



**M Financial Group™**  
M HOLDINGS SECURITIES, INC.

**Part 2A of Form ADV: *Firm Brochure***

**M Holdings Securities, Inc.**

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This brochure provides information about the qualifications and business practices of M Holdings Securities, Inc. (“**We**,” or “**Us**,” or “**M Securities**”). If you have any questions about the contents of this brochure, please contact Us at 888.520.6784 or [MHCompliance@mfin.com](mailto:MHCompliance@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 also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. M Securities’ CRD number is 43285. Registration does not imply a certain level of skill or training.



## Item 2 Material Changes

For this filing and all future filings, this Item 2 will be used to provide the client who has selected one or more of our advisory programs or offerings ("Client") with a summary of material changes that are made to the brochure since the last annual update on March 30, 2020.

M Securities updated this document on March 31, 2021 ("Annual Update"). In the Annual Update, M Securities clarified language and made other general updates. **This Brochure includes a number of material changes since our prior Annual Updates, and Clients should review thoroughly, including the following new and/or enhanced disclosure Items:**

- Disclosure of expanded and new subsections providing descriptive detail regarding the various investment advisory services offered by M Securities, including the name of each program and service, and associated fees and costs. See Items 4 and 5 at descriptions with respect to individual investment advisory programs and services and associated fees, costs and considerations. In addition, throughout this Brochure, M Securities has also expanded definitions to provide more concise information.
- Disclosure that while total M Securities' fees, including the Financial Professional Fee component, are negotiable between Client and Financial Professional to meet the Client's investment management needs, fees in excess of 2% are higher than other firms may charge in the industry, and that Clients should carefully consider and scrutinize such fees to ensure they are appropriate for the Client's investment management needs. See Item 5 at Financial Professional Fee.
- Disclosure that M Securities assess a Retention Fee for each Member Firm based on an internal schedule with respect to all investment advisory fee revenue generated by the Member Firm's Financial Professionals. See Item 4 at M Securities Compensation.
- Disclosure that Clients may, at their request, combine accounts maintained by separate family members within certain programs into a "Family Billing Group", and potentially qualify for fee discounts based on the combined assets of the Family Billing Group Accounts. See Item 5 at Calculation of Fees - Family Billing Group.
- Additional information pertaining to the impact of minimum annual Platform Fees on Accounts for those programs that charge minimum Platform Fees. Minimum Platform Fees have previously been disclosed in the Client Agreement and the Firm's Form 2A brochure. See Item 5 at Minimum Platform Fees.
- Disclosure that M Securities maintains discretion to terminate Client Accounts that fall below required Program asset levels and that in such event, M Securities may convert such an Account into a self-directed brokerage account under certain circumstances. See Item 5 at Termination of the Program Account.



- Disclosure expanded descriptive detail and new subsection with respect to Execution Fees – Custodial Services, including that our Financial Professionals may, if they deem appropriate in their sole discretion, pay for certain Execution Fee costs on behalf of a Client for Funds and securities not purchased through Pershing’s FundVest Program, which may reduce Execution Costs and the total Program Fee. See Item 5 at Custodial Services – Execution Fee.
- Disclosure regarding risks associated to inverse and leveraged ETFs, ETNs, and mutual funds as well as Alternative Assets. See Item 8 at Investment Strategies.
- Disclosure that certain of our investment advisory Programs and services offer clients transaction-based pricing (“TBP”), asset-based pricing (“ABP”), or the option between TBP or ABP with respect to trade execution for accounts, descriptive detail and considerations with respect to TBP and ABP pricing. See Item 12 at Transaction Based Pricing vs Asset Based Pricing.
- Disclosure of expanded descriptive detail regarding review of accounts with respect to our various investment advisory programs and services. See Item 13.



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## **Item 4      Advisory Business**

M Securities is a SEC Registered Investment Adviser (“RIA”) with its principal place of business located in Portland, Oregon. M Securities began conducting business as an investment adviser 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 through a nationwide network of Investment Advisory Representatives (“Financial Professionals”) operating within independently operated businesses (“Member Firms”) associated with, and typically stockholders of, M Financial Group.

Financial Professionals serve as the primary point of contact between M Securities and Clients. We refer to the programs or offerings within this document collectively as “Programs.” Our Financial Professionals operate under their own Member Firm trade name and logo, which they use for marketing purposes. Clients should understand that even though Financial Professionals often operate under their own name or Member Firm name, when Financial Professionals offer or provide Programs, they are doing so through, and under the supervision of, M Securities. The Member Firm relationship is further disclosed in 14 of this brochure. M Securities is structured as an independent contractor financial services broker-dealer (“BD”) and RIA for Financial Professionals of Member Firms of M Financial Group. This structure allows our Financial Professionals to have the liberty to evaluate and recommend products and services that they believe will best help their Clients meet their financial goals and needs. M Securities and our Financial Professionals serve as a fiduciary to Clients with respect to our RIA services, as defined under applicable laws and regulations. As fiduciaries, M Securities and our Financial Professionals uphold a duty of loyalty, fairness and good faith toward each Client and seek to mitigate potential conflicts of interest.

Prior to engaging M Securities for any Program, a Client will consult with his or her Financial Professional, who will obtain certain information from Client including with respect to Client’s assets and liabilities, investment objectives, earnings, financial needs, time horizon, risk tolerance, marginal federal and state tax rates, or any other pertinent information such as prior investment history (together “Client Information”). Based upon the Client Information, the Financial Professional will make investment recommendation(s) or investment advisory service(s) recommendations to Client based on suitability, and Client will select the desired service(s).

As set forth further in this brochure, M Securities provides a range of Programs to our Clients, consisting of: Investment Management Services, including wrap fee account programs, and discretionary management of Client Accounts; Retirement Consulting Services; Financial Planning Services; and Solicitor Services on behalf of third-party RIAs pursuant to which we will refer Clients for their services or programs. Fees for Programs are detailed in Item 5 – Fees and Compensation.

### **INVESTMENT MANAGEMENT SERVICES**

Investment Management Services offered by M Securities include an array of investment advisory services that provide Clients the opportunity to choose the management features which best suit the Client’s individual, family, or entity needs. Prior to opening an investment advisory account with M Securities (“Account”), or participating in investment advisory services (“Services”) Client will be required to complete required documentation. Depending on the Account or Service selected, this will include a Client Service Agreement (“Agreement”) and a Client Account Form (“CAF”). In addition, for certain of our Services, a Client will also be required to complete a risk questionnaire and/or statement of investment selection or acknowledge a disclosure. The Agreement will detail the services, fees, and allow Client to request reasonable restrictions on the management of Client’s Account. Receipt of Client’s signature on all required documentation, will be required prior to our Financial Professional establishing an Account or providing a Service.

As described further below in this brochure, different Investment Management Services offer different approaches to managing a Client’s Account assets. Clients can choose between wrap fee programs or advisory services for Account



portfolio management. Depending upon the Program, Clients can appoint their Financial Professional to serve as the Portfolio Manager for their Account to direct, on a discretionary basis, the investment of their Account's assets, or the Client can work with the Financial Professional to select and appoint a third-party money manager ("Sub-Advisors") to act as the Portfolio Manager for some or all of their Account assets. Our asset management services will be discretionary, which means that Client will authorize the Financial Professional or other applicable Portfolio Manager selected to exercise management of the investment of Account assets on Client's behalf without the need to seek prior consent from Client. However, we do offer non-discretionary management of certain ERISA covered retirement plans. Please also note that in certain Programs where the Client has elected a Sub-Advisor, we do not always retain discretion to choose a different Sub Advisor on Client's behalf. Client's Agreement will contain details regarding discretion, to include if discretion to hire or fire Sub-Advisors is included, as well as detail regarding fees and costs of the service Client selects. For Services in which we provide discretionary management of a Client's Account, Client's Financial Professional will provide ongoing monitoring of the Account in an effort to manage the Account according to Client's investment objectives. For all investment advisory services, Client's Financial Professional relies on Client to notify the Financial Professional of any changes in the Client's investment objectives and/or Client Information. Any changes may prompt changes relative to the management of, and investment strategy for, the Account. On at least an annual basis, Financial Professional will review the Account(s) with the Client to determine whether there have been any changes in the Client Information and/or changes to restrictions the Client has requested to impose on the Account.

Depending upon the asset management Program or advisory service, Client will work with the Financial Professional to choose the custodian where their assets will be held based on the services the Client desires. M Securities is not a custodian for Client assets, and all Accounts we service will be maintained at a qualified custodian. M Securities is also an introducing BD for Pershing LLC ("Pershing"), and certain Programs and services require that Client open a brokerage account with Pershing. The Program you select could also dictate which custodian is used to maintain your assets. For further information regarding designated custodians for our respective investment advisory programs and services, see Item 12 at Brokerage Practices. Clients will have ownership of all assets in their Accounts, and are allowed to add assets (as cash or securities) at any time. Clients are allowed access to their funds for purposes of making withdrawals at any time. Clients should allow adequate time for processing withdrawals, as securities may need to be sold in order to meet a withdrawal request, and it will take several days for the Financial Professional to process and settle transactions, and request funds according to the custodian requirements.

Clients can request Financial Professional impose reasonable investment restrictions on their Account, including by directing Financial Professional to not purchase or liquidate certain securities in the Account or hold excess cash levels from investing in Account. Each request for a restriction by a Client must be approved by the Financial Professional in advance and at their discretion. Client should be aware that restrictions on Accounts may positively or negatively affect the Account performance, and Clients must inform their Financial Professional in writing when the Client no longer desires to impose the restriction.

Each Program has minimum balance requirements to open and maintain the Account; these minimums are listed within the description of each Program below. If an Account falls below the minimum amount, the Account is subject to termination at the discretion of M Securities, although M Securities may permit Accounts to be opened or maintained with less than the minimum.

### **INVESTMENT MANAGEMENT SERVICES - Wrap Fee Programs**

A wrap fee program is a type of investment advisory program that provides Clients with asset management and brokerage services for one inclusive fee. Wrap fee programs are not the same as transaction-oriented brokerage accounts or investment advisory accounts in which separate fees and charges for investment advice and trade execution costs, including charges on a trade-by-trade basis, will apply. If Client chooses to participate in one of our wrap programs ("Wrap Program"), Client will pay a single wrap fee (the "Wrap Program Fee") that covers certain costs



of the Wrap Program, including investment advice, platform fees, execution and clearing of transaction costs, and record-keeping services associated with the particular Wrap Program. The Wrap Program Fee will vary including based on, but not limited to, the Wrap Program chosen, the amount of assets being managed, and the agreed upon rate negotiated with your Financial Professional. Certain other costs are not covered by the Wrap Program Fee. Please see Item 5, Fees and Compensation, for additional information regarding the costs associated to the Wrap Fee Programs offered by M Securities, or please see the Form 2A Appendix 1 associated to the Wrap Program.

### **WealthPursuit Wrap Fee Programs**

M Securities is the Sponsor of the WealthPursuit™ Wrap Fee Programs (each a "Wrap Program" and together the "WealthPursuit Wrap Programs"). M Securities has contracted with Envestnet Portfolio Solutions, Inc. ("Envestnet"), a RIA and provider of wealth management software and services, to provide the operational and system support for the WealthPursuit Wrap Programs. Pershing is a BD and is the designated Custodian for the WealthPursuit Wrap Programs. There are six WealthPursuit Wrap Programs available, each of which offer a money management style, specialty focus, or philosophy that are described further in M Securities wrap program brochure. We make the WealthPursuit Wrap Programs available to M Securities' Financial Professionals, who may recommend the Wrap Programs to Clients. Different WealthPursuit Wrap Programs offer different approaches to managing a Client's Account assets. For example, in the WealthPursuit Classic and Custom Programs, Client appoints his or her Financial Professional to serve as the discretionary Portfolio Manager for the management of Client's Account, including investing Client's Account assets. In the WealthPursuit Custom UMA, Custom SMA, Envoy, and Strategist Programs, the Client's Financial Professional will select third-party RIAs ("Third-Party Money Managers") to serve as discretionary money manager or model strategist for the management of trading in Client's Account. In these Programs, the Financial Professional will retain the discretion to hire or fire Third-Party Money Managers. The minimum amount of assets required to establish a WealthPursuit Wrap Account varies by Program. Pershing is the designated Custodian for WealthPursuit Wrap Programs. For further information with respect to the WealthPursuit Wrap Programs, please see M Securities' Form 2A Appendix 1.

### **M Wealth MPP Wrap Program**

M Financial Asset Management, Inc. ("M Wealth"), an affiliated, SEC RIA is the sponsor of its own proprietary wrap program. M Wealth sponsors and acts as portfolio manager for the Managed Portfolio Program (the "MPP Wrap Program" or "M Wealth Wrap Program"). We make the M Wealth Wrap Program available to M Securities' Financial Professionals, who may recommend the Wrap Program to Clients. In the MPP Wrap Program, Clients will select either Pershing or Charles Schwab & Company, Inc. ("Schwab"), to serve as Custodian for their MPP Wrap Account, although fees differ depending upon the Custodian selected. Clients should discuss with their Financial Professional the different custodial options. In the MPP Wrap Program, M Wealth selects specific securities for its model portfolios using eighteen risk-based model portfolios it has developed and manages on an ongoing basis. Clients choose between model portfolios that have different risk-based, tax focused, or specified emphasis. While each portfolio is available for investment, certain portfolios are tailored for use in certain Account types. For example, six portfolios are managed for use in taxable Accounts and six portfolios are managed for use in tax-deferred Accounts. There are also four portfolios available that seek to emphasize market returns with lower volatility, and two portfolios that emphasize environmental, social and governance ("ESG") focused holdings. All portfolios are available through the MPP Wrap Program, while six portfolios (Lower Volatility and ESG) are also available outside of the MPP Wrap Program. M Wealth will monitor and change securities within the model portfolios through the selection of specific securities, which are primarily, but not limited to, mutual funds and exchange-traded funds ("ETFs"). M Wealth uses various allocations of equity and fixed-income securities to engineer the portfolios to strive for different levels of projected risk and return, such as conservative, moderate, or aggressive growth. The objective of the MPP Wrap Program is to seek comprehensive market representation and mitigate portfolio risk through diversification. M Wealth, as the sponsor of this program, receives a portion of the wrap fee for its services. The minimum amount of assets required to establish an M Wealth Wrap Account is \$10,000 for the Lower Volatility and



ESG portfolios and \$25,000 for the balance of the portfolios. For further information with respect to the MPP Wrap Program, please see M Wealth's Form 2A Appendix 1.

## **INVESTMENT MANAGEMENT SERVICES - Advisory Services**

In addition to the Wrap Programs discussed above, M Securities' Investment Management Services also include a variety of advisory services that offer Clients flexibility and choice regarding portfolio asset management for their Accounts. With our non-wrap Advisory Services, Clients pay investment advisory fees for their Accounts, and separately pay for other costs such as for trade execution and fees for third-party Sub-Advisors for their Accounts. In M Securities' Advisory Services offerings, Financial Professionals will provide individualized management based on Client's specific needs, goals and objectives. These services can include direct management of Client's assets by the Financial Professional or hiring independent RIAs for separate account management. Below are further details regarding our Investment Management Services Advisory Services:

### **WealthPursuit Prime**

In WealthPursuit Prime ("Prime"), Client appoints Financial Professional to act as Portfolio Manager for Client's Account. Financial Professional, as Portfolio Manager, has discretionary trading authority over Client's Account to manage funds and invest and re-invest in a wide array of securities and investment products. Client's Account portfolio will be managed on a personalized basis by Client's Financial Professional, without the assistance of other Sub-Advisors. Ongoing Account management and supervision is guided by the Client's stated investment objectives (e.g., maximum capital appreciation, growth, income, or growth and income) and risk tolerance. On an ongoing basis Financial Professional will monitor the Account. Also no less than annually, Financial Professional will review with Client the Account and make any needed adjustments to the Account portfolio. The minimum amount of assets required to establish a Prime Account is \$50,000. Pershing is the designated Custodian for WealthPursuit Prime. For further information with respect to the terms and conditions of Pershing's services in Prime, please see the Client Agreement.

### **Schwab Managed Account Select and Managed Account Access**

Financial Professionals may recommend to Clients the Managed Account Select ("Select") or the Managed Account Access ("Access") (collectively "Managed Accounts") programs sponsored by Schwab. These Managed Account programs provide access to investment strategies managed by third-party Money Managers ("MM"). The programs offer additional services and features including research and ongoing monitoring of money managers, third party research and review, access to over 20 strategies managed by over 100 different third party managers, and performance reporting. The Financial Professional will recommend MMs and Client can authorize Schwab to open additional Managed Accounts in Select or Access in order to change managers and investment strategies on Client behalf, terminate MM at the direction of the Financial Professional and agree to different program fee schedules through granting of trading authorization. Client will grant authority to Schwab to trade in each Managed Account at the direction of the MM designated for that account.

For the Select Account Money Managers, Charles Schwab Investment Management, Inc. ("CSIM") researches, evaluates, and provides ongoing operational and investment due diligence of MM and investment strategies in Managed Account Select. CSIM also supplies research for Financial Professionals, including quarterly strategy profiles, reviews, and comparative reports.

For the Access Account, Financial Professionals must conduct their own research on MMs and M Securities will provide due diligence should a Financial Professional request a MM that has not previously been reviewed and approved for use in Client Accounts by M Securities.





Ongoing operational evaluations of MMs is conducted by CSIM. M Securities has reviewed the CSIM due diligence process on the Select MMs. Schwab facilitates negotiation with MMs, minimums, fees, and streamlining account setup and maintenance. The minimum amount of assets required to establish a Managed Account is dependent upon the strategy and MM selected and ranges between \$100,000 and \$350,000. Should an account fall below the manager requirements, Schwab may require a deposit of additional money or securities to bring the Managed Account up to the required minimum, or close the Managed Account. Clients should refer to the Schwab Managed Account Agreement for additional information, requirements, and details with respect to Managed Accounts, and to the Money Manager Form 2A ADV with respect to management of assets.

### **Schwab Managed Account Marketplace® (“Marketplace”) and Schwab Advisory Account**

Marketplace is an open architecture platform that gives Financial Professionals and their Clients access to separate account managers and turnkey asset management providers (“TAMPs”). Marketplace platform is not a program sponsored by Schwab. Participating MM and TAMPs need to establish a contract and have system compatibility with Schwab in order to be in Marketplace. The MMs, TAMPs, and their investment strategies available in Marketplace are not evaluated by Schwab. M Securities will limit Financial Professionals’ selection of MMs and TAMP to those approved by M Securities, where M Securities has conducted due diligence. Clients should refer to the Schwab Marketplace Agreement for additional information, requirements, and details with respect to Marketplace Accounts, and to the Money Manager Form 2A ADV with respect to management of assets. Financial Professionals will review with Client at least annually the services and performance of the Marketplace Account or on a regular basis agreed upon between Client and Financial Professional.

Schwab Advisory Accounts not associated to Marketplace may be recommended to Clients who desire to appoint their Financial Professional to act as Portfolio Manager for Client’s Account. Financial Professional, as Portfolio Manager, has discretionary trading authority over Client’s Account to manage funds and invest and re-invest in a wide array of securities and investment products. Client’s Account portfolio will be managed on a personalized basis by Client’s Financial Professional, without the assistance of other Sub-Advisors. Ongoing Account management and supervision is guided by the Client’s stated investment objectives (e.g., maximum capital appreciation, growth, income, or growth and income) and risk tolerance. On an ongoing basis Financial Professional will monitor Account. Also no less than annually, Financial Professional will review with Client the Account and make any needed adjustments to the Account portfolio.

### **M Wealth Sub-Advisory Portfolio Management Services**

Separate and apart from M Wealth’s wrap program, M Wealth also offers discretionary sub-advisory Portfolio Management Services and Model Management Services that M Securities’ Financial Professionals may recommend for Clients’ M Securities Accounts.

*M Wealth Investment Management Services.* For Clients who elect these services, M Wealth will customize portfolio management services, and will allocate Client’s Account assets among various investments and/or Sub-Advisors, taking into consideration the overall management style and financial goal chosen by Client, in relation to Client’s time horizon, risk tolerance, liquidity requirements, and other investment objectives. M Wealth develops customized portfolio weightings in specific securities and market sectors based on the individual needs and circumstances of each Client. M Wealth will analyze and consider the placement of investments, taking into consideration other holdings Client have disclosed that are held outside of the Account portfolio.

*M Wealth Model Management Services.* M Wealth offers four model portfolios which seek to emphasize market returns with lower volatility, and two models which emphasize environmental, social and governance (“ESG”) focused holdings. M Wealth will monitor and change securities within the model portfolios on a discretionary basis. When the portfolio allocation within a model is changed, all Client Account portfolios utilizing the model will be adjusted to reflect the allocation change made within the model.



The minimum amount of assets required for M Wealth's Investment Management Services is generally \$1,000,000 (that can include multiple related accounts) and \$10,000 for M Wealth's Model Management Services. If an Account falls below the minimum amount, the Account is subject to termination at the discretion of M Wealth, although M Wealth may permit Accounts to be opened or maintained with less than the minimum required amount of assets. M Wealth will charge a sub-advisory fee for this service that will be incorporated into the Client's total advisory fee. See Item 5 at M Wealth Sub-Advisory Programs Fees, and M Wealth Form 2A brochure, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for further information.

M Wealth is an affiliate of M Securities. As such, M Securities and our Financial Professionals have a conflict of interest in recommending the Sub-Advisor services of M Wealth to M Securities' Clients. M Securities addresses this conflict of interest by reviewing Program Accounts for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, through this disclosure to Clients, and by enforcing our Code of Ethics ("Code").

### **Portfolio Advisory Solutions**

In Portfolio Advisory Solutions ("PAS") Client appoints Client's Financial Professional to act as Portfolio Manager for Client's Account. Financial Professional, as Portfolio Manager, has discretionary trading authority over Client's Account to manage funds and invest in a wide array of securities and investment products. Client's Financial Professional will manage client's Account portfolio on a personalized basis. Ongoing Account management and supervision is guided by the Client's stated investment objectives (*e.g.*, maximum capital appreciation, growth, income, or growth and income) and risk tolerance. On an ongoing basis Financial Professional will monitor the Account. Also, no less than annually, Financial Professional will review with Client the Account and make any needed adjustments to the Account portfolio.

Additionally, Financial Professional can recommend the use of a money manager or Sub-Advisor for a portion or all of the Client assets. M Securities will perform due diligence on all money managers or Sub-Advisors prior to Financial Professional's recommendation of the same. If chosen, Client will sign separate agreements with the appointed money manager or Sub-Advisor. On an ongoing basis, Client's Financial Professional will monitor the performance of the Client's Account.

The minimum amount of assets required to establish a PAS Account is \$50,000. Pershing Advisor Solutions, LLC is a BD and wholly-owned subsidiary of The Bank of New York Mellon Corporation and provides clearing, execution, custody or other brokerage services through Pershing, both member firms of FINRA and SIPC. Pershing Advisor Solutions, LLC additionally provides back office support to assist with the execution of securities transactions. Pershing Advisory Services, Inc. will utilize Pershing for providing custodian services to PAS Accounts. For further information with respect to the terms and conditions, please see the PAS Client Agreement.

### **Third-Party Asset Management Program ("TPAM") Services**

M Securities has contracted with third-party asset managers ("TPAM") to provide Clients with a variety of asset management Program options. Based on Client's goals, investment objectives and particular circumstances, Client's Financial Professional may recommend a TPAM service and assist Client to determine an appropriate model portfolio and portfolio manager to meet Client's needs. Factors considered in making this determination include account size, risk tolerance, the opinion of each Client and the investment philosophy of the selected asset manager. Depending on the TPAM program identified, Financial Professional will also assist Client with selecting a model portfolio of securities designed and managed by either the TPAM sponsor or a selected portfolio manager through the TPAM sponsor responsible for providing discretionary asset management services. Financial Professionals will review with Client at least annually the services and performance of the TPAM Account or on a regular basis as negotiated between Client and Financial Professional. Account minimums are set by the TPAM sponsor or the asset manager, to the exclusion of M Securities. In addition to portfolio management services, the TPAM sponsor will also



generally arrange for custody of Client Account assets, trade execution, cashiering services, and other such services as outlined in the applicable Client agreement and the asset manager's Form ADV brochure.

M Securities performs due diligence prior to approving the TPAM as a product provider. Currently, M Securities provides TPAM Services from SEI Investments Management Corporation, AssetMark, FTJ FundChoice, Lockwood Advisors, Inc. and Brinker Capital. For additional information regarding the third-party asset manager selected and the services the TPAM provides, please see the asset manager's and TPAM's applicable Form ADV Part 2A or Part 2A Appendix 1, available at [www.adviser.sec.gov](http://www.adviser.sec.gov).

#### **Variable Annuity Discretionary Services ("VA Discretionary Services")**

A variable annuity is an insurance contract between a purchaser and an insurance carrier. A variable annuity serves as an investment account that can grow on a tax-deferred basis, and includes certain insurance features, such as the ability to turn the annuity into a stream of future payments. A variable annuity also allows the purchaser to allocate the value of the annuity's investment sub-account(s), less any mortality and expense charges, or rider fees assessed by the insurance carrier as described in the annuity's prospectus, into certain investment funds the insurance carrier has designated as eligible investments. The investment options for a variable annuity are similar to mutual funds that invest in stocks, bonds, money market instruments, or some combination thereof.

For our VA Discretionary Services, Client retains M Securities to provide advisory services on a discretionary basis with respect to the investment sub-accounts of certain variable annuities. Client's Financial Professional will provide ongoing management and instruct the insurance carrier with respect to the allocation and re-allocation of the investment sub-accounts in accordance to the Client's overall financial and retirement strategy. Please be aware that certain variable annuities impose sub-account trading restrictions. If Client and Financial Professional anticipate allocation and re-allocation of the investment sub-accounts will exceed these thresholds, please consider other services. Please also be aware that certain variable annuities offer asset allocation or periodic rebalancing services as part of the contract at no additional charge. You should discuss these options with your Financial Professional before electing VA Discretionary Services. Please also be aware that if you elect a living or death benefit on your variable annuity, and you intend or actually access the variable annuity value through the living or death benefit, you may not obtain value from VA Discretionary Services. If you select a living or death benefit on your variable annuity, you should discuss whether VA Discretionary Services are still appropriate for you. M Securities charges an ongoing advisory fee that is based on the assets held in the annuity, which advisory fee will be assessed and charged to a separate designated advisory account for this service. In all cases, the M Securities advisory fee will not exceed 1% for this service. Certain other fees, expenses and charges associated with the variable annuity and collected by the insurance carrier, are not included in the M Securities advisory fee for this advisory service. For additional information regarding these fees, expenses and charges associated with the annuity, please refer to the variable annuity's prospectus.

M Securities will also serve as an introducing BD with respect to transactions involving the variable annuity and its sub-accounts. As such, M Securities and our Financial Professionals have a conflict of interest in recommending the VA Discretionary Services, and have an incentive to recommend the purchase of a variable annuity as this may increase commission-related compensation. M Securities addresses this conflict of interest by reviewing Program accounts for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, through this disclosure to you, and by enforcing our Code.

#### **Mutual Fund Discretionary Services**

A mutual fund is a type of investment company, as that term is defined by the Investment Company Act of 1940, that pools money from many investors and invests the money in stocks, bonds, money-market instruments, and other securities, and may hold a portion of the money in cash. Mutual funds are managed by and offered through a separate RIA to the mutual fund. M Securities does not provide investment advice to mutual funds, but M



Securities does recommend mutual funds for investment in Client Accounts. Mutual funds charge fund fees and expenses as described in each fund's prospectus, which may include a sales charge. Certain mutual fund share classes do not impose a sales charge, but do charge Client an investment advisory fee.

For our Mutual Fund Discretionary Services, Client retains M Securities to provide advisory services on a discretionary basis with respect to one or more American Funds F-2 share class mutual funds. Such funds do not charge a 12b-1 sales charge. Client's Financial Professional will provide ongoing management and monitoring of Client's Account and direct the allocation and re-allocation of Client's assets among F-2 Funds in accordance with the Client's investment objective, risk tolerance, time horizon and other financial characteristics. M Securities charges Clients an ongoing advisory fee of 0.50% across assets in the Fund. The American Funds F-2 mutual funds are held directly with the American Funds custodian and governed by the Client agreement executed with American Funds. Clients that hold different American Funds share classes can convert existing shares to F-2 shares in order to participate and receive advisory services on existing holdings. Clients will be required to complete all required M Securities documentation.

Clients should be aware that by selecting Mutual Fund Discretionary Services our Financial Professional is limited to selecting mutual funds offered through American Funds. Prior to selecting Mutual Fund Discretionary Services you should discuss with your Financial Professional if other Programs giving access to various mutual fund families or other securities is appropriate for you.

## **RETIREMENT CONSULTING SERVICES**

We also provide advisory services to qualified plan sponsors, the named fiduciary on the plan, and participants, separately or in combination. While the primary Clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services; Clients will choose which Services they wish to engage within the Qualified Plan Agreement. Services may be discretionary, where the Financial Professional and M Securities together are a 3(38) Investment Manager, or non-discretionary, where the Financial Professional and M Securities together will be a 3(21) Investment Advisor to advise on investment selections, but the Client will ultimately determine the investments to be selected. Clients will complete a Qualified Plan Agreement that contains ERISA disclosures the Client should carefully review. Services to be provided will be documented within the Qualified Plan Agreement, including but not limited to:

*Preparation of Investment Policy Statement ("IPS"):* M Securities will communicate with the Plan Sponsor to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. M Securities may review the Plan Sponsor's existing IPS or our Financial Professional may be engaged to assist with the preparation of a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

*Selection of Investments:* M Securities also assists the named fiduciary in selecting appropriate investments based upon the Client needs and the IPS. We will then review various mutual funds (both index and managed) to determine which investments are suitable to implement the Plan Sponsor's IPS (either provided by the Client or prepared by us). The number of investments to be recommended will be determined by the Client, based on the IPS.

*Monitoring of Investment Performance:* Financial Professional will monitor Client investments regularly, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although M Securities is not directly



involved in the purchase or sale of these investments, we monitor the Client's portfolio and will make recommendations to the Client as market factors and the Client's needs dictate.

*Employee Communications:* For qualified plan Clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), M Securities will, at Client's request, also provide educational support and investment workshops designed for the plan participants.

## **FINANCIAL PLANNING**

M Securities, through our Financial Professionals, provides financial planning services, which include the evaluation of a Client's current and anticipated financial state. Financial planning services may be comprehensive or targeted in nature depending upon the Client's investment objectives, and may be offered as a one-time service or on an ongoing basis. The level of services provided is specific to each Client and will be set forth in the M Securities Financial Planning Agreement. Clients will negotiate with their Financial Professional expectations regarding delivery of written reports or recommendations prior to entering into such Agreement.

Financial Professionals offer financial planning services using various computer software programs that M Securities has reviewed and approved for use in providing financial planning services. The Client provides personal financial and other relevant information as well as goals that the Financial Professional uses to generate a customized financial plan for the Client. Projections or other information generated through computer software regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained.

As part of our financial planning services, M Securities may or may not render advice as to the purchase of securities, and may offer life, annuity, or long-term care insurance through independent insurance agencies. Financial Professionals that recommend products and services to implement a financial plan can receive revenue on any: 1) investment advisory fees paid to M Securities if the financial planning Client opens an investment advisory account at M Securities, 2) commissions for securities or insurance, or other sales charges paid if any of the transactions referenced in the financial plan are carried out by M Securities as BD or by an insurance agency, and/or 3) overrides, as described later in this document. M Securities may receive compensation from unaffiliated entities, such as BDs, RIAs or insurance agencies, for the referral of Clients to them for their products or services. In addition, if a Client selects M Securities or an affiliate as the entity whose products and services will be used to carry out the financial plan's recommendations, M Securities and/or the affiliate will receive customary commissions and fees associated with those products and services. See also Item 5, at Fees and Compensation describing compensation to Member Firms which may provide remuneration to the Financial Professional. Whether or not M Securities or an affiliate is selected as the provider of products and services, all commissions, advisory or other fees and charges incurred by Client are the Client's sole responsibility.

A financial plan is designed to assist a Client in developing an individual plan to achieve particular financial goals and objectives. A financial plan does not establish an Account or portfolio management services or ongoing investment advice. Clients seeking portfolio management services must open a separate investment advisory account. For further information with respect to M Securities' portfolio or other investment advisory services, please see Item 4 with respect to our various services.

## **SOLICITOR SERVICES**

M Securities acts as a solicitor on behalf of various unaffiliated RIAs. Financial Professionals refers Clients or prospects based on one or more of the following: Client's individual circumstances, needs, investment objectives, investment experience or account size.





M Securities will give the unaffiliated RIA's Form ADV brochure and a document disclosing the solicitor relationship and solicitation fee we receive to Client, and may give additional documentation that is designed to collect account and suitability information. When M Securities acts as a solicitor, neither M Securities nor Client's Financial Professional is appointed as the RIA in the relationship. Client is executing an agreement and receiving financial advice from the unaffiliated RIA in these arrangements and is not a client of M Securities. As a result, M Securities will not provide securities related investment advice with respect to assets managed by these unaffiliated RIAs.

Should the Client open an account with the unaffiliated RIA, M Securities is paid a fee by the unaffiliated RIA for the assistance provided in introducing the unaffiliated RIA's program and referring a Client to the unaffiliated RIA, as well as for providing and collecting the unaffiliated RIA's disclosure and account documents. M Securities shares this fee with the Financial Professional. Solicitor arrangements are negotiated between the M Securities and the unaffiliated RIA and have varying fee arrangements. M Securities will perform a limited due diligence review of the unaffiliated RIAs Form ADV brochure disclosures and services offered prior to entering a Solicitor arrangement. The fee a client pays to the unaffiliated RIA should not differ from the fee that the unaffiliated RIA would charge in the event the client was to contract with them directly for investment advisory services. Should Client participate in an advisory referral arrangement like this, M Securities will provide a disclosure document to the Client regarding the information discussed above which will detail the percent of the total advisory fee M Securities will be paid for the introduction. In addition, the advisory fee that Client will pay to the unaffiliated RIA for its advisory services will be negotiated between the Client and unaffiliated RIA. For information with respect to an unaffiliated RIA, and its fees and services, Client should carefully review the unaffiliated RIA's Form ADV brochure and client agreement with the unaffiliated RIA, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ASSETS UNDER MANAGEMENT**

Assets considered to be under M Securities management are categorized as discretionary or non-discretionary. Discretionary assets are associated with an Account for which the Client has provided authorization to M Securities to trade the account on a discretionary basis without pre-authorization from the Client for each trade. Accounts established as non-discretionary require M Securities to obtain authorization from the Client prior to entering each trade.

As of December 31, 2020, M Securities maintains discretionary authority over \$3,918,029,832 of Client assets. M Securities also offers advisory services to Retirement Plans as 3(21) non-discretionary fiduciaries, 3(38) fiduciaries or non-fiduciary support services and we are not able to report the number of plans and assets under management related to this activity.

## **Item 5 Fees and Compensation**

**M Securities Program Fees:** M Securities and our Financial Professionals receive compensation for providing Clients with investment advisory services. Our investment advisory fees ("M Securities Program Fees") vary from service to service. With the exception of Financial Planning Services and certain Retirement Plan services, Client will pay M Securities an advisory fee based on the value of Account assets under management, including cash and cash equivalents. M Securities utilizes the advisory fee to pay for the services of the Financial Professional for Client's Account, and depending upon the advisory service, for platform provider services M Securities has retained for purposes of providing our services to Clients. M Securities retains a percentage of the advisory fee revenues and BD commissions generated by our Financial Professionals. Additionally, we charge our Financial Professionals for our services associated to providing supervision, compliance, registration and professional insurance. M Securities also has revenue sharing agreements with certain investment providers and custodians please see Item 14 – Client Referrals and Other Compensation.



**Financial Professional Fee:** M Securities investment advisory services Program Fees are negotiable, in particular the Financial Professional fee component of our Program Fees, between Client and Financial Professional. Clients can negotiate the Financial Professional's portion of the M Securities Program Fee directly with their Financial Professional up to certain maximum percentages specific to the Client's needs and the Financial Professional's services. This will cause the Financial Professional Fee, and as a result the total Program Fee, to vary from Client to Client and from Financial Professional to Financial Professional. Prior to establishing an Account, the M Securities Program Fee will be detailed in writing in the Client's Agreement. Depending upon the Program chosen, M Securities provides investment advisory services through direct management of Client Accounts by our Financial Professionals, as Portfolio Manager. Typically, when the Financial Professional provides services as the portfolio manager, Financial Professional will receive higher fees compared to arrangements where a Sub-Advisor assists with the management of Client's Account; therefore, an incentive exists for the Financial Professional to recommend his or her own services as portfolio manager instead of Sub-Advisory arrangements. Clients should carefully compare the services, costs and experience level of Financial Professional to other portfolio managers and investment advisory programs.

Clients should note that M Securities Program Fees do not include fees for the services of Sub-Advisors, or for custodian and BD trade execution and other transaction costs that will be incurred by Client's Account, or for fees and expenses charged by mutual funds for their shareholders or annuity carriers for their policyholders. Wrap Program Fees differ from the M Securities Program Fees in that Wrap Program Fees include the fees of Sub-Advisors, trade execution costs and the Financial Professional Fee. Further information is provided below under Wrap Fee Program Fees and Costs.

The annual advisory fee that the Client agrees to with Financial Professional, will be clearly stated within your Agreement, and will be computed and charged as one-quarter of the annual fee at each calendar quarter. Client's Agreement will contain further details on how the fee is calculated, including if the service Client selects has the option of paying the advisory fee in advance or in arrears. For further information, please see Billing in Advance and In Arrears below.

#### **INVESTMENT ADVISORY SERVICE - Wrap Fee Programs Fees and Costs**

In a wrap fee arrangement, Clients pay a single fee for advisory, brokerage and custodial services. In evaluating such an arrangement, the Client should also consider that, depending upon the wrap fee charged, the amount of portfolio activity in the Client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. With regard to these programs, the associated fees and commissions are discussed in the respective wrap brochures.

#### **WealthPursuit Wrap Fee Programs**

Program Fees associated with WealthPursuit Wrap Fee Programs sponsored by M Securities, are described in Item 4 of the M Securities Wrap Fee Brochure. The maximum fee for WealthPursuit Wrap Fee Programs are limited to 3%, and Clients will negotiate their Program Fee with their Financial Professional. Certain minimum Platform Fees will apply to these Programs that will increase the negotiated Program Fee, which are detailed in the M Securities WealthPursuit Wrap Fee Brochure, please review this disclosure for further information at M Securities' Form ADV Part 2A Appendix 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### **M Wealth MPP Wrap Program**

Program Fees associated with the M Wealth MPP Wrap Program are described in Item 4 of the M Wealth Wrap Fee Brochure. MPP Wrap Program fees vary depending upon the custodian and model selected, but will not exceed 1.36% for accounts with at least \$150,000 in assets (Accounts with asset values less than \$45,455 will have minimum



Platform Fees that will cause this rate to increase). For further information, please see M Wealth's Form ADV Part 2A Appendix 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **INVESTMENT ADVISORY SERVICE - Advisory Services Fees and Costs**

### **WealthPursuit Prime Fees**

In WealthPursuit Prime, Clients will pay an annualized Program Fee up to, that is limited to a maximum rate of 3% of Account assets under management. Clients will negotiate the Program Fee with their Financial Professional. Transactions fees are paid separately by the Client to the custodian for each transaction in the Account and are not included in the Program Fee. M Securities uses the Program Fee to pay for the services of the Financial Professional of up to 2.987%. Clients can negotiate the Financial Professional's portion of the Program Fee directly with their Financial Professional. This will cause the Financial Professional Fee, and as a result the total Program Fee, to vary from Client to Client and from Financial Professional to Financial Professional. M Securities uses the Program Fee to pay for the services of the Platform Provider in the amount of .013% of Account assets under management. The Platform Provider portion of the fee is subject to an annual minimum of \$24 and Accounts with assets below \$184,615 will be charged the negotiated Program Fee, minus .013%, plus \$24 annually. Accounts above \$2,308,000 in assets will experience a decrease to the Program Fee by .013% annually, as the Platform Fee is limited to an annual maximum of \$300. For further information with respect to calculation of fees and minimum annual platform fees, see below Calculation of M Securities Program Fee. Prior to establishing an Account, Client can review the Program Fee as detailed in the Client's Agreement.

The Program Fee does not include expenses from Pershing such as brokerage transaction or trading charges, IRA and Qualified Plan fees, Account maintenance and termination fees, and certain other types of fees which are paid separately by Client.

### **Schwab Managed Account Select and Managed Account Access Program Fees**

In Schwab Select and Schwab Access, Schwab will charge a Schwab Program Fee based on the amount of assets in Managed Account(s). The Schwab Program Fee will compensate MM for their portfolio management services and Schwab for most Schwab brokerage services. The Schwab Program Fee does not pay for specific services provided by BDs other than Schwab for transactions executed or effected through the Managed Account. Schwab will also charge Client's Account for additional services and costs separately that can include, but are not limited to wire transfer fees, charges for transactions executed by other BDs, and markups/markdowns on fixed income securities. The exact Schwab Program Fee Client will pay will be specified in a separate Schwab Managed Account Agreement and other supplemental documents provided by Schwab. Schwab imposed account minimums are \$100,000 for most equity strategies, \$250,000 for most fixed income strategies, and range from \$150,000 to \$650,000 for diversified portfolios. Related accounts can be combined for the purpose of lower program fees.

Market Value	Schwab Program Fee**
First \$250,000	0.35%-1.00%
Next \$250,000	0.35%-0.85%
Next \$500,000	0.35%-0.80%
Next \$1,000,000	0.30%-0.75%
Next \$3,000,000	0.30%-0.70%
Over \$5,000,000	0.25%-0.65%

\*\* The Schwab Program Fee component varies based on the MM selected. For further information with respect to Schwab's Program fees, Clients should refer to the appropriate Schwab Form ADV brochure and the Client's Schwab account application for greater fee detail. The Financial Professional will provide this information to the Client.





In addition to the Schwab Program Fee, Clients will pay an annualized M Securities Program Fee that will not exceed 2% of Account assets under management. M Securities uses the Program Fee to pay for the services of the Financial Professional up to 1.987% of Account assets under management. Clients can negotiate the Financial Professional's portion of the M Securities Program Fee directly with their Financial Professional. This will cause the Financial Professional Fee, and as a result the total Program Fee, to vary from Client to Client and from Financial Professional to Financial Professional. M Securities additionally uses the Program Fee to pay for the services of the Platform Provider in the amount of .013% of Account assets under management. The Platform Provider portion of the fee is subject to an annual minimum of \$24 and Accounts with assets below \$184,615 will be charged the negotiated Program Fee, minus .013%, plus \$24 annually. Accounts above \$2,308,000 in assets will experience a decrease to the Program Fee by .013% annually, as the Platform Fee is limited to an annual maximum of \$300. For further information with respect to calculation of fees and minimum annual platform fees, see below Calculation of M Securities Program Fee. Prior to establishing an Account, Client can review the M Securities Program Fee in detail in the Client's Agreement.

#### **Schwab Managed Account Marketplace® ("Marketplace") and/or Schwab Accounts**

For Marketplace Accounts, Schwab will charge clients the management fee of the MM chosen to manage Marketplace Account assets. MM fee will depend upon MM chosen. Schwab Accounts not associated to Marketplace will not have additional MM fees, as the Clients appoint the Financial Professional as portfolio manager. Clients will additionally choose to pay Schwab asset-based transaction fees ("ABP") based on Account assets, or Clients will choose to pay Schwab transaction based fees ("TBP") for each transaction. All such transaction charges are retained by Schwab and are not shared with M Securities. The schedule for these TBP or ABP charges are detailed in a separate Schwab Marketplace Agreement or Schwab Account Agreement. Schwab will also charge Client's Account for additional services and costs separately that can include, but are not limited to wire transfer fees, charges for transactions executed by other BDs, and markups/markdowns on fixed income securities. These details are provided in the Schwab Marketplace or Schwab Account Agreement and other supplemental documents provided by the Financial Professional and Schwab.

For both Marketplace and Schwab Accounts Clients will pay an additional annualized M Securities Program Fee that will not exceed 2% of Account assets under management. M Securities uses the Program Fee to pay for the services of the Financial Professional up to 1.987% of Account assets under management. Clients can negotiate the Financial Professional's portion of the M Securities Program Fee directly with their Financial Professional. This will cause the Financial Professional Fee, and as a result the total Program Fee, to vary from Client to Client and from Financial Professional to Financial Professional. M Securities additionally uses the Program Fee to pay for the services of the Platform Provider in the amount of .013% of Account assets under management. The Platform Provider portion of the fee is subject to an annual minimum of \$24 and Accounts with assets below \$184,615 will be charged the negotiated Program Fee, minus .013%, plus \$24 annually. Accounts above \$2,308,000 in assets will experience a decrease to the Program Fee by .013% annually, as the Platform Fee is limited to an annual maximum of \$300. For further information with respect to calculation of fees and minimum annual platform fees, see below Calculation of M Securities Program Fee. Prior to establishing an Account, Client can review the M Securities Program Fee in detail in the Client Service Agreement.

#### **M Wealth Sub-Advisory Programs Fees**

For M Wealth's Sub-Advisor services, Client's total Advisory Fee will be dependent upon the service selected, and will include the cost for services provided by M Wealth for providing asset management services and Client's Financial Professional for providing advisory services. Client Advisory Fee does not include expenses associated with brokerage transaction charges. Additional custodian fees will apply, and can include IRA and Qualified Plan fees, Account termination fees, and certain other types of fees which are applicable to custodian changes for maintaining Account and paid separately by Client.



*M Wealth Investment Management Services:* M Wealth's Investment Management Services Sub-Advisory fees are negotiable and should be negotiated by Client with Financial Professional prior to entering into an Agreement. The M Wealth Investment Management Sub-Advisory Fee schedule is listed in the tables below and represent the maximum charges. Client's M Wealth Sub-Advisory Fee will be detailed in Client's Agreement.

Customized portfolio management advisory fees will be assessed and based on the market value of the portfolio after the end of each calendar quarter, and adjusted for large inflows or outflows of assets during the quarter.

Customized: Assets Under Management*	Maximum Advisory Fee
On first \$1,000,000	1.30%
On next \$2,000,000	1.25%
On next \$2,000,000	1.20%
On next \$5,000,000	1.10%
Over \$10,000,000	1.05%

\* The minimum portfolio size is generally \$1,000,000.

*M Wealth Portfolio Management Services Fee:* For M Wealth's Portfolio Management Services Fee, fees will be computed and based on the average daily market value of the account during the preceding quarter.

Model: Assets Under Management*	Maximum Advisory Fee
On first \$1,000,000	1.22%
On next \$2,000,000	1.20%
On next \$3,000,000	1.17%

\* The minimum account size is generally \$10,000. Note that at any balance under \$35,715, the maximum Advisory Fee becomes \$25 plus 1.15%.

For more information regarding the fees and charges associated with such M Wealth services, please see M Financial Asset Management, Inc. Form ADV Part 2A and the Client Agreement.

As the Client's Financial Professional or Financial Professional's Member Firm may be a shareholder of M Financial Group, in such case they would have incentive to recommend M Wealth as a Sub-Advisor over other similar programs. For more information regarding these affiliations, see Item 10 (Other Financial Industry Activities and Affiliations).

### **PAS Account Program Fees**

For PAS advisory services, Clients will pay an annualized M Securities Program Fee up to, but in no case exceeding 3% of Account assets under management. M Securities uses the Program Fee to pay for the services of the Financial Professional of up to 2.987%. Clients can negotiate the Financial Professional's portion of the M Securities Program Fee directly with their Financial Professional. This will cause the Financial Professional Fee, and as a result the total Program Fee, to vary from Client to Client and from Financial Professional to Financial Professional. M Securities uses the Program Fee to pay for the services of the Platform Provider in the amount of .013% of Account assets under management. The Platform Provider portion of the fee is subject to an annual minimum of \$24 and Accounts with assets below \$184,615 will be charged the negotiated Program Fee, minus .013%, plus \$24 annually. Accounts above \$2,308,000 in assets will experience a decrease to the Program Fee by .013% annually, as the Platform Fee is limited to an annual maximum of \$300. For further information with respect to calculation of fees and minimum annual platform fees, see below Calculation of M Securities Program Fee. Prior to establishing an Account, the Client can review the M Securities Program Fee in detail in the Client's Client Service Agreement).



Program Fee does not include expenses associated with brokerage transaction charges. Clients electing this program will choose to either pay transaction charges as an asset based transaction fee based on Account assets or will pay transaction fees for each security purchased and sold. All such transaction charges are retained by Pershing and are not shared with M Securities. Further, Client can negotiate with Financial Professional for the Financial Professional to pay all transaction related fees. For additional information, please see below under Custodial Services - Execution Fees. Additional custodian fees will apply, and can include IRA and Qualified Plan fees, Account termination fees, and certain other types of fees which are applicable to custodian changes for maintaining Account and paid separately by Client. These details are provided in the Pershing Custodial Account Agreement and other supplemental documents provided by Pershing.

Further to these fees, the Financial Professional can recommend the use of a money manager for a portion of the Account assets. Client will enter into a separate agreement with selected money manager or sub-advisor for such services and the appointed provider will separately charge a fee for Account assets under management. Prior to engaging a money manager, Clients should refer to the money manager agreement and Form 2A ADV for additional information and to determine if fees are negotiable.

#### **TPAM Program Fees**

For TPAM Program Fees, Clients pay an advisory fee to the third-party asset manager as described in the Client agreement entered between Client and the individual third-party asset manager. The third-party asset manager will typically negotiate its advisory fee with the Financial Professional and the Client. Fees assessed by the TPAM are shared with M Securities, which M Securities uses to pay for the services of Client's Financial Professional. Other fees and charges imposed by third parties can apply to a Client account opened with a third-party asset manager. Certain TPAM programs have lower maximum annual fee amounts, and fee schedules will vary among TPAM programs. M Securities and our Financial Professional have an incentive to recommend Clients retain TPAM services, and we thus have a conflict of interest in recommending TPAM services, because M Securities directly, and our Financial Professional indirectly through us, receive compensation from the TPAM in connection with recommending the TPAM and providing our TPAM related advisory services to you. Accordingly, we have an incentive to recommend TPAM services based on the compensation we will receive from the TPAM rather than based on clients' investment management needs. Clients are not required to use our TPAM services for purposes of retaining a TPAM for its services. M Securities addresses this conflict of interest by reviewing our TPAM service accounts for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, through this disclosure to you, and by enforcing our Code. Clients are urged to carefully review and discuss the programs and services offered. For more information regarding the fees and charges associated with such TPAM services, please see the respective third-party asset manager's Form ADV Part 2A and the Client Agreement.

#### **Variable Annuity Discretionary Services Fees**

For M Securities VA Discretionary Services Fees, Clients will pay an annualized advisory fee ("VA Discretionary Fee") to M Securities of up to 1% of annuity assets. M Securities uses the VA Discretionary Fee to pay for the services of the Financial Professional. The VA Discretionary Fee will be calculated quarterly in arrears based on the average daily value of the annuity during the billing period. M Securities will charge the advisory fee against a separate Client account held at M Securities as designated by the Client, rather than from the variable annuity itself. Clients may negotiate the VA Discretionary Fee with the Financial Professional, and as a result, the fee will vary from Client to Client and from Financial Professional to Financial Professional.

Clients should note that the insurance carrier issuing the variable annuity charges certain fees and expenses associated with the variable annuity. These carrier's fees and expenses are separate from and in addition to the M Securities VA Discretionary Fee charged by M Securities. For additional information regarding these the carrier's fees and expenses, please refer to the variable annuity's prospectus.



The receipt of both annuity commissions and advisory fees creates a strong incentive, and thus a conflict of interest for M Securities and Financial Professional, to recommend VA Discretionary Services in conjunction with, or subsequent to, the sale of a variable annuity. M Securities addresses this conflict of interest by reviewing Program accounts for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, through this disclosure to you, and by enforcing our Code.

Clients should also be aware that the insurance carrier issuing the variable annuity may provide sub-account asset allocation services similar to those provided by M Securities at substantially lower fees, or at no cost. For further information with respect to sub-account asset allocation services by the insurance carrier, please see the variable annuity's prospectus.

### **Mutual Fund Discretionary Services Fees**

For the American Funds F-2 advisory services, M Securities will charge a Mutual Fund Discretionary Fee for investment advice equal to 0.50% across assets in the program. The fee rate for Mutual Fund Discretionary Services is not negotiable. M Securities uses the Mutual Fund Discretionary Fee to pay for the services of the Financial Professional. Mutual Fund Discretionary Fees will be calculated by American Funds on a quarterly basis on the average daily balance of assets under management. Advisory fees will be debited directly from the assets pro-rated, unless otherwise specified in the Client Agreement.

American Funds also assesses certain fees, expenses and charges associated with the F-2 share class mutual funds. These fees, expenses and charges are in addition to and separate from the M Securities Mutual Fund Discretionary Fee. For additional information regarding these mutual fees, expenses and charges, please refer to the mutual fund's prospectus.

Clients should also be aware that mutual fund companies, or other RIAs, may provide asset allocation or advisory services substantially similar to those provided by M Securities at substantially lower, or at no cost.

### **RETIREMENT CONSULTING FEES**

M Securities Fees for Retirement Consulting Services are billed either as a flat fee, hourly fee or based on a percentage of assets under management. Fees, and the frequency at which they are billed, are detailed in the Client's Investment Advisory Agreement. For fees that are charged based upon assets under management, in no case will a rate exceeding 3% be charged to the Client. Retirement Consulting Fees are subject to negotiation and will be determined between Client and Financial Professional as follows:

- Client will negotiate a fee schedule directly with Financial Professional.
- Client has the option of either allowing Financial Professional to make fund changes within the plan's offerings on a discretionary basis, or for the named fiduciary to ultimately make fund changes recommended by the Financial Professional on a non-discretionary basis. This will depend on the agreed level of fiduciary service between Client and Financial Professional.
- Client will determine frequency for billing M Securities Fees and party responsible for submitting payment to M Securities. In such cases where direct billing to the Client is conducted, an invoice will be sent to the Client detailing the service provided and the calculation of the fee.
- Client will receive a pro-rata refund should Client terminate the assets under management based investment advisory contract prior to the end of a quarter and has paid fees in advance.
- M Securities is permitted to receive reimbursement of expenses by the plan sponsor as described in the plan agreement.

### **FINANCIAL PLANNING FEES**



M Securities Financial Planning Fee is determined based on the nature of the services being provided to and the complexity of each respective Client's circumstances. The Fee structure is agreed upon between Client and Financial Professional prior to entering into a contract. Financial Planning Fees are calculated and charged on either an hourly basis or fixed fee basis. Hourly fees generally range from \$0 to \$500 per hour. The amount to be charged for the services we provide is negotiated directly between the Client and the Financial Professional. The length of time it will take to provide a financial plan will depend on each Client's personal situation. An estimate for the total number of hours at the start of the advisory relationship will be provided.

Financial Planning Fees may also be charged on a fixed fee basis, typically ranging from \$0 to \$10,000, depending on the complexity of the work to be performed. The specific fees charged, and the frequency at which they are charged, are negotiated directly between the Client and their Financial Professional.

A retainer may be requested upon completion of the initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

M Securities may, at its discretion, reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning Client chooses to engage us separately by opening an investment advisory account for our Investment Management Services, or a brokerage account for purchases products through M Securities' BD. In such event, and as discussed in this brochure, M Financial and the Financial Professional will receive advisory fees, brokerage commissions and potentially other compensation in connection with such services or products. Accordingly, M Securities and the Financial Professional have an incentive to discount our Financial Planning services fees and to recommend clients retain our Investment Management Services or purchase products through our BD for purposes of implementing a financial plan, and thus a conflict of interest. M Securities addresses this conflict of interest by reviewing Program account for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, through this disclosure to you and by enforcing our Code of Ethics.

Unless otherwise agreed, Financial Planning Fees are charged by M Securities in addition to fees for management of portfolios or third-party advisory services.

Most Financial Professionals with M Securities are dually registered as RIA representatives and as registered representatives for our BD services. In such cases, the Financial Professional may receive a Financial Planning Fee in addition to commissions received from transactions resulting from recommendations to purchase BD products in the plan, if Client determines to purchase the recommended products through our BD.

Clients are permitted to cancel the financial planning agreement at any time, for any reason. Should Client decide to terminate this the financial planning agreement, Client will only be charged the pro-rata portion of the work already completed on a flat fee basis.

## **SOLICITATION SERVICES FEES**

For M Securities Solicitation Services, Clients do not pay a solicitation or referral fee to M Securities. Rather, should the Client open an account with the unaffiliated RIA, M Securities is paid a fee by the RIA for the assistance provided in introducing the RIA's program and referring a Client to the RIA, as well as for providing and collecting the RIA's disclosure and account documents. Solicitor arrangements are negotiated between M Securities and the unaffiliated RIA and have varying fee arrangements. The fee a client pays to the unaffiliated RIA should not differ from the fee that the RIA would charge in the event the client was to contract with them directly for investment advisory services. Should Client participate in an advisory referral arrangement, M Securities will provide a disclosure document to the Client regarding the information discussed above which will detail the percent of the total advisory fee M Securities will be paid for the introduction. In addition, the advisory fee that Client will pay to the unaffiliated RIA for its advisory services



will be negotiated between the Client and RIA. For information with respect to an unaffiliated RIA, its fees and services, Client should carefully review the RIA's Form ADV brochure and client agreement with the RIA, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **FINANCIAL PROFESSIONAL FEES; M SECURITIES COMPENSATION – RETENTION FEES; PLATFORM PROVIDER AND RELATED FEES**

**Financial Professional Fee:** Except as otherwise disclosed above, M Securities' Program Fees are customizable with respect to the Financial Professional Fee component of the particular advisory service, and may be individually negotiated between the Client and their Financial Professional up to certain maximum percentages specific to the Client's needs and the Financial Professional's services. As such, Clients will negotiate the Financial Professional's portion of the Program Fee directly with their Financial Professional. This will cause the Financial Professional Fee, and as a result the total Program Fee, to vary from Client to Client and from Financial Professional to Financial Professional. The total Program Fee, however, will not exceed the stated amount for the particular Program. Prior to establishing an Account, Program Fees will be detailed in writing in the Client's Agreement.

M Securities and Financial Professionals have a conflict of interest in that the Financial Professional Fee can be negotiated up to a higher level at the discretion of the Financial Professional in light of the range of services to be performed by the Financial Professional. This encourages us to recommend a wider range of services than a client might require. Each client should carefully consider the range of services that the client requires. M Securities addresses this conflict of interest by reviewing Program accounts for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, through this disclosure to you, by enforcing our Code, and by establishing a total Program Fee for Client Accounts that may not exceed the stated percentage for the particular investment advisory service.

Depending upon the particular investment advisory service, at lower Account market value tiers, M Securities and our Financial Professionals also have an incentive, and thus conflict of interest, to recommend investment advisory service Programs that permit the Financial Professional to negotiate higher potential Financial Professional Fees than in other Programs. As Account market value tiers are reached, the Financial Professional Fee schedule may change and incentivize the Financial Professional to recommend a different Program. M Securities addresses this conflict of interest by reviewing Program accounts for suitability at opening and on a periodic basis for account review as described further in Item 13 at Review of Accounts, as well as through this disclosure to you.

Similarly, for certain of our investment advisory services, Financial Professionals, and thus M Securities, have a conflict of interest because Financial Professionals are permitted to provide investment advisory portfolio management services without the assistance of other Sub-Advisors in the management of the Client's Account. Typically, when the Financial Professional provides services as the sole asset manager for an Account, the Financial Professional will receive higher Financial Professional Fees compared to Programs where a Sub-Advisor assists with the management of Account assets. As such, Financial Professionals have an incentive to recommend Programs in which the Financial Professional can recommend himself or herself as the portfolio manager for all Account assets, compared to other Sub-Advisory arrangements. M Securities addresses this conflict of interest by reviewing Program accounts for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, through this disclosure to you, and by enforcing our Code. Please be sure to compare the services, costs and experience level of your financial professional to other portfolio managers and investment advisory programs.

M Securities believes that each of our Clients has unique investment management and desired service needs from their Financial Professionals. Given the independent advisor business structure of our network, we also believe that our Financial Professionals are best positioned to understand the unique needs of their respective client bases. As such, our investment advisory service Programs afford Clients and their Financial Professionals freedom of choice to work





directly with one another to build the individualized level of service Clients seek, including for certain investment advisory service Programs with negotiated Program Fees up to 3%, to accommodate each Client's service needs and objectives. Clients should note, however, that SEC regulatory guidance provides that the SEC considers RIA fees greater than 2% of total assets under management as excessive and/or higher than is normally charged in the industry. As such, because our Programs permit Clients and Financial Professionals to individually negotiate the M Securities Program Fee potentially up to 3% in some of our Programs, our Program Fees can be, and depending upon the individual Client fee arrangement will be, higher than is normally charged in the industry by other RIAs. Before accepting a Program Fee proposal from a Financial Professional, Clients should carefully consider the proposed Program Fee, including its variable components subject to negotiation, primarily the Financial Professional Fee. While every Client's investment advisory needs and objectives are different, Clients should in particular strongly scrutinize a proposed Program Fee that would be in excess of 2% of Account assets under management to ensure that it is appropriate for their needs in light of the Client's expected level of and complexity of services and investment strategies they seek for their Accounts. When considering a potential Program Fee proposal, Clients should carefully consider and negotiate with their Financial Professional relative to a range of factors, including but not limited to:

- the level of assets the Client intends to maintain under management in the Program;
- whether the Client's Account is part of a family Billing Group and is eligible for a Billing Group discount;
- the overall business relationship and level of business the Client maintains with M Securities and the Financial Professional for investment advisory, brokerage, or other services, both as part of and outside of the Program;
- the complexity of assets, investment management styles and strategies the Client desires the Financial Professional to provide in managing the Account;
- the desired level of interaction the Client expects to have with the Financial Professional with respect to the Account, as higher levels of interaction may cause a Financial Professional to seek to increase the Financial Professional Fee component; and
- any other factors or considerations the Client considers important or unique to the Client in determining a Program Fee which the Client would deem acceptable and appropriate for the Client's needs and investment objectives.

**M Securities Compensation – Retention Fee:** M Securities is compensated indirectly by assessing the Member Firms, and thus their Financial Professionals, a retention fee ("Retention Fee") based on the quarterly amount of total investment advisory fee revenue generated by each Financial Professional within the Member Firm. M Securities calculates the total amount of each Member Firm's Financial Professional quarterly fee revenue based on a combination of a sliding scale percentage of the Member Firm's Financial Professional quarterly fee revenue (higher percentages at lower thresholds) and a set dollar amount increasing with tiered levels of revenue. M Securities retains an amount based on the Retention Fee schedule and pays the balance to the Financial Professional.

As a result of the "Retention Fee", M Securities has a conflict of interest as Program Fees result in greater fee revenue generation, and thus increase the amount of the Retention Fee assessed, based on the amount of the Financial Professional Fee that is negotiated between a Client and their Financial Professional. The Financial Professional is incentivized to place additional Client assets or solicit additional clients into Programs to reduce the Financial Professional's overall retention percentage and to generate revenues for Financial Professional's Member Firm to qualify or remain affiliated with M Financial. M Securities addresses this conflict of interest by reviewing Program accounts for suitability at opening, on a periodic basis for account review as described further in Item 13 at Review of Accounts, by enforcing our Code, by establishing limits specific Programs as to the total M Securities Program Fee for Client Accounts, and through this disclosure to you.

**Platform Services and Fees:** M Securities has contracted with Envestnet, a RIA and provider of wealth management software and services. Envestnet provides M Securities with investment, administrative and operational support services for M Securities' investment advisory services business. Using Envestnet's programs and services provide M



Securities with access to money managers for use as a portfolio manager, tools to develop Client proposals and allocate Client portfolios, tools to determine Client suitability and risk tolerance, billing services to calculate and debit Client fees and reporting services to generate ad-hoc and quarterly performance reports.

In some circumstances, M Securities has authorized Envestnet as an agent in order to provide the above services, and Envestnet is authorized to provide instructions to custodians on M Securities behalf. The cost associated for Envestnet's platform services is a component of the M Securities Program Fees and is passed on to Clients in the form of a platform fee. This fee is generally .013% of the assets in the account and subject to an annual minimum fee of \$24 and annual maximum fee of \$300 that will increase or decrease the stated total advisory fee accordingly. M Securities outsources the calculation and debiting of fees to Envestnet, and as well as other services, which helps M Securities with administrative functions that would otherwise be completed by salaried employees.

## **CALCULATION OF M SECURITIES PROGRAM FEE**

**Calculation of M Securities Program Fee:** For purposes of calculating and paying the investment advisory services M Securities Program Fees, Platform Provider will cause the fair market value of Account assets to be determined in good faith by the Custodian. Programs fees are calculated on a calendar quarter. The Client will authorize the Custodian to pay the Program Fee out of assets in the Account (with the exception of the Variable Annuity Discretionary Services that are debited from a designated BD account held with M Securities). Upon receipt of instructions from Platform Provider, the Custodian will withdraw the appropriate amount from the Account. The Program Fee is generally debited directly from the money market balance in the account(s) and in some cases, we will sell shares of securities held in the account in order to raise cash for the Program Fee. The sale of securities in taxable accounts can create reportable gains or losses. All assets in Client's Account, including cash not invested into a security, will be included in the calculation of the Program Fee, unless agreed upon in writing with the Financial Professional. Changes in fee structure or the manner in which fees are calculated will be implemented thirty (30) days after we provide written notice to the Client.

Direct billing to the Client is typically not allowed, except for services associated with Retirement Plan Consulting and Financial Planning Services.

All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by a Sub-Advisor for separate account management, by mutual funds to their shareholders, or by custodians. A Sub-Advisors' fees will be disclosed to the Client through their Form ADV Part 2.

**Calculation of Program Fees – Family Billing Group:** If a Client and Client's family members have more than one Program account in the same investment advisory services Program (a family "Billing Group"), Client may be able to lower the Program Fees based on the cumulative assets that members of the family Billing Group maintain in their Accounts. M Securities is not responsible for identifying Accounts eligible for combined fee calculation purposes. Accounts will be combined for Program Fee calculation only on the written request of Account holder. Additionally, M Securities does not combine fee calculations for advisory accounts outside of the Program in other wrap fee programs or other assets under advisement. This creates a conflict for M Securities and the Financial Professional because we have incentive to recommend different account types to different Client family members to avoid a Billing Group. We mitigate this conflict through this disclosure to you and encourage you to discuss Billing Group Programs with your Financial Professional.

**Minimum Annual Platform Fees:** WealthPursuit Prime, all Schwab Programs, and Portfolio Advisory Services apply a minimum annual Platform Fee ("Minimum Platform Fee"). For these Programs, Accounts with assets below \$184,615 will be charged the negotiated Program Fee, minus .013%, plus \$24 annually. Accounts above \$2,308,000 in assets will experience a decrease to the Program Fee by .013% annually, as the Platform Fee is limited to an annual maximum of





\$300. In the event the Minimum Platform Fee were to apply, it would be charged at 25% of the Minimum Platform Fee at each calendar quarter based on the number of days in the quarter. In such event, the total Program Fee expressed as a percentage of Account assets under management would be greater than the percentage agreed to between the Client and Financial Professional, and could potentially cause the total M Securities Program Fee to be greater than the 3% maximum depending upon the Program. Clients should be aware that in certain Programs the Minimum Platform Fee would be triggered at higher assets levels than the minimum Program requirement to open and maintain an Account. M Securities addresses this issue by reviewing Accounts and the negotiated Program Fees at opening, and requiring justification from our Financial Professionals for maintaining Accounts with higher Program Fees to ensure that the Program Account is appropriate for the Client. The M Wealth Programs and WealthPursuit Wrap Fee Programs have different minimum fees and Clients should refer to the appropriate ADV Form 2A or ADV Form 2A Appendix 1 for the detailed information pertaining to those Programs.

**Billing in Advance and in Arrears:** Certain of our investment advisory services Programs allow Clients to choose to have Account Program Fees billed in advance or arrears. Client will make this choice when executing the Client Service Agreement.

- **In advance:** This advisory fee is payable in the beginning of each quarter in advance based on the prior quarter's ending balance and prorated for the number of calendar days in the quarter. A new Account will have a start date to initiate the Program Fee determined by the latter of the date the Client executes the Agreement, or the date Client assets are deposited to the Account. The initial Program Fee will be prorated for the number of calendar days in the quarter with the start date equal to one day. The initial Program Fee is billed one month following the Account start date based on the value of assets deposited to the Account. Contributions and withdrawal in excess of \$10,000 will be prorated for the number of days in the quarter with the contribution or withdrawal date equal to one. (Programs with fees in advance: WealthPursuit Classic, WealthPursuit Prime, all Schwab Programs, and PAS)
- **In arrears:** The advisory fee is payable quarterly in arrears at the end of the first quarter we started to provide services. The advisory fee will be based on the average daily fair market value of assets under management in the Account for the number of calendar days in the quarter. Subsequent payments are then due and assessed each calendar quarter based upon the fair market value of the assets under management at quarter-end or based on the average daily balance. The specific detail of which value used will be denoted in your advisory agreement. (All Programs offer fees in arrears)

Retirement Consulting Fees and Financial Planning fees will be billed directly to the Client as agreed upon between Financial Professional and Client and as specified in the Agreement. Advance payment for Financial Planning will never exceed \$1,200 for work that will not be completed within six months. All payments for such services will be made to M Securities, who will in turn provide payment to Financial Professional for their services.

M Securities is not responsible for calculation or debiting of TAMP fees. TAMPs services will have all fees calculated by the provider and details regarding fee calculations and payment will be disclosed within the Agreement signed directly between the Client and the TAMP.

**Termination of the Advisory Relationship:** Either M Securities or the Client is permitted to terminate the Agreement upon written notice to each other, as detailed within the Agreement, for any reason, upon thirty (30) days written notice.

At that time, any unearned investment advisory service Program Fees that were deducted will be returned to Client if Client paid fees in advance. If Client pays fees in arrears, the amount of the pro-rata Program Fee and any other fees and charges due through the effective date of termination are due and payable prior to any assets being transferred



to another custodian or delivered to Client, including any applicable termination fees as provided for in the Client's Agreement. Upon termination of the Program Account, Client must provide direction to M Securities on how to transfer Client's assets upon termination of the Account, as we will not be under any obligation with regard to the assets in the Account. In the event Client were to not provide transfer instructions upon Account termination, Client's Account will be converted from a Program Account to a self-directed brokerage account or liquidated as noted below. If converted to a brokerage account, assets in the brokerage account will not be actively managed; securities transactions effected in the account and other brokerage account services will be subject to custodian's standard brokerage commission rates and charges. At its discretion, instead of converting an account to brokerage account and subject to any law or regulation to the contrary, M Securities retains the right to liquidate Client holdings and provide the proceeds to Client if Client fails to provide us with written instructions regarding any assets held in the Account.

The death, disability or incompetence of Client will not terminate or change the terms of our Agreement. However, in the event of Client's death, permanent disability or incompetence, Client's executor, guardian, attorney-in-fact or other authorized representative is permitted to terminate the Agreement by giving written notice to M Securities. Until we receive such notice, accompanied by all legally required documentation, M Securities will continue to provide Program services to the Client's Account, and Client's Account will be charged Program Fees for the services, consistent with the terms of the Agreement.

If Client's Financial Professional should leave M Securities, we will notify Client and reassign Client's account to another Financial Professional, who may be associated with a different Member Firm. If we cannot find a Financial Professional to service Client's Account, we can, in our sole discretion, terminate the Agreement or account as outlined in this section.

## GENERAL INFORMATION

**Custodian Fees:** The custodian of an Account will charge a Client Custodian fees, and these are separate fees for maintaining Client's Account at the custodian. Custodian fees include, but are not limited to, account maintenance fees, transaction fees, mark-ups or mark-downs, IRA or qualified plan fees, wire fees, account closing fees and account transfer fees. The respective custodian will provide further information about custodian fees to the Client upon opening of Client account. Clients are responsible for the fees and expenses charged by custodians and imposed by BDs, including, but not limited to, any transaction charges imposed by a BD. If applicable, the schedule of these clearing charges will be detailed within the Agreement related to selected Program, or provided by the Financial Professional upon Client request.

**Custodial Services – Execution Fee:** As noted above, the Custodian provides execution and clearing services for transactions ("Execution Fee"). Certain Programs, such as Wrap Fee Programs include the Execution Fee in the Wrap Program Fee, while in other Programs, Clients pay Execution Fees separately based on each security transaction. The Execution Fee will be zero in certain Programs where the Financial Professional elects to pay for the Execution Fees on Client's behalf or in PAS where the Client negotiates the same. The Financial Professional, in his or her discretion, may choose to pay for one Client's Execution Fees while allowing another Client to bear the Execution Fee. If the Financial Professional elects to pay for the Client's execution charges, Client should understand that the Financial Professional Fee that the Financial Professional negotiates with the Client might be higher or lower than what they would have received if the Financial Professional chose not to pay the Execution Fee for the Account. Many factors can affect a Financial Professional's determination whether to pay for Execution Fees or allow the Execution Fee to be paid separately or included in the Wrap Program Fee. These factors include the frequency of trading activity, the types of securities products purchased and sold, and the use of no-transaction fee mutual funds ("NTF Funds") and the amount of assets under management. Please note that NTF Funds tend to have higher ongoing expenses than any transaction fee equivalent from the same sponsor. The choice of whether to pay for Execution Fees in one Client's Account over another creates a conflict of interest for the Financial Professional and M Securities, because the Financial Professional



has a financial incentive to trade less for Accounts or trade NTF Funds where the Financial Professional has chosen to pay for the Client's transactions or Client has negotiated the same. The Financial Professional paying for transaction fees may benefit the client, if the Financial Professional determines that the number of transactions to maintain the Account may not warrant the client paying the Execution Fee as part of the Wrap Program Free. In this scenario, the greater amount of assets under management, the more beneficial this option can be to Clients to bear Execution Fees or negotiate with their Financial Professional to bear Execution Fees. Please see Item 12, Brokerage Practices – Transaction Based Pricing vs Asset Based Pricing.

*Clients should discuss with their Financial Professional the amount of transactions and types of securities to be transacted and carefully consider these factors. Financial Professionals who choose to pay execution charges are required to disclose this conflict to Clients, as well as the extent to which the choice impacts their investment recommendations. Clients should carefully consider and discuss with their Financial Professional the desired securities composition for the management of their Account and negotiate with their Financial Professional the Execution Fee component of total Program Fee accordingly.*

**Mutual Fund 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 Financial Professional receive any commissions. However, M Securities may receive other fees (e.g., finders fees) associated with mutual fund transactions. Finder Fees are distributed to BD in lieu of a load on front load or A shares. If a Client purchases a load-waived A Share in an advisory account, it is possible that M Securities would receive a finder's fee. M Securities returns any such revenue received to the Client by means of a credit to the Client Account.

A Client could invest in a mutual fund directly, without our advisory 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 full advisory 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, combined with ongoing account monitoring. 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. Depending on the custodian, our agreement with the same, and mutual fund company, there may be available several versions of the same mutual fund with different levels of ongoing expense, charges and distribution of 12b-1 fees, and associated transaction charges. Typically when a mutual fund makes several share classes available, those with the higher transaction charges also have lower ongoing expenses. Not all mutual funds have the same share classes available. 12b-1 fees are also known as a distribution and service fee. While each mutual fund prospectus indicates whether the share class invested charges a 12b-1 fee, some share classes typically charge 12b-1 fees while others do not. For illustrative purposes, Class A Shares typically charge a 12b-1 fee and Class I Shares do not charge a 12b-1 fee. As a result, it is typically more expensive for the client to own Class A Shares than Class I Shares. In an effort to reduce the financial incentive to recommend a mutual fund share class that charges a 12b-1 fee, in most instances, M Securities' reimburses the client's account with the 12b-1 fee charged. In some instances, the 12b-1 fee or a portion of other mutual fund fees is retained by the qualified custodian that makes the mutual funds available to us or is used to waive or reduce client transaction charges (such as NTF Funds). Whether the 12b-1 fee is reimbursed to the Client or retained by the qualified custodian is dependent upon which qualified custodian holds the Client's assets. 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. In many cases it is beneficial to pay a higher transaction charge in lieu of higher ongoing expenses. Clients should discuss these preferences with their Financial Professional.



**Grandfathering of Minimum Account Requirements:** Pre-existing advisory Clients are subject to M Securities minimum account requirements and advisory fees in effect at the time the Client entered into the advisory relationship. Therefore, our firm's minimum account requirements and fees will differ among Clients.

**Purchasing Like Services:** Clients should note that comparable advisory services may be available from other RIAs for similar or lower fees. The Client could choose not to participate in the M Securities investment services and receive investment advice related to Financial Planning and execute transaction through a non-affiliated BD. Clients choosing to execute transaction separately would not receive the full advisory services provided by M Securities, which are designed, among other things, to assist the Client in determining which Programs and Services are most appropriate to the Client's financial condition and objectives combined with ongoing account monitoring. Clients are encouraged to carefully consider the difference between brokerage and investment advisory services including our obligations, costs, and your needs for the services provided. For additional information please review the M Securities BD and RIA Form Client Relationship Summary ("Form CRS"), which provides additional information about the differences between brokerage and advisory accounts.

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

M Securities does not offer any advisory services under performance-based fee arrangements; nor does it employ side-by-side management.

## **Item 7 Types of Clients**

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 8 Methods of Analysis, Investment Strategies and Risk of Loss**

### **METHODS OF ANALYSIS**

M Securities, its Financial Professionals, and portfolio managers use a variety of analysis methods when selecting securities and/or managing Client assets. As a firm, we do not favor any specific method of analysis over another. Below are some of the common approaches that can be used in providing advice and a non-exhaustive list of potential shortcomings of each method:

- *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). It is used to determine if the security is underpriced (indicating a potentially good time to buy) or overpriced (indicating a potentially good 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 security.
- *Technical Analysis (or Charting):* Past market movements are analyzed and that analysis is applied to the present in an attempt to recognize recurring patterns of investor or other market 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 investments in 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 security are 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 our subjective judgment may prove incorrect.
- *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 better than his or her peers over a period of time and in different economic conditions. Underlying assets in a mutual fund or ETF are also reviewed in an attempt to determine if there is significant overlap in the underlying investments held in other securities 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 will 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.

- *Money Manager, Sub-Advisor and TPAM Analysis:* Prior to approving a new Money Manager, Sub-Advisor or TPAM, M Securities examines the experience, expertise, investment philosophies and past performance of Money Manager, Sub-Advisors and TPAM asset managers in an attempt to determine if the manager has demonstrated an ability to invest better than his or her peers over a period of time and in different economic conditions. Underlying holdings, strategies, concentrations and leverage may also be reviewed as part of an overall periodic risk assessment.

A risk of investing with an asset manager who has been successful in the past is that the manager 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 are recommended 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. There is always a risk that our analysis is compromised by inaccurate or misleading information.



## INVESTMENT STRATEGIES

M Securities and its Financial Professionals can 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:

- *Asset Allocation:* Rather than focusing primarily on securities selection, there is 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 will 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.
- *Diversification versus Concentration:* Diversification within a portfolio of investment strategies, securities or managers will tend to reduce the overall risks and returns of a portfolio when one strategy or security does not perform as well as another. Concentration within a portfolio of investment strategies, securities or managers will tend to increase the overall risks and returns of a portfolio since any gains or losses in a particular holding will not be buffered by other holdings that perform differently.
- *Long-Term Purchases:* A recommendation to purchase securities with the idea of holding 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, the Client wants to take advantage of long term tax rates, or, there is a desire to have 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 will not take advantage of short-term trading strategies that could be profitable, or that a security will decline sharply in value before the decision to sell.
- *Short Sales:* Upon approval from M Securities, a Client can borrow shares of a stock, typically for a price, 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 by a short seller. On the agreed-upon future date, the seller buys the same stock and return the shares to the original owner. Clients engage in short selling based on their belief that the stock will go down in price after they have borrowed the shares. If the price to rebuy the stock plus the lending fees and transaction costs are less than the price when the shares were borrowed, the client account realizes the profit. If the shares instead rise in value, the Client Account incurs a loss.
- *Margin Transactions:* Upon approval from M Securities, a Client is permitted to purchase securities with money borrowed from the Custodian. This allows the purchase of more securities than would be possible with the Client's available cash, and allows the purchase of stock without selling other holdings. Clients investing on margin to buy more securities tend to amplify the returns or losses in their Account. They are also responsible for paying Margin interest.
- *Use of Options:* Upon approval from M Securities, a Client is permitted to 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 utilizing this strategy will buy a call if they believe the stock will increase substantially before the option expires or sell a Call if they believe the stock will decrease 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 will buy a Put if they believe the price of the stock will fall before the option expires or sell a Put if they believe the stock price will rise 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. Client can use “Covered Calls”, to sell a Call on a security owned. In this strategy, the Client attempts to generate additional income from the belief the stock will not rise significantly in value. The person purchasing the option has the right to buy the security from the client at an agreed-upon price and profits when the stock increases in value and he/she acquires the Client’s shares at the previous price.

If appropriate, a Client is permitted to also use a “spreading strategy”, in which the Client purchases two or more option contracts (for example, a Call option that is purchased with certain attributes, and a call option that is sold with different attributes) for the same underlying security. In this strategy the Client is seeking to profit from specific changes in price, time and other factors related to the underlying security.

- *Inverse and Leveraged ETFs, ETNs and mutual funds:* Leveraged products are designed to provide a multiple of the underlying index’s return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, also typically on a daily basis. These products have a multiplier effect and are therefore considered riskier and more volatile; creating larger positive and negative swings on return that may be magnified over time. These products are not designed as buy and hold securities, but instead traded on a short-term basis, typically daily. For additional product risk and expense information, please carefully review the products’ prospectus.

## **RISK OF LOSS**

Investing in securities involves risk of loss that Client should be prepared to bear. Securities investments are not guaranteed and Clients may lose money on investments. Clients should work closely with their Financial Professionals so that he/she has a complete understanding of Client’s tolerance for risk. Clients seeking to reduce risk in their portfolio are encouraged to discuss diversification in their Account, the use of Asset Allocation strategies, the purchase of Puts related to securities they own, and other strategies with their Financial Professional. There is no guarantee that any recommendations or asset management approach will meet a Client’s investment objective over any given timeframe. The following types of risks may significantly affect the performance of Client’s Portfolio:

- *Equity Risk:* Strategies that invest in equities involve the risk that the value of equity securities, such as common stocks and preferred stocks, decline due to general market conditions, which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.
- *Foreign Securities Risk:* Strategies that invest in international securities involve special additional risks, including: currency risk; political risk; risks associated with varying accounting standards; and the risk that adverse legal, political, or economic developments, as well as international trade, trade barriers, and exchange controls adversely affect the securities of companies located in such countries. Investing in emerging markets may accentuate these risks.
- *Small Cap Risk:* Strategies that invest in small capitalized companies involve risks, including relatively low trading volumes, a greater degree of change in earnings, and greater short-term volatility. Smaller companies typically have a higher risk of failure and are not as well established as larger blue-chip companies.
- *Value Risk:* Strategies that invest in value stocks can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks.
- *High Yield Risk:* Strategies that invest in high-yield bonds invest in lower-rated debt securities (commonly referred to as junk bonds) and involve additional risks because of the lower credit quality of the securities in the portfolio. Clients should be aware of the possible higher level of volatility and increased risk of default.



- **TIPS Risk:** Strategies that invest in Treasury Inflation Protected Securities (“TIPS”) involve risks, including risk of loss in periods when “real” interest rates (current interest rate minus inflation rate) change substantially. TIPS are bonds issued by the U.S. Treasury that have a fixed rate of interest and principal that adjusts according to changes in the Consumer Price Index (“CPI”).
- **Municipal Risk:** Municipal investment strategies can be affected by adverse tax, legislative or political changes and the financial condition of issuers of municipal securities.
- **Real Estate Risk:** Strategies that invest in Real Estate Investment Trusts (“REITs”) or real estate-linked derivative instruments may subject a client to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses.
- **Fixed Income Risk:** Strategies that invest in fixed income securities are subject to the risk that clients may lose all or some of their principal investment if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations. Additionally, clients are subject to the risk that the resale value of a fixed income security will decline because of an increase in interest rates; similarly a mutual fund holding fixed income securities will be adversely impacted with increasing interest rates with longer than average bond maturity dates more sensitive to changes in interest rates than a fund with shorter bond maturity dates.
- **Liquidity Risk:** Strategies that involve investing in securities with limited trading volumes or no ability to trade may prevent the Client from being able to liquidate the security if they have a change in circumstances, goals, or upon the advice of their Financial Professional. We encourage you to discuss your liquidity needs with your Financial Professional before investing in securities with limited liquidity.
- **Cybersecurity Risk:** Intentional cybersecurity breaches include: unauthorized access to systems, networks or devices (such as through “hacking” activity), infection from computer viruses or other malicious software code and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Unintentional incidents such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws) can occur. Cyber incidents have the ability to cause disruptions and impact business, potentially resulting in the inability to transact business, financial losses, violations of applicable privacy and other laws, regulatory fines, penalties or reputational damage. Such incidents could cause M Securities or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or significant financial loss. In addition, such incidents could affect the securities in which M Securities invests, and thereby cause a loss in value.
- **Alternative / Complex Product Risk:** Alternative Investments are Complex Products. A Complex Product is one with multiple, novel, complicated, intricate, derivative or similar features that affect its investment return under different market and economic scenarios. Alternative Investment are not suitable for all investors as they are subject to various risks such as limitation on liquidity, pricing mechanism and specific risk factors associated with the particular product. A prospectus or offering document that discloses all risks, fees and expenses and risk factors associated with a particular Alternative Investment will be provided by your Financial Professional when recommending the use of an Alternative Investment. Read the applicable prospectus or offering documents carefully before investing. Clients considering an investment strategy utilizing alternative investment should understand that they are generally considered speculative in nature and involve a high degree of risk, particularly if concentrating investment in one or few Alternative Investments or within a particular industry. The risks associated with Alternative Investments are potentially greater and substantially different than those associated with traditional equity or fixed income investments. Alternative Investments are unsuitable for many investors. If you do not completely understand the product, you should not purchase it.





## Item 9 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 M Securities 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. M Securities was censured, agreed to pay disgorgement plus interest of \$1,022,048.49 and complied 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.

## Item 10 Other Financial Industry Activities and Affiliations

**M Holdings Securities, Inc.:** In addition to M Holdings Securities, Inc. being a RIA, our firm is a BD with the SEC and a member of FINRA. M Securities is registered to operate in all 50 states and has an independent-contractor sales force of Financial Professionals throughout the United States. Most Financial Professionals also offer brokerage services of direct securities accounts as registered representatives of M Securities. Certain management personnel of our firm are also separately licensed as registered representatives of M Securities. Financial Professionals acting as registered representatives of M Securities as a BD transact business in various types of securities, including mutual funds, stocks, bonds, alternative investments, variable life insurance, variable annuities, real estate investment trusts and other investment products. These are typically transaction-based commissionable products that generate revenue to M Securities and the Financial Professional. Additionally, some products offer ongoing distributor fees or 12b-1 fees that are shared between M Securities and the Financial Professional. Before engaging with a Financial Professional, clients should understand the differences between advisory services and commission-based offerings to determine which account or product type meets their needs. For additional information please review the M Securities BD and RIA Form CRS, available at [www.mfin.com/m-securities](http://www.mfin.com/m-securities), which provides additional information about the differences between brokerage and advisory accounts.

While M Securities Financial Professionals endeavor at all times to put the interest of the Clients first, 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. To mitigate these conflicts, M Securities reviews transactions for suitability to ensure that the recommended services and products are consistent with each Client's stated goals and objectives. We disclose to Clients the existence of all material conflicts of interest, and that Clients are not obligated to use the Program or purchase recommended investment products from us. Additionally, M Securities has developed a Code to guide our Financial Professionals, which is described further in Section 11.

As required, any affiliated RIAs 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.)

**M Wealth:** We are affiliated with M Financial Asset Management, Inc. ("M Wealth"). 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 RIAs that are owned or controlled by registered representatives of M Securities. Our Financial Professionals will recommend M Wealth as a sub-advisor when appropriate for the Client. An incentive, and therefore a potential conflict of interest, exists to offer the management services of M Wealth as opposed to other RIA managers since many Financial Professionals or their Member Firms have an ownership stake in M Financial Group. Please see Item 14 for more information regarding the manner in which compensation could ultimately find its way to a Financial Professional 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 Funds, Inc. ("M Funds"). MFIA is wholly owned by our parent company, M Financial Group, and it serves as the RIA to M Funds, an open-ended mutual fund company registered with the SEC. M Securities, as BD, 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 within variable life and annuity policies issued by certain insurance companies or through qualified pension and retirement plans. The use of M Funds in such variable 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 Funds subaccounts within these products, as opposed to other insurance products and subaccounts, because many Financial Professionals and their Member Firms have an ownership stake in M Financial Group. Please see item 14 for more information regarding the manner in which compensation could ultimately find its way to a Financial Professional through the Client selecting M Funds as a subaccount within an insurance policy.

**M Financial Securities Marketing, Inc.:** We are affiliated with M Financial Securities Marketing, Inc., a BD that is wholly owned by our parent company, M Financial Group. This entity does not have any securities clients, since its purpose is to receive BD marketing fees and overrides. No marketing fees related to investment advisory services are directly received by M Financial Securities Marketing, Inc. However please see item 14 for more information regarding the manner in which compensation received by M Financial Securities Marketing, Inc. related to products held or purchased within the Program could ultimately find its way to a Financial Professional.

**M Benefit Solutions and M Insurance Services, Inc.:** We are affiliated with Management Compensation Group, Northwest, LLC, doing business as M Benefit Solutions ("M Benefit") and M Insurance Services, Inc. ("MIS"), each of which is a licensed insurance agency and wholly owned by our parent company, M Financial Group. To the extent securities related insurance products are sold, they are executed through M Securities' BD. To date, neither M Benefit, nor MIS, have conducted any investment advisory activities. Please see item 14 for more information regarding the manner in which compensation could ultimately find its way to a Financial Professional 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 which reinsures a portion of the mortality risk on some policies issued by unaffiliated insurance carriers and sold by Financial Professionals of Member

Firms. Please see item 14 for more information regarding M Financial Group and M Financial Re.

**Unaffiliated Investment Advisors:** In situation where a Member Firm has formed an independently owned and operated RIA, an M Securities Financial Professional may also be registered with that unaffiliated RIA. These Financial Professionals may offer investment services through either M Securities or through the unaffiliated RIA. M Securities will review and approve dual registration of such Financial Professionals and require disclosure of such dual registration within the Financial Professional's ADV Form 2B, known as the Brochure Supplement, and on the Financial Professional's Form U4. In these cases, Clients should be aware and understand which entity is offering and supervising the investment services being provided and are advised to review the Form ADV 2A of the unaffiliated RIA as well as the Brochure Supplement for the Financial Professional. Such Financial Professionals are further required to disclose to Clients the capacity and which RIA they are representing in providing services to Clients.

As discussed in Item 5, we receive solicitor fees related to unaffiliated RIAs we recommend to clients or prospects. In exchange for this recommendation, we receive a solicitation fee, which is typically a percentage of the advisory fee charged by that RIA 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 RIA by the client. As we will only recommend RIAs that will pay us a solicitor fee, the financial incentive creates a conflict of interest to refer business to RIAs that pay us a solicitor fee, and provides a further financial incentive to refer business to RIAs that will pay us the highest solicitor fee. Similarly, by referring you to an unaffiliated RIA, our Financial Professional and M Securities may earn more or less than if you used the Program. We address these conflicts of interest through this disclosure to you, and through the review of solicitor arrangements by M Securities supervisory personnel. As applicable, M Securities will comply with Rule 206(4)-3 of the Advisers Act and all Federal and State laws.

M Securities will also enter into solicitation agreements pursuant to which it compensates third-party unaffiliated RIAs for client referrals that result in clients using M Securities advisory services. These solicitation arrangements will be disclosed to such clients and any cash solicitation agreements will comply with Rule 206(4)-3 under the Advisers Act.

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

M Securities has adopted a Code which sets forth high ethical standards of business conduct. The Code is intended to reflect the fiduciary principles that govern the conduct of M Securities Financial Professionals, employees, and all who are associated with providing advisory services on our behalf (together "Associated Persons"). It is our duty to comply with applicable federal and state securities laws and regulations governing RIAs. M Securities and our Financial Professionals 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, but to the general principles that guide the Code.

Among other things, our Code covers and includes policies and rules of conduct governing:

- No Associated Person may put his or her own interest above the interest of an advisory client.
- Clients will be provided full and fair disclosure of all conflicts of interest and compensation.
- We prohibit the personal or professional use of material non-public information or information received as a result of providing advisory services, unless the information is also available to the investing public.
- Personal securities trading activities in the accounts of Associated Persons will be monitored.
- Associated Person may not trade ahead of advisory clients in their personal accounts or otherwise benefit from transactions placed on behalf of advisory accounts.



- Associated Persons must seek and receive pre-approval for private placement investments and for opening accounts at other financial institutions, and are prohibited from participating in any initial public offering.
- Guidelines for sampling the holdings and transactions of Associated Persons to detect any possible violation of our personal securities policies.
- Requirements and procedures for the maintenance of all required books and records.
- The ability for clients to decline to implement any advice rendered, except in situations where our firm is granted discretionary authority, and the ability to allow clients to request reasonable restriction on their accounts.
- The delivery to, and acknowledgement of, the Code by each supervised person of M Securities, and established policies related to the oversight, enforcement and reporting of Code violations to our senior management.

A copy of our Code is available to our advisory clients and prospective clients. You may request a copy by email at [MHScompliance@mfin.com](mailto:MHScompliance@mfin.com), or by calling us at 888.520.6784.

**Participation or Interest in Client Transactions:** M Securities and/or its related companies and Associated Persons may buy or sell securities, or have an interest in or hold securities identical to or different from those recommended to our clients for their personal accounts. As this is a conflict of interest, it is M Securities' policy that no person associated with providing advisory services with M Securities may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and thereby potentially benefiting from their transactions. Our Code includes guidelines regarding personal securities transactions by Associated Persons, which requires the periodic reporting of securities to assure that the personal securities transactions, activities and interests of Associated Persons will not interfere with making decisions in the best interest of advisory clients while, at the same time, allowing them to invest for their own accounts. Trades by associated persons may be aggregated with client transactions, where possible, and when compliant with our duty to seek best execution for our clients. In these instances, all participants 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 aggregated order, we will allocate all trades pro-rata with the average price.

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

## **Item 12 Brokerage Practices**

M Securities is also an introducing BD that provides brokerage services for advisory accounts. The associated programs include our firm-sponsored WealthPursuit wrap fee programs and our WealthPursuit Prime Investment Management Service. In these programs and services, during the Account opening process, a Client requests and selects M Securities to open a custodial account for the Client with Pershing. For further information with respect to brokerage and custodial services and costs, see also the Client Agreement. For further information with respect to brokerage and custodial providers and services regarding the WealthPursuit Wrap Program, please see M Securities' Form ADV Part 2A Appendix 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

For M Wealth Programs, Clients can choose to select M Securities to open a custodial account for the Client with Pershing or select a custodian as described below. For further information with respect to brokerage and custodial providers and services regarding the M Wealth, see M Wealth's Form ADV Part 2A and Appendix 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



For all advisory services programs, M Securities requires that Clients establish brokerage accounts with a designated custodian we have contracted with for these Programs and services: Schwab, Pershing or PAS. The factors that we consider in selecting or recommending a BD for transactions in order to provide these advisory services will depend largely on the type of advisory service or program that you select. Not all programs and services are available through each custodian. Each custodian is a BD registered with the SEC, is a member of FINRA and SIPC, and will maintain custody of Clients' assets and effect trades for Client Accounts. We believe the BDs we have contracted with offer Clients financial strength and stability, economies of scale, and reliable technology. However, Schwab, Pershing and PAS do have differential pricing based on the transaction and security and differences in technology or reporting that may be relevant, depending on the anticipated use of securities or trading, or client preferences. For further information with respect to brokerage and custodial services and costs, Clients should request such information from the Financial Professional.

Once Client's Account is established with a custodian, M Securities does not generally allow Clients to direct securities brokerage transaction to other BDs or other custodians. Should Client request that we use a specific BD other than our contracted custodians, we will generally be unable to negotiate commissions or other fees and charges for Client, and we may not have the authority to execute transactions on Client's behalf. In addition, Clients that custody accounts between multiple custodians or with custodians we are not contracted with, cannot combine transactions with those of other Clients purchasing or selling the same securities ("block trades"). Not all RIAs require their Clients to direct brokerage to only one or these particular custodians or BDs.

**VA Discretionary Services; Mutual Fund Discretionary Services; and TAMP Services:** Brokerage practices differ for VA Discretionary Services, Mutual Fund Discretionary Services and for Third Party Asset Management Services. For these services, the product provider will direct the custodian relationship. M Securities will generally become the BD of record or an authorized agent in order to effect transactions for VA and Mutual Fund services. For further information with respect to TAMP services and costs, see also the TAMP specific Client Agreement.

**Financial Planning Services:** Financial Planning services do not require M Securities to become the BD of record for any assets or accounts or to engage in trade execution to effect recommendations presented in a financial plan. Clients need only provide the Financial Professional with accurate information regarding Client's accounts and assets in order to provide this service. Clients seeking portfolio management or other investment advisory services to implement a financial plan from us will be required to open a separate investment advisory account for purposes of portfolio management.

**Retirement Services:** Retirement Services can be provided at the custodian directed by the named fiduciary. A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific BD in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan.

**Solicitor Services:** As previously disclosed, clients who choose to engage a third party RIA that M Securities has introduced them to, become the client of the third party RIA. As such, the M Securities has no involvement with determining brokerage or custodial services to be used.

**Soft Dollar Benefits:** As discussed herein, M securities receives research, products and/or services from BDs that we utilize in our programs ("Soft Dollars"). To open an M Securities advisory account and participate in our programs, Clients must utilize the BDs we have selected for our programs and services. M Securities has a conflict of interest as it uses client brokerage commissions, or markups or markdowns, to obtain research or other products or services, because M Securities receives a benefit it does not have to produce or pay to obtain the research, products or services. As such, M Securities has an incentive to select or recommend the BDs we have selected for our programs and services based on our interest in receiving the research or other products or services, rather than clients' interest in receiving





most favorable execution. In using Soft Dollar Benefits, we may cause clients to pay commissions, or markups or markdowns, higher than those charged by other BDs in return for the Soft Dollar benefits. M Securities uses soft dollar benefits to service all of our clients' accounts. We do not seek to allocate Soft Dollar benefits to client accounts proportionately to the soft dollar credits the account generates.

With respect to our WealthPursuit Wrap Programs and WealthPursuit Prime Program, M Securities has contracted with Pershing to serve as the designated Custodian for these Programs. M Securities has also contracted with Pershing Advisor Solutions, LLC to serve as the designated Custodian for PAS. As a result of this relationship with Pershing, M Securities has 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. M Securities has contracted with Schwab to provide access to Schwab sponsored programs and open Schwab advisory accounts. Schwab provides M Securities with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to RIAs on an unsolicited basis, at no charge to them so long as the RIA's Client's maintain accounts at Schwab that meet Schwab's asset requirement level. Schwab's brokerage services include the execution of securities transactions, custody, research, 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. Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related fees executed through Schwab or asset-based fees for holdings at Schwab. Schwab Institutional also makes available other products and services that benefit M Securities but may not directly benefit our Clients' accounts. Many of these products and services may be used to service all or a substantial number of our Client accounts, including accounts not maintained at Schwab.

Pershing, Schwab and Pershing Advisor Solutions, LLC's products and services that assist us in managing and administering our Clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts;
- assist with back-office functions, recordkeeping and client reporting;
- compliance, legal and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers.

Custodians may make available, arrange and/or pay third-party vendors for the types of services rendered to M Securities. A Custodian 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 M Securities. A Custodian may also provide other benefits such as educational events or occasional business entertainment of our personnel.

In evaluating whether to recommend or require that Clients custody their assets at Pershing, Schwab or Pershing Advisor Solutions, LLC, we will take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider, and not solely on the nature, cost or quality of custody and brokerage services provided, which may create a potential conflict of interest. Please note that while our Financial Professionals do not receive commissions, marketing fees from any custodian, the custodian may receive commissions, or asset based fees depending upon the product selected and the pricing structure provided. Program services are generally not contingent on any specific amount of business (*assets in custody or trading*). There is no charge to M Securities for these services at this time. However, the Client may pay commissions higher than those charged by other brokers in return for such products and services provided to M Securities. Clients do not directly pay



for any of the soft dollar benefits described above, which we use with all client accounts when and as we deem appropriate.

**Best Execution:** M Securities requires that clients execute transactions for their Accounts through the BDs we have selected for programs and advisory services. Not all RIAs require their clients to direct brokerage. As described in this brochure, including in Items 4, 5, and 12, M Securities has certain conflicts of interest with respect to the BDs we have selected for our programs and advisory services. M Securities will comply with its fiduciary duty to seek best execution of Client transactions and consider other relevant factors concerning a BD, such as:

- The BD's facilities, reliability, expertise, level of back office support and financial condition;
- The BD's ability to effect transactions, particularly with regard to such aspects as timing, order size and ability to obtain best execution;
- Research and related brokerage services provided to M Securities, although an individual Client would not be the beneficiary of these services;
- Any other relevant factors including a Client's request to use a particular BD.

**Principal Transactions:** In connection with trading bonds for Clients, prime brokerage trading will occasionally take place to facilitate certain bond transactions. In such cases, M Securities acts as Principal in these transactions. In order to mitigate any conflicts regarding principal transactions, M Securities does not charge a commission on these types of trades, and M Securities will review transaction blotters in order to monitor for such activity.

**Order Aggregation:** Order aggregation, also referred to as block trading, is the aggregation of different Client orders for the same securities, which orders are submitted as a single order for execution purposes. M Securities typically encourages our Financial Professionals and trading partners to aggregate Client orders, per our order aggregation policy where possible and advantageous to Clients. Trades by associated persons may be aggregated with client transactions, where possible, and when compliant with our duty to seek best execution for our clients. Order aggregation permits for the fair treatment of all Clients participating in the order, so that no one Client is not advantaged at the expense of another Client. When block trading occurs, aggregated orders may be executed at different prices during the trading day. When the order is complete, all Clients participating in the order will receive the average share price of all the orders. Should an order receive a partial execution, the shares will be distributed pro-rata at the average price among the participants, and in a consistent manner to avoid partial shares. Transaction costs are shared equally and on a pro-rated basis among all participating Client Accounts included in any block trade, and may not reduce Client's overall transaction costs, depending on the custodian executing the order.

As Client orders are effected through various channels and are dependent upon the service or program selected, the aggregation of orders is not always possible. As our Financial Professionals deliver advice independent of each other, only Financial Professional directed Accounts that are managed on a discretionary basis at the same custodian, and typically by the same Financial Professional, can participate in order aggregation. Some of our programs are traded by Envestnet or Sub-Advisors, and for those programs, Envestnet or the appointed Sub-Advisor will be responsible for aggregation of orders. Aggregate orders entered by Envestnet or a Sub-Advisor may include the accounts of other Financial Professionals and accounts of associated persons of M Securities. For further information with respect to Envestnet's or a Sub-Advisor's order aggregation policies and practices, please see Envestnet or the respective Sub-Advisor's Form ADV Part 2A brochures available at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

The Financial Professional must reasonably believe that the order aggregation will benefit the Client, and will enable M Securities to seek best execution for each Client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution, but does not mean that the determination made in advance of the transaction must always prove to have been correct. Best execution includes the duty to seek the best quality of execution, as well as the best net price. Our policy does not require Financial Professionals to block trade orders.



This can create a conflict of interest for M Securities and the Financial Professional, who must decide which Client order to place first. Depending upon the security and market movement, among other things, this can result in one Client receiving better price execution over another Client. M Securities monitors transaction blotter activity and will investigate transactions involving multiple Client transactions within the same securities on the same day.

**Trade Corrections:** On occasion, M Securities, a custodian, or platform provider may cause a trading error to occur in a Client Account. When this happens, we will work to process the correction so that the Client is not affected by the error and have the results of the transaction originally intended. For accounts held with Pershing, where M Securities is responsible for the error, M Securities will absorb the loss or gain that may result from this corrective action. For accounts held with Schwab, Schwab will absorb the gain that may result from the corrective action and charge M Securities for losses over \$100. Retaining gains which otherwise could be given to a Client is a conflict of interest which we address through this disclosure to you. For all other errors, the party responsible for the error will absorb the loss or gain that may result from the corrective action, including errors caused by Clients.

**Transaction Based Pricing vs Asset Based Pricing:** Certain of M Securities' Investment Management and Advisory Services programs utilize custodians that provide Clients with Transaction Based Pricing ("TBP") for trade execution for their Accounts, Asset Based Pricing ("ABP"), or the choice to use TBP or ABP.

Clients should be aware that there are important differences between TBP and ABP trade execution pricing options. In general, TBP charges the Client's Account separately for every trade made and is priced per transaction according to the custodian's trade commission or similar fee schedule depending upon the type of asset that is purchased or sold. ABP, in contrast, charges the Client an annualized fee irrespective of the number of trades and is calculated based on the value of assets in the account multiplied by the ABP percentage rate charged by the custodian. Whether the relative costs and benefits associated with the use of TBP or ABP is anticipated to be more favorable for a given Client's Account depends upon a range of considerations. Clients should carefully consider a range of factors, including but not limited to the following:

- the level of assets the Client intends to maintain under management in the Account;
- the desired or anticipated number of trades that are anticipated per year pursuant to the investment strategy determined for the Account;
- the respective custodian's TBP per trade fee schedule for the applicable investment securities;
- the respective custodian's annual ABP percentage fee rate;
- the potential break-even point where TBP and APB trade execution costs would be the same for an Account assuming the same anticipated level of Account assets and trade execution activity for the Account;
- whether no-transaction fee execution may be available for some or all transactions anticipated to be executed on behalf of Client's Account and investment strategy, such as the availability of NTF Funds purchased through Pershing's FundVest program. For further information regarding FundVest, see Item 14 at Compensation from Pershing, LLC;
- whether the custodian imposes trade activity limits for accounts, above which trade execution costs may increase or decrease; and
- any other factors or considerations the Client may consider important or unique to the Client in determining whether the Client would deem TBP or ABP acceptable and appropriate for the Client's needs and investment objectives.

Clients should speak with their Financial Professional regarding TBP and ABP considerations for their Accounts relative to the Client's investment objectives, investment strategy, and portfolio management needs and preferences.





## **Item 13      Review of Accounts**

### **INVESTMENT MANAGEMENT ACCOUNTS**

M Securities, through its Supervisory Principals, and Financial Professional are responsible for reviewing Client's Account on an on-going basis to ensure that the securities held and the transactions conducted on the Client's behalf are suitable. M Securities is responsible for reviewing Client's Account on an on-going basis to ensure holdings and transactions are conducted in a manner that meets regulatory requirements. M Securities and Financial Professional review 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. Financial Professional will determine whether the positions and strategies are consistent with stated investment objectives when reviewing Accounts, will monitor Accounts on an ongoing basis, and may conduct reviews at different frequencies, but no less than annually. Clients may request a review of their Accounts at any time. Financial Professionals are responsible for conducting independent research and analysis on securities they recommend or use with Clients. Financial Professionals are further restricted to an approved product list for certain products such as, but not limited to, alternative investment products, opened ended and closed ended mutual funds, in which M Securities has also conducted due diligence. Financial Professionals are responsible for considering existing Client holdings and pending orders prior to entering each transaction on behalf of the Client. Additionally, Financial Professionals may review accounts more frequently due to changes in market conditions, political or economic environment. Clients should notify their Financial Professional of any material changes to their financial condition, investment objectives, personal circumstances or other Client Information that could affect the overall investment goals and strategies or the investment advice provided or investment decisions made by the Financial Professional. Supervisory Principals at M Securities will review accounts for suitability prior to opening. M Securities also reviews accounts using risk-based criteria that may include trading activity and concentration.

In certain programs, Financial Professionals have the ability to hire and fire sub-advisors and investment managers who directly manage Client assets, while in other Programs, Client must grant the Financial Professional authority to hire and fire sub-advisors. In either scenario, M Securities or the Sub-Advisor has discretion to manage the Client assets. M Securities, Envestnet or the applicable custodian will provide initial due diligence reviews on Sub-Advisors and third-party asset managers or TAMP providers. Where M Securities relies on due diligence conducted by another party, M Securities has reviewed that due diligence process as acceptable. M Securities does not review the performance of Sub-Advisors or third-party money managers.

Clients will receive monthly or quarterly statements from their Custodian, depending upon the activity in the Account(s). Statements will have information pertaining to the holdings, balances and activity, which will include Program Fee fees and other costs or expenses deducted from the Account. Clients should review their statements carefully as it is their official statement and will prevail as to other documents or reports that may be provided. Some Programs and services will provide a performance report for the Client to review, which are for information purposes regarding performance and holdings. M Securities does not validate information or data provided on such supplemental reports. Clients should review supplemental performance reports for accuracy against their Custodial statement.

### **RETIREMENT CONSULTING SERVICES**

M Securities' Supervisory Principals will review the required Qualified Plan Agreement and other required paperwork to ensure that all information required is collected from the Client and is complete, that fees agreed upon meet M Securities' requirements, that the description of the services to be provided is clearly stated, and that services provided are appropriately documented. During audits of Financial Professionals and their Member Firm location, M Securities will sample Client files to ensure that information used during the proposal of services is appropriate. The plan, or other work product, will be reviewed to ensure that it was either generated from an approved analytic tool, or, if it was not generated from an approved planning tool, that the content is not exaggerated, misleading, or otherwise



meets M Securities' and SEC guidelines, and that Qualified Plan Agreements are complete, and that sampled files contain required documents. Retirement Consulting Clients will receive reports as contracted for at the inception of the advisory relationship.

## **FINANCIAL PLANNING SERVICES**

M Securities' Supervisory Principals review the Financial Planning Agreement and other required paperwork to ensure that: all information required is collected from the Client and is complete; that fees agreed upon meet M Securities' requirements; that the description of the services to be provided is clearly stated; and that services provided are appropriately documented. During audits of Financial Professionals and their Member Firm location, M Securities will sample Client files to ensure that information is on file and is complete. The financial plan, or other work product, developed for a Client will be reviewed to ensure that it was either generated from an approved financial planning tool or plan template that has been reviewed and approved for use with Clients. Written materials that are not generated through a financial planning tool are reviewed to ensure content is not exaggerated, misleading, or otherwise meets M Securities' and SEC guidelines. Financial Planning Clients will receive a completed financial plan or other work product as negotiated directly between the Financial Professional and the Client. Additional reports will not typically be provided unless otherwise contracted.

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

### **CLIENT REFERRALS**

M Securities can elect to enter into agreement where we will pay referral fees to independent persons or firms ("Solicitors") for introducing Clients to M Securities. Whenever M Securities pays a referral fee, we require the Solicitor to provide the prospective Client with a copy of M Securities Form ADV Part 2A brochure, and Form 2A Appendix 1 brochure as applicable, and a separate disclosure statement that includes the information required by the Advisers Act and rules and regulations thereunder. As a matter of best practice, M Securities does not increase the advisory fees paid by Clients referred to us by a Solicitor, for provision of our investment advisory services.

### **ADDITIONAL COMPENSATION**

M Securities offers a broad range of options to our 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 and BDs (together, "Investment Providers").

Certain Investment Providers provide revenue sharing arrangements or fee payments to M Securities or M Financial Securities Marketing, Inc. ("MFSM") that are separate from the fee M Securities' charges to Clients for providing investment advisory services. All revenue and/or fee payments received by M Securities or MFSM are retained at the M Securities or MFSM firm level to help defray marketing and business costs, such as training and educating, investment conferences, meals or entertainment (non-cash compensation), provider due diligence, sales and marketing, and administrative costs. Revenues beyond our expenses are retained as profit. The method of calculation and the amount of revenue sharing or fees paid by each Investment Provider varies and is subject to change at any time.

Clients should be aware that revenue sharing arrangements and/or fee payments received from Investment Providers create potential conflicts of interest for M Securities and our Financial Professionals. Such fees, to defray costs or as profit, minimize our expenses and increase our profits. To mitigate this conflict, M Securities does not directly share these fees with the Financial Professionals who make the recommendations related to generating these fees. However, through dividends or other programs, Financial Professionals can receive them or a portion of them. M Securities also



mitigates this conflict through this disclosure to you. 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**

Pershing offers a NTF Fund program (“FundVest”) in lieu of clearing 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. When this occurs, M Securities does not share this additional revenue with Financial Professionals. However, Financial Professionals may be able to indirectly receive these fees or a portion of these fees through dividends or other programs described within this document. M Securities’ investment advisory Clients can find additional information about Pershing’s FundVest program in their Pershing New Account Disclosure.

Pershing, as custodian, will collect additional fees for services provided for, but not limited to, IRA maintenance fees, margin interest, Corestone Checking, and non-purpose loans, among other services; and shares a portion of those fees with M Securities. Clients should be aware that revenue sharing arrangements and/or fee payments received from Pershing create conflicts of interest for M Securities as it provides incentives for M Securities to recommend products or services from Pershing who make such payments to M Securities, as opposed to product or service providers who do not, even if that person’s product or service may be more suitable for a particular Client’s Account. M Securities does not share this additional revenue with Financial Professionals. However, Financial Professionals may be able to indirectly receive these fees or a portion of these fees through dividends or other programs described within this document.

#### **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, provide a variety of support services to Member Firms. Individuals associated with a Member Firm are not required to become registered with M Securities and may associate with a third-party BD or third-party RIA. 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 BD which has been approved by M Financial Group to sell such products. M Securities will only license individuals who are associated with M Financial Group or 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, through appropriately licensed representatives of a BD or RIA as applicable, provide a broad range of financial products and services, primarily marketed 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

**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.

Aside from BD products and RIA Programs, which must be reviewed and approved by the BD and/or RIA the Financial Professional is associated with, Member Firms are free to offer products and services provided by other financial service providers and are not required to offer proprietary 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 marketed to 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 through approximately 2017, 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:** About 85% of M Financial Group shares are owned by or associated with Member Firms and some of their affiliated producers. As stockholders, they share in the profits of M Financial Group via periodic stock or cash dividends.

A portion of the remaining shares are owned or controlled by some employees of M Financial Group or its affiliates. The ownership or control of shares is a potential conflict of interest for us as it incentivizes maximizing our compensation. We address this conflict through maintaining policies and procedures designed to assure Clients are recommended products or programs that are in their best interest, through this disclosure and through our Code.

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

Distributions of dividends and Member Firm 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, including any revenue sharing, paid to M Financial Group or its subsidiaries 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. Most insurance-based products and some other products or services M Securities makes available for use by M Securities’ registered representatives or RIA representatives pay Override(s) to M Financial Securities Marketing, Inc. We will also periodically consider products or services that do not provide overrides.
- 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.
- Investment advisory fees for investment advisory services provided through RIA subsidiaries of M Financial Group.
- Brokerage fees or commissions for securities transactions executed by a BD subsidiary of M Financial Group.
- Arrangement fees for life settlements representing a percentage of the compensation paid to the broker arranging the settlement.
- Marketing or due diligence fees related to the ability to market to our Member Firms or their associated persons or to our initial or ongoing review of products or services we make available for sale or use.
- 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 RIA representatives. In addition to the indirect compensation arrangements (described above) which Member Firms and their producers derive from membership in M Financial Group, Member Firms and producers typically receive from unaffiliated financial service providers some or all of the following compensation, as applicable:

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

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

M Financial Group and its subsidiaries receive additional compensation from and/or enter into reinsurance arrangements with numerous insurance carriers and financial service providers including, but not limited to: Advisors



Asset Management, Allianz, American Funds, American General, Bank of New York (and its subsidiaries), Brinker Capital, Crown Global, Delaware Life, Equus Financial Consulting, Exceptional Risk Advisors, Global Benefits Group, Guardian Life, JP Morgan Asset Management, ING, John Hancock, Legg Mason, LifeSecure, Lincoln National, Lombard International, MedAmerica, the M Funds (i.e., M International Equity Fund, M Large Cap Growth Fund, M Capital Appreciation Fund, and M Large Cap Value Fund), Manulife (and its subsidiaries), MetLife, Mutual of Omaha, Nationwide Financial, New York Life, OneAmerica, PNC Financial Services, Pacific Life, Pershing (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 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 Financial Professional whether his/her Member Firm has such an arrangement in place.

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

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

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

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





### **Non-Cash Incentive Program**

Every two years, M Financial Group calculates the cumulative production across all its business lines, as generated by its Member Firms. Business lines include a wide variety of products and services; some of which are securities related while others are non-securities related. Depending on production and service levels, Member Firms are allowed to designate individuals in their Member Firm to receive a structured educational, professional and vacation program sponsored by M Financial Group. This program creates a conflict of interest for Member Firms by providing incentive to increase production of products or services, however, although no specific product or service is favored in this calculation, there is incentive to use products or services that offer higher levels of compensation per dollar invested or disincentivize the surrender or movement of assets. Although different products or services may provide differential incentive in this calculation, M Financial mitigates this conflict through obscuring the calculation methodology from Member Firms and through this disclosure, to you.

Additionally, some Investment Providers or custodians offer our Financial Professionals the ability to attend free or discounted due diligence and educational trips to educate them about products and services they offer. Financial Professionals are required to disclose these trips or meetings to M Securities and receive approval from us prior to attending. M Securities limits the reimbursement to the cost of attending the trip or meeting. Financial Professionals may also receive free or discounted technology so long as such support provides for the efficient service of advisory business.

## **Item 15 Custody**

M Securities is deemed to have custody of Client funds because Clients have provided limited written authorization to M Securities to disburse, or transfer funds from a Client's account to a third party, when instructed to do so by the Client. This authority may be one time or ongoing through an executed standing letter of instruction with the custodian. Additionally, as M Securities has the ability to directly debit advisory fees from Client Accounts, we are deemed to have limited custody of client funds.

M Securities does not act as a qualified custodian. All investment advisory assets will be held by a qualified custodian, and Client will receive statements and confirmations from the qualified custodian where Client's assets are held. If Client does not receive such documents, please contact M Securities Compliance at [MHSCompliance@mfin.com](mailto:MHSCompliance@mfin.com) or 888.520.6784.

On at least a quarterly basis, the custodian is required to send the Client an account statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for Clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact M Securities directly if they believe that there may be an error in their statement.

Financial Professionals may, from time to time, also provide account statements to Clients for purposes of discussing and reviewing Account performance and holdings. In the event a Financial Professional provides an account statement directly to Client, we urge the Client to carefully compare the information provided in the statement with the account statement the Client receives from the qualified custodian for Client's Account to ensure that all transactions, holdings, and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire M Securities to provide discretionary asset management services, in which case the Financial Professional places trades on behalf of a Client's account without contacting the Client prior to each trade to obtain



the Client's permission. Our discretionary authority includes the ability to do the following without contacting the Client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell.

A Client gives M Securities discretionary authority when the Client signs a discretionary investment advisory Account agreement with M Securities, and Client may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with written instructions.

Financial Professionals with M Securities can manage portfolios directly and also can offer investment advisory services involving management by third-party managers. Accordingly, Clients hiring M Securities to manage their portfolio directly may grant us the ability to buy and sell securities without separate authorization for each trade. In cases where our Clients have hired us to provide services that involve the discretionary management of Sub-Advisors, the Client is required to grant us authority to hire and fire the selected Sub-Advisor(s) managing the Client Account(s).

All Accounts established to manage variable annuity product sub-accounts pursuant to our VA Discretionary Services must be managed by the Financial Professional on a discretionary basis regarding the reallocation of the sub-accounts. Financial Professionals will not have discretion to replace the variable annuity product itself. Similarly, advisory services through our Mutual Fund Discretionary Services also must be managed by the Financial Professional on a discretionary basis as it pertains to the reallocation of the funds but will not pertain to replacement of mutual fund provider.

## **Item 17      Voting Client Securities**

M Securities does not vote proxies on behalf of Clients. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients are responsible for instructing each custodian to forward them copies of all proxies and shareholder communications relating to their investment assets. M Securities does not offer any consulting assistance to Clients regarding proxy issues. Some independent Sub-Advisors may offer voting proxies on behalf of Clients. For further information regarding Sub-Advisor with respect to proxy voting, please see the respective Sub-Advisor's Form ADV Part 2A, available at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 18      Financial Information**

Under no circumstances does M Securities require or solicit payment of fees in excess of \$1,200 per Client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

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

M Securities has never been the subject of a bankruptcy petition.