Fund and/or ETF Analysis: The experience and track record of the manager of the mutual fund or ETF is reviewed in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Underlying assets in a mutual fund or ETF is also reviewed, in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. An ongoing monitoring of the funds or ETFs is made, in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

- Sub-Advisor and TAMP Analysis: M Securities examines the experience, expertise, investment philosophies and past performance of sub-advisors and TAMP asset managers in an attempt to determine if the manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with an asset manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party asset manager's portfolio, there is also a risk that an asset manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the asset manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

All securities analysis methods rely on the assumption that the companies whose securities is recommend for purchase and sale, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While M Securities is alert to indications that data may be incorrect, there is always a risk that any analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES



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M Securities and its Portfolio Managers may use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizon, among other considerations:

- Long-Term Purchases: A recommendation is made on the purchase of securities with the idea of holding them in the client's account for a year or longer. Typically, this strategy is used when there is a belief the securities are currently undervalued, and/or, there is a desire for exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, the client may not take advantage of short-term gains that could be profitable. Moreover, a security may decline sharply in value before the decision to sell.
- Short Sales: While not common, M Securities may borrow shares of a stock for the client's portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.
- Margin Transactions: Upon approval from M Securities, client may purchase stocks with money borrowed from the Custodian. This allows the purchase of more stock than would be possible with the client's available cash, and can allow the client to purchase stock without selling other holdings.
- Option Writing: Upon approval from M Securities, a client may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives a client the right to buy an asset at a certain price within a specific period of time. A client would buy a call if they believe the stock will increase substantially before the option expires.
- A put gives a client the right to sell an asset at a certain price within a specific period of time. A client would buy a put if they believe the stock price will fall before the option expires.

Options can be used to speculate on the possibility of a sharp price swing. Options can also be used to "hedge" a purchase of the underlying security; in other words, to limit the potential upside and downside of a security. Clients can use "covered calls", to sell an option on security which they own. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price.

If appropriate, a "spreading strategy", in which clients purchase two or more option contracts (for example, a call option that is purchased, and a call option that is sold) for the same underlying security. This effectively puts a client on both sides of the market, but with the ability to vary price, time and other factors.



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Risk of Loss

Securities investments are not guaranteed and clients may lose money on investments. Clients should work closely with their Portfolio Manager so that he/she has a complete understanding of client's tolerance for risk.

Proxy Voting

M Securities does not vote proxies on behalf of our advisory clients. M Securities does not offer any consulting assistance to clients regarding proxy issues.

Item 7 Client Information Provided to Portfolio Manager

Clients complete a detailed questionnaire and a client account form to gather information to assist M Securities in determining objectives and risk tolerance of the client. The answers provided by the client help guide the Portfolio Manager and the client to determine the appropriate risk tolerance and objectives for the Account. The Portfolio Manager will review risk tolerance and objectives of the Account with the client at least annually and suggest modifications should the client's financial situation change. Portfolio Manager will provide necessary updates regarding the client's financial changes to M Securities.

Item 8 Client Contact with Portfolio Manager

Clients can communicate directly with the Portfolio Manager regarding changes in risk tolerance and objectives.

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 a registered representatives. Certain Management personnel of our firm are separately licensed as registered representatives of M Securities. 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 conducts regular reviews of each client account to verify that recommendations made to a client are suitable to the client's needs and circumstances;



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- 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 Representatives 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 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 Funds as a subaccount within an insurance policy.

M Financial Securities Marketing, Inc.

We are affiliated with M Financial Securities Marketing, Inc. is a registered broker/dealer and is 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 the “Additional Compensation” sub-section below 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.



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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.



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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, 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.



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- 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 Portfolio Manager 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



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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



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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. .



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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:



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- 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:



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- 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.

Non-Cash Incentive Program

Representative 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 1/100th 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.

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.