

# Disclosure Brochure

March 16, 2020



This brochure provides information about the qualifications and business practices of FMA Advisory, Inc. (hereinafter "FMA" or "the Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. 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 the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). FMA is an SEC registered investment adviser. Registration does not imply any level of skill or training.

1631 North Front Street, Harrisburg, PA 17102 | (717) 232-8850  
[www.FMA-Advisory.com](http://www.FMA-Advisory.com)

### **Item 2.      Material Changes**

This Item discusses the material changes that have been made to the brochure since FMA's last annual amendment dated March 15, 2019. There are no such material changes to disclose.

## Item 3. Table of Contents

Item 1.	Cover Page .....	i
Item 2.	Material Changes .....	ii
Item 3.	Table of Contents .....	iii
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	5
Item 6.	Performance-Based Fees and Side-by-Side Management .....	7
Item 7.	Types of Clients.....	8
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9.	Disciplinary Information.....	11
Item 10.	Other Financial Industry Activities and Affiliations .....	11
Item 11.	Code of Ethics .....	11
Item 12.	Brokerage Practices .....	12
Item 13.	Review of Accounts.....	16
Item 14.	Client Referrals and Other Compensation .....	16
Item 15.	Custody .....	17
Item 16.	Investment Discretion.....	18
Item 17.	Voting Client Securities .....	18
Item 18.	Financial Information .....	19

## Item 4. Advisory Business

FMA has been in business as a fee-only SEC registered investment adviser since September 1990 and is principally owned by Peter J. LaBella, CFP®.

FMA offers a variety of advisory services, which include asset management, financial planning and investment consulting. Prior to the rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with FMA setting forth the relevant terms and conditions of the advisory relationship (the "Client Agreement").

As of December 31 2019, FMA had \$437,729,655 in assets under management, \$423,416,505 of which was managed on a discretionary basis and \$14,313,150 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of FMA, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on FMA's behalf and is subject to the Firm's supervision or control.

### **Asset Management Services**

---

FMA manages client investment portfolios on a discretionary and/or non-discretionary basis.

FMA primarily allocates assets among various stocks, bonds, mutual funds exchange-traded funds ("ETFs"), and real estate investment trusts. in accordance with the investment objectives of its individual clients. Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon.

Clients also engage FMA to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts, and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, FMA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

FMA tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients' portfolios are managed in a manner consistent with their specific investment profiles. FMA consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other factors relevant to the management of their portfolios. Clients are advised to promptly notify FMA if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if FMA determines, in its sole discretion,

the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

These investment advisory services do not include securities brokerage services, as the Firm does not serve as the sponsor or manager to a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm).

### **Financial Planning and Investment Consulting Services**

---

FMA offers clients a range of financial planning and consulting services, which are designed to address the specific needs of the Firm's high net worth, corporate and institutional clients. Financial planning and consulting engagements are individually customized and may include any of the following functions:

- Business Planning
- Cash Flow Forecasting
- Portfolio Modeling
- Retirement Planning
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Needs Analysis
- Retirement Plan Analysis
- Charitable Giving
- Risk Management
- Distribution Planning

In performing these services, FMA is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. FMA recommends the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if FMA recommends its own services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by FMA under a financial planning or consulting engagement or to engage the services of any such recommended professionals, including FMA itself. Clients are advised that it remains their responsibility to promptly notify the Firm if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising FMA's previous recommendations and/or services.

### **Item 5. Fees and Compensation**

FMA offers its services on a fee basis, which include hourly and/or fixed fees, as well as fees based upon assets under management or advisement. As a fee-only investment adviser, the Firm does not receive any form of commissions or transaction-based compensation.

## **Asset Management Fees**

---

FMA provides asset management services for an annual fee based upon the amount of assets under the Firm's management. This fee is negotiable and generally ranges up to 125 basis points (1.25%), depending largely upon the size and complexity of a client's portfolio. This fee is prorated and charged quarterly in arrears based upon the market value of the assets being managed by FMA on the last day of the previous quarter.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is generally adjusted to reflect the interim change in portfolio value. For the initial term of an engagement, the fee is calculated on a *pro rata* basis. In the event the Client Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is charged to the client, as appropriate.

## **Financial Planning and Investment Consulting Fees**

---

For typical financial planning or investment consulting engagements, FMA charges a fixed and/or hourly fee, as determined by the scope and complexity of the services to be rendered. The hourly rate varies between \$175 and \$250 per hour and fixed fees range from \$1,500 to \$10,000. For more specialized engagements, such as model portfolio development and maintenance, the Firm may employ a hybrid fee structure that incorporates a combination of hourly, fixed and/or asset based fees.

The specific terms and fee structure are negotiated in advance and set forth in the Client Agreement with FMA. Generally, FMA requires one-half of the financial planning or consulting fee payable upon execution of the Client Agreement and the balance due at the time the financial plan is delivered or the underlying services are rendered to completion. Depending on the arrangement, if the client engages FMA for additional investment advisory services, FMA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

## **Fee Discretion**

---

FMA, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

## **Additional Fees and Expenses**

---

In addition to the fee paid to FMA, clients also incur certain charges imposed by other unaffiliated, third parties, such as broker-dealers, custodians, trust companies, banks, independent investment advisers, and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions and other transaction costs, reporting charges, custodial fees, charges

imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), margin costs, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

### **Fee Deduction or Invoice**

---

Clients generally provide FMA, or another Financial Institution acting on its behalf, the authority to directly deduct their accounts for payment of the Firm's investment advisory fees. In these situations, the Financial Institutions that serve as "qualified custodian" send clients a statement detailing all account activity and transactional history on at least a quarterly basis. Alternatively, clients may elect to have FMA send them an invoice for direct payment.

### **Use of Margin**

FMA may be authorized to use margin in the management of the client's investment portfolio. In these cases the fee payable will be assessed gross of margin such that the market value of the client's account and corresponding fee payable by the client to FMA will be increased. Where investment management fees are assessed gross of margin, a conflict of interest exists as the Firm has an incentive to use margin to increase its fees.

### **Account Additions and Withdrawals**

---

Clients may make additions to and withdrawals from their account at any time, subject to FMA's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to FMA, subject to the usual and customary securities settlement procedures. However, FMA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. FMA consults with its clients about the options and implications of transferring securities as necessary. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

FMA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets)

## Item 7. Types of Clients

FMA provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

### Minimum Account Size

---

As a condition for starting and maintaining an asset management relationship, FMA generally imposes a minimum portfolio size of \$500,000. FMA, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. FMA only accepts clients with less than the minimum portfolio size if, in the sole opinion of FMA, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. FMA may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### Methods of Analysis and Investment Strategies

---

FMA employs a variety of investment strategies and allocations, which are individually customized based upon each client's specific risk profile and investment objectives. FMA takes a largely fundamental approach to analyzing investments, which may include stocks, bonds, ETFs, mutual funds, options and other such asset classes.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular issuer or fund. For FMA, this process typically involves an analysis of an issuer's management team, growth strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security or asset class.

### Risks of Loss

---

#### *General Market Risks*

Investing in securities involves the risk of loss and clients should be prepared to bear potential losses. The profitability of a significant portion of FMA's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that FMA will be able to predict those price movements accurately or capitalize on any trends detected.



## *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

## *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

## *Equity-Related Securities and Instruments*

The Firm may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

## *Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

## *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees,

redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Real Estate Investment Trusts (REITs)*

FMA may recommend an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

### *Management Through Similarly Managed "Model" Accounts*

FMA manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact FMA if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

### *Use of Margin*

While the use of margin borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a Financial Institution, which is secured by a client's holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the Financial Institution may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

### **Item 9. Disciplinary Information**

FMA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. FMA does not have any required disclosures to this Item.

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

FMA is not engaged in any other financial industry activities and does not have any affiliations that are otherwise material to the Firm's advisory business.

### **Item 11. Code of Ethics**

FMA has adopted a code of ethics in compliance with applicable securities laws that sets forth the standards of conduct expected of persons associated with FMA ("associated persons") and requires compliance with applicable securities laws ("Code of Ethics"). FMA's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its associated Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders. The Code of Ethics also requires that certain of FMA's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. FMA and its associated persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with FMA's policies and procedures.

When FMA is engaging in or considering a transaction in any security on behalf of a client, no Access Person may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) a transaction in that security unless:

- the transaction has been completed;

- the transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Access Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact FMA to request a copy of its Code of Ethics.

### **Item 12. Brokerage Practices**

FMA generally recommends that clients utilize the custodial, brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity") and Charles Schwab & Co., Inc. ("Schwab") for asset management accounts.

Factors which FMA considers in recommending Fidelity, Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity and/or Schwab may enable FMA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity or Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by FMA's clients comply with FMA's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where FMA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. FMA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom FMA and the Financial Institutions have entered into agreements for prime brokerage clearing services. FMA periodically and

systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Trade Aggregation**

---

Transactions for each client generally will be effected independently, unless FMA decides to purchase or sell the same securities for several clients at approximately the same time. FMA may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among FMA’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among FMA’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that FMA determines to aggregate client orders for the purchase or sale of securities, including securities in which FMA’s Supervised Persons may invest, FMA does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. FMA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that FMA determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares will be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations will be given to one account when such account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares will be reallocated to other accounts (this will be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations will be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, FMA may exclude the account(s) from the allocation; the transactions will be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares will be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist FMA in its investment decision-making process. Such research generally will be used to service all of FMA’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because FMA does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

---

The Firm receives from Fidelity and/or Schwab, without cost to FMA, computer software and related systems support, which allow FMA to better monitor client accounts maintained at Fidelity and Schwab. FMA receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Fidelity and Schwab. The software and support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit FMA, but not its clients directly. In fulfilling its duties to its clients, FMA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that FMA’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits provide an incentive for FMA to choose one broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Fidelity also makes available to the Firm, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by FMA (within specified parameters). These research and brokerage services are used by the Firm to manage accounts for which it has investment discretion

Additionally, FMA receives the following benefits from Schwab through its Schwab Advisor Services, respectively: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor’s clients’ assets are maintained in accounts at Fidelity and Schwab. Fidelity and Schwab’s services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Fidelity and Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Fidelity and Schwab or that settle into Fidelity and Schwab accounts.

Fidelity and Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients’ accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Fidelity and Schwab. Other potential benefits may include occasional business entertainment of personnel of FMA by Fidelity and Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and

services assist FMA in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Fidelity and Schwab. Fidelity and Schwab also makes available to FMA other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Fidelity and Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Fidelity and Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, FMA endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Fidelity and Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity and Schwab, which creates a potential conflict of interest.

### **Brokerage for Client Referrals**

---

FMA does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

---

The client may direct FMA in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and FMA will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by FMA (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, FMA may decline a client's request to direct brokerage if, in FMA's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.



### Item 13. Review of Accounts

#### Account Reviews

---

FMA monitors the investment portfolios of its asset management clients as part of an ongoing process, while model account reviews are conducted on at least a quarterly basis. For those clients to whom FMA provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of FMA’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with FMA and to keep FMA informed of any changes thereto. FMA contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

#### Reports and Account Statements

---

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time to time or as otherwise requested, investment advisory clients may also receive written or electronic reports from FMA and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from FMA or an outside service provider.

### Item 14. Client Referrals and Other Compensation

#### Schwab Advisor Network

---

FMA has received client referrals from Schwab through its participation in Schwab Advisor Network® (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with FMA. Schwab does not supervise FMA and has no responsibility for FMA’s management of clients’ portfolios or the Firm’s other advice or services. FMA pays Schwab fees to receive client referrals through the Service. FMA’s participation in the Service may raise potential conflicts of interest described below.

FMA pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by FMA is a percentage of the fees the client owes to FMA or a percentage of the value of the assets in the client’s account, subject to a minimum Participation Fee. FMA pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to the Firm quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by FMA and not by the client. FMA generally



will not charge clients referred through the Service fees or costs greater than the fees or costs FMA charges clients with similar portfolios who were not referred through the Service.

FMA generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees the Firm generally would pay in a single year. Thus, FMA will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of FMA's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, FMA will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit FMA's fees directly from the accounts.

For accounts of FMA's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from the Firm's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, FMA may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. FMA nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for the Firm's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **Other Compensation**

---

FMA economic benefits from Fidelity and Schwab. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12

## **Item 15. Custody**

Clients generally provide FMA, or another Financial Institution acting on its behalf, the authority to directly deduct their accounts for payment of the Firm's investment advisory fees, which generally results in a form of custody. In these situations, the Financial Institutions that serve as "qualified custodian", from which the Firm retains the authority to directly deduct fees, send clients a statement detailing all account activity and transactional history on at least a quarterly basis.

As discussed in Item 13, FMA and/or a third party vendor may also send periodic reports to clients. Clients are advised to carefully review the statements and confirmations sent directly by the Financial Institutions and to compare them with any reports received from FMA or an outside service provider.

### **Item 16. Investment Discretion**

In most circumstances, clients grant FMA the authority to exercise discretion on their behalf. FMA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. FMA is given this authority through a power-of-attorney included in the Client Agreement between FMA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

Specifically, FMA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### **Item 17. Voting Client Securities**

FMA may vote client securities (proxies) on behalf of its clients. When FMA accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in FMA's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in FMA's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact FMA to request information about how FMA voted proxies for that client's securities or to get a copy of FMA's Proxy Voting Policies and Procedures. A brief summary of FMA's Proxy Voting Policies and Procedures is as follows:

- FMA has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to FMA's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.

- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, FMA devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct FMA's vote on a particular solicitation but can revoke FMA's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that FMA maintains with persons having an interest in the outcome of certain votes, FMA takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

FMA is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.



Prepared by:

