



**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. If you have any questions about the contents of this brochure, please contact us at 888.520.6784 or [MHSCompliance@mfin.com](mailto:MHSCompliance@mfin.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about M Securities 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. Our firm’s CRD number is 43285.



## **Item 2      Material Changes**

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

M Securities updated this document on March 30, 2020 (“Annual Update”). In the Annual Update, M Securities clarified language and made other general updates. No material changes were made since the previous annual update dated March 29, 2019.



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## Item 4 Advisory Business

M Holdings Securities, Inc. is an SEC-registered investment advisor<sup>1</sup> with its principal place of business located in Portland, Oregon (“we,” “us,” “our” or “M Securities”). 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 Securities offers various types of advisory services to our clients through investment advisory representatives licensed with M Securities (“IARs”), including investment management, third party asset management services, retirement consulting services, financial planning, solicitor services, and wrap fee program services. The IAR is responsible for delivering investment advisory services to clients, and clients should inform their IAR in writing, of any reasonable restrictions they wish to apply to investing. It is also important that clients promptly inform their IAR, or M Securities, of any changes in their financial condition, investment objectives, personal circumstances that could affect the overall investment goals and strategies or the investment advice provided or investment decisions made by the IAR.

### INVESTMENT MANAGEMENT

#### General Securities

Through personal discussions with the client, in which the client’s goals and objectives are established, IARs develop a personal investment policy, and create and manage a portfolio based on that policy. During our data-gathering process, IARs determine the client’s individual objectives, time horizon, risk tolerance, and liquidity needs. As appropriate, IARs also review and discuss a client’s prior investment history, as well as family composition and background. M Securities provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. All such accounts are maintained at a qualified custodian. As of the date of this brochure, most of M Securities’ assets are held at Charles Schwab, Inc. (“Schwab”), Pershing, LLC. (“Pershing”) and Pershing Advisory Services (“PAS”).

M Securities, through its IARs, manage these advisory accounts on a discretionary or non-discretionary basis. Ongoing management and account supervision is guided by the client’s stated objectives (*i.e.*, maximum capital appreciation, growth, income, or growth and income) and risk tolerance, as well as tax considerations.

Our investment recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company. Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client’s stated investment objectives, tolerance for risk, liquidity and suitability.

#### Variable Annuity Discretionary Services

A variable annuity is an insurance contract between a purchaser and an insurance carrier. The

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<sup>1</sup> Please note that registration as an investment advisor does not imply a certain level of skill or training achieved by our firm or investment advisory representatives.



variable annuity allows the purchaser to allocate your variable annuity purchase payments (less any mortality and expense charges assessed by the insurance carrier as described in the annuity's prospectus) to certain investment funds the insurance carrier has designated as eligible investments for its variable annuity separate account. The investment options for a variable annuity are typically mutual funds that invest in stocks, bonds, money market instruments, or some combination of the three. Additional information is available in the Annuity's prospectus.

Certain variable annuities may be purchased by a client who engages with M Securities for investment advisory services including the ongoing management and re-allocation of the subaccounts. The annuity will be assessed an ongoing advisory fee that is based on the assets held in the annuity. In all cases, an advisory fee will be charged not to exceed the tiered fee detailed in Section 5 of this document. Advisory fees are charged in addition to certain fees, expenses and charges associated with the variable annuity and collected by the insurance carrier. For additional information regarding these fees, expenses and charges, please refer to the variable annuity's prospectus. All such accounts will be managed on a discretionary basis.

M Securities, in its role as a broker-dealer, serves as an introducing broker-dealer with respect to transactions involving the variable annuity, its sub-accounts and the investments.

#### Mutual Fund Discretionary Services

A mutual fund is a type of investment company, as that term is defined by the SEC, 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 a registered investment advisor. M Securities does not provide investment advice to mutual funds, however, M Securities recommends 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.

M Securities provides advisory services on American Funds F-2 share class mutual funds. Such funds do not charge a 12b-1 sales charge but do charge an advisory fee for the ongoing and continuous discretionary authority given to M Securities and its IAR to direct the allocations among such F-2 share class mutual funds in accordance with Client's investment objective, risk tolerance, time horizon and other financial characteristics. While these mutual funds are held direct at American Funds and governed by the client agreement executed with American Funds, the client will also execute the American Funds Direct Advisory Client Service Agreement with M Securities.

### **THIRD PARTY ASSET MANAGEMENT SERVICES**

#### Sub-advisory Services

M Securities performs management searches of various registered investment advisors ("**sub-advisor**"), and offers sub-advisory services to clients with various custodians. We provide the client, through IARs, with an asset allocation strategy developed through personal discussions in which the client's goals and objectives are established based on the client's particular circumstances. Based on the client's individual circumstances and needs (as exhibited in the client's M Securities Investment Advisory Client Account Form, hereinafter referred to as the "**Client Account Form**"), the IAR determines which selected sub-advisor's portfolio management style is appropriate for that client. Factors considered in making this



determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected sub-advisor. In addition to third-party unaffiliated sub-advisors, M Securities utilizes sub-advisory services through its affiliate, M Financial Asset Management, Inc. (“**M Wealth**”). Clients should refer to the applicable sub-advisor’s firm brochure or other disclosure document for a full description of the services offered. Client meetings to review the account are available on a regular basis, or as determined by the client.

Once an appropriate sub-advisor(s) has been identified to meet your needs, we provide the selected sub-advisor with the client’s Client Account Form, who then creates and manages the client’s portfolio based on the information included in the Client Account Form.

On an ongoing basis, M Securities and its IARs monitor the performance of the sub-advisor(s). If we determine that a particular sub-advisor is not providing sufficient management services to the client, or is not managing the client’s portfolio in a manner consistent with that client’s stated objectives and risk tolerance, then we may move the client’s portfolio to a different sub-advisor and/or program sponsor. Under this scenario, our firm retains the discretion to hire and fire the sub-advisor and/or move the client’s portfolio to a different program. At least annually, the IAR meets with the client to review and update, as necessary, the client’s account.

M Securities has contracted with Investnet Portfolio Solutions, Inc. (“**Investnet**”), an unaffiliated asset management service provider, who provides M Securities with investment and operational support services for sub-advisory services, including the use of Investnet’s separately managed account program. Using Investnet’s programs and services provide M Securities with access to sub-advisors 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, reporting services to generate ad-hoc and quarterly performance reports. In some circumstances, Investnet is authorized as an Agent of M Securities in order to provide the above services and may provide instructions to custodians on M Securities behalf. M Securities does not separately charge clients for the Investnet tools used by M Securities, but such cost is incorporated into the fee that M Securities charges the client.

M Securities also utilizes the Schwab Managed Account Select Program to offer clients managed account solution. The program also provides access to investment strategies managed by third-party managers. The program offers 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. House-holding of accounts for fee purposes is allowed and account minimums are typically: \$100,000 equity; \$250,000 fixed income

### Third-Party Asset Management Program (“TAMP”) Services

M Securities has contracted with third-party asset managers to provide you with asset management programs. M Securities, through the IAR, discusses with the client their goals, objectives and the client’s particular circumstances to determine an appropriate model portfolio and portfolio manager to meet the client’s needs. M Securities performs management searches of various asset managers. Based on the client’s individual circumstances and needs (as exhibited in the Client Account Form) we determine which selected asset manager’s portfolio management style is appropriate for that client. 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 TAMP program identified, the IAR may also assist the client with selecting a model portfolio of securities designed and managed by either the TAMP sponsor or a selected portfolio manager through the TAMP sponsor responsible for providing discretionary or non-discretionary asset management services. Client meetings to review the account are available on a regular basis, or as determined by the client. Account minimums are set by the TAMP sponsor or the asset manager, to the exclusion of M Securities.

In addition to portfolio management services, the TAMP sponsor will also generally arrange for custody of client assets, trade execution, cashiering services, and other such services as outlined in the applicable client agreement and the asset manager's ADV brochure. For additional information regarding the asset manager selected and the services they provide, visit [www.adviser.sec.gov](http://www.adviser.sec.gov).

## RETIREMENT CONSULTING SERVICES

We also provide advisory services to retirement plan sponsors 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 may choose to use any or all of these services.

### Preparation of Investment Policy Statement (“IPS”)

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm may review the Plan Sponsor's existing IPS or our IAR 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 Investment Vehicles

We assist plan sponsors in selecting appropriate asset allocation models based upon the IPS or such other information. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client'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

We monitor client investments regularly, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not directly involved in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

### Employee Communications

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account (“self-directed plans”), we may also provide educational support and investment workshops designed for the plan participants.



## **FINANCIAL PLANNING**

We provide financial planning services, which include the evaluation of a client's current and future financial state. Such financial planning services may be comprehensive or targeted in nature. The level of services provided is specific to each client relationship and is described in the M Securities Financial Planning Agreement.

Clients purchasing this service typically receive a written report which provides a detailed financial plan designed to help the client achieve his or her financial goals and objectives. Financial planning may be offered as a one-time service or on an ongoing basis.

## **SOLICITOR SERVICES**

M Securities acts as a solicitor on behalf of various unaffiliated registered investment advisors. Based on a client's individual circumstances and needs, we will assist the client in determining which unaffiliated registered investment advisor's portfolio management services are appropriate. Factors considered in making this determination, including account size, risk tolerance, and the client's investment experience, are discussed during our consultation with the client.

M Securities will give the independent advisor's brochure and a document disclosing the solicitor relationship to the client, and may give additional documentation that is designed to collect account and suitability information. The client is considered to be a client of the unaffiliated advisor in these arrangements and is not considered to be a client of M Securities.

M Securities is not affiliated with any of these investment advisors and does not provide securities related advice with respect to assets managed by these investment advisors when the client participates in these arrangements.

M Securities is paid a fee by the unaffiliated advisor for the assistance provided in explaining the investment advisory program, as well as for providing and collecting the investment advisor's disclosure and account documents. The fee a client pays to the unaffiliated advisor should not differ from the fee that the unaffiliated advisor would charge in the event the client was to contract with them directly for investment advisory services. Should the client participate in an advisory referral arrangement, the information discussed in the paragraph immediately above will be provided in a disclosure document. In addition, the advisory fee that the client pays will be included in this disclosure document providing a description of how the advisory fee is divided between M Securities and the advisor.

## **WRAP FEE PROGRAM SERVICES**

M Securities offers a number of wrap fee programs that are sponsored by M Securities or its sub-advisors, including its affiliate, M Wealth. Wrap fee programs combine investment advisory service charges and transaction charges in a single asset based fee. Some of these programs offer a questionnaire that assists the client in determining their suitability and risk tolerance in addition to offering detailed reporting related to the performance of the client's account. M Securities receives a portion of the wrap fee as compensation for the investment advice provided by an IAR and for administering the wrap fee program. Depending upon the service selected, wrap fee programs may be managed differently than other investment advisory services described within this brochure. Clients should discuss with their IAR the different investment options and programs available. You may access each wrap fee brochure through the SEC's website at



[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and look for Part 2A, Appendix 1 to view the brochures.

## 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 the IAR to trade the account without pre-authorization for each trade. Accounts established as non-discretionary require the IAR to obtain authorization prior to entering each trade.

As of December 31, 2019, M Securities maintains discretionary authority over \$3,816,930,830 of client assets and does not engage in non-discretionary advisory services.

## Item 5 Fees and Compensation

### TIMING OF FEE BILLING

Advisory fees are charged in one of two ways as agreed upon with the client:

- **In advance.** Advisory fees are billed in advance at the beginning of each calendar quarter based upon the asset value (market or fair market value in the absence of market value, plus any credit balance or minus any debit balance) of the client's account equity at the end of the previous quarter.
- **In arrears:** Advisory fees are billed in arrears at the end of each calendar quarter based upon the asset value (market or fair market value in the absence of market value) of the client's account at quarter-end.

Clients will authorize custodian to have fees debited from their assets. Direct billing to the client is typically not allowed. Payment of fees may result in the liquidation of the client's securities if there is insufficient cash in the account. Liquidations may cause the client to incur taxes for which the client is solely responsible. 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. A client's investment advisory agreement with us may be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice. Upon termination of any investment advisory agreement, any earned and unpaid fees will be due and payable. The client has the right to terminate an investment advisory agreement without penalty within five (5) business days after entering into the agreement.

All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by an Investment Manager for separate account management or by mutual funds to their shareholders. An Investment Manager's fees will be disclosed to the client through the Investment Manager's Form ADV Part 2 and/or a client agreement among us, the Advisor and the client.

Mutual fund fees and expenses are described in each fund's prospectus and generally will include a management fee, other fund expenses, including fund portfolio transaction charges and a possible distribution and/or service fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by M Securities, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to the client's financial conditions and objectives.



Accordingly, 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 by M Securities. With respect to Portfolio Management Services, in addition to our Portfolio Fee and any applicable Investment Manager fees, clients are also responsible for any additional fees and expenses charged by their Advisor and custodians, as well as fees imposed by broker/dealers, including, but not limited to, any transaction charges imposed by a broker/dealer with which we or a sub-advisor effects transactions for the client's Portfolio.

## INVESTMENT MANAGEMENT ACCOUNT FEES

### General Securities

The annualized fee for General Securities services are charged as a percentage of assets under management, and range between 0 and 2.5%. Additionally:

- The client will negotiate a fee schedule directly with the IAR.
- The client has the option of either allowing the IAR to make each trade in the client's account with or without prior approval.
- Depending upon the custodian chosen, the client may be able to choose if advisory services will be billed in advance or in arrears.
- Fees are billed to the client's account on a quarterly basis as described in "Timing of Fee Billing" within this Section, with 25% of the annual fee billed each quarter. The fee will appear on the client's custodial statement. In limited circumstances M Securities will send a detailed invoice to those clients who are authorized to be billed directly for services.
- A schedule of transaction related costs for processing the sale or purchase of securities for your account along with various optional service fees has been provided to you by the custodian of your account. You will receive a pro-rata refund should you terminate the investment advisory contract prior to the end of a quarter and you have paid fees in advance.
- Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### Variable Annuity Discretionary Services

Compensation to M Securities for its services will be calculated and paid as indicated on the M Securities Fee Based Variable Annuity Investment Management Agreement, which may be amended from time to time by M Securities upon 30 days prior written notice to the client. M Securities will charge a fee for investment advice that will be tiered; *i.e.*, as the variable annuity value reaches the thresholds referenced in the table, the assets above each range will be charged a successively lower fee. This investment advisory fee is determined by M Securities and will vary from client to client but in no instance will the fee exceed 1%. The fee for each client's account can be found on the Investment Management Agreement. For illustration purposes only, an example of a fee structure for a \$4 million variable annuity is as follows:



<b>Annuity Assets</b>	<b>Fee</b> (Fee not to exceed 100 bps (1%))
\$0 - \$499,999	1.00%
\$500,000 - \$999,999	0.75%
\$1,000,000 - \$2,999,999	0.50%
Over \$3,000,000	0.20%

In the above example, the first \$499,999 of assets will be charged 1%. The next \$500,000 of assets will be charged 0.75%. The next \$1 million of assets will be charged 0.50%. The remaining assets will be charged 0.20%. Clients will see a blended fee or a weighted average of the fees assessed on their account statements rather than each tier.

The insurance carrier issuing the variable annuity charges certain fees and expenses associated with the variable annuity. These fees and expenses are in addition to the investment advisory fee charged by M Securities. For additional information regarding these fees, and expenses, please refer to the variable annuity’s prospectus.

The receipt of both brokerage commissions and advisory fees creates a strong incentive for the IAR to recommend discretionary asset allocation services in conjunction with, or subsequent to, the sale of a variable annuity. Finally, you should be aware that the insurance carrier issuing the variable annuity may provide subaccount asset allocation services substantially similar to those provided by M Securities at substantially lower fees, or at no cost.

Mutual Fund Discretionary Services

Compensation to M Securities for its services to clients participating in the American Funds F-2 share class mutual funds will be calculated and paid as indicated on the M Securities American Funds Direct Advisory Client Service Agreement, which may be amended from time to time by M Securities upon 30 days prior written notice to you. M Securities will charge a fee for investment advice equal to 0.50%.

American Funds charges certain fees, expenses and charges associated with the F-2 share class mutual fund. These fees and charges are in addition to the investment advisory fee charged by M Securities. For additional information regarding these fees, expenses and charges, please refer to the mutual fund’s prospectus.

Mutual fund companies, or other investments advisors, may provide advisory services substantially similar to those provided by M Securities at substantially lower, or at no cost.

**THIRD PARTY ASSET MANAGEMENT SERVICES**

Sub-Advisory Fees

M Securities uses sub-advisory services through unaffiliated advisors and its affiliate advisor, M Wealth. Our fees generally include any amounts charged by sub-advisory services. However, on occasion, fees for some separate account managers may be in addition to the fee charged by M Securities. If the fee is not included, it will be detailed in your client agreement. Depending on the sub-advisor or separate



account manager chosen, their fees may be negotiable. For more information regarding fees charged by sub-advisors, refer to their respective Form ADV brochures. The fee charged by M Securities IARs is negotiable and clients should toughly discuss all fees and charges with their IAR prior to engaging in services.

Your IAR may be a shareholder of M Financial Group and therefore would have an incentive to recommend M Wealth as a sub-advisor over other similar advisory programs. For more information regarding these affiliations, refer to Item 10 (other Financial Industry Activities and Affiliations) of this Firm Brochure.

Schwab Managed Account Select Program Fees

Fees in the table below are based upon a tiered schedule. These fees include third party asset manager services in addition to Schwab brokerage and custody services. The separate fees identified for each tier will be combined as a single asset-based fee. The fee negotiated by the IAR and charged by M Securities will be added to the fees charged to the client’s account. The investment advisory portion of the fee will be negotiated directly between the client and the IAR, but in no case will the total annual fee exceed 3%. Fees are charged quarterly in arrears.

Schwab will charge certain other fees if applicable to the client’s account, separately from those identified in the schedule below. These include wire transfer fees, charges for transactions executed by other broker/dealers, and markups/markdowns on fixed income securities. Schwab may also make dealer profits from fixed income transactions executed by Schwab on a principal basis. The client will execute a separate agreement with Schwab that describes these fees in greater detail. Schwab imposes 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 in Managed Account Select programs. Related accounts can be combined for the purpose of lower program fees.

<b>Market Value</b>	<b>Schwab Custody Transactions and Third Party Manager Fee*</b>	<b>Investment Advisory Fee</b>
First \$250,000	0.35% - 1.00%	Negotiated
Next \$250,000	0.35 % - 0.85%	Negotiated
Next \$500,000	0.35% - 0.80%	Negotiated
Next \$1,000,000	0.30% - 0.75%	Negotiated
Next \$3,000,000	0.30% - 0.70%	Negotiated
Over \$5,000,000	0.25% - 0.65%	Negotiated

\* The fee charged varies based on the investment manager selected. Clients should refer to their Schwab account application for greater fee detail.

TAMP Program Fees

Clients pay an advisory fee as described in the agreement entered between Client and the individual third-party asset manager. The third-party asset manager will typically negotiate the advisory fee with the IAR and the client. Fees assessed by the TAMP are shared with M Securities and IARs. Other fees and charges imposed by third parties can apply to a client account opened with a third-party asset manager. For



more information on the fees and charges associated with such account, refer to the asset manager's Form ADV Part 2A and client agreement.

### **RETIREMENT CONSULTING FEES**

Fees for Retirement Consulting Services are billed either as a flat fee, hourly fee or based on a percentage of assets under advisement. Fees, and the frequency at which they are billed, are negotiated directly between the client and the IAR. Generally fees that are charged based upon assets under advisement range between 0 to 2%, although in no case will a rate exceeding 3% be charged to the client.

- The client will negotiate a fee schedule directly with the IAR.
- The client has the option of either allowing the IAR to make each trade in their account with or without their prior approval.
- Fees are either billed to the client's account directly by the custodian or are billed directly by M Securities. Fees are normally billed to the client's account on a quarterly basis, with 25% of the annual fee billed each quarter. 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.
- You will receive a pro-rata refund should you terminate the investment advisory contract prior to the end of a quarter and you have paid fees in advance.
- IARs may 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 and the complexity of each client's circumstances. The fee structure is agreed upon prior to entering into a contract with any client.

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 IAR. Although the length of time it will take to provide a financial plan will depend on each client's personal situation, the IAR will provide an estimate for the total number of hours at the start of the advisory relationship.

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 IAR.

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.



### Financial Planning Fee Offset

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 for our Investment Management Services or purchases products through M Securities' broker/dealer. Financial planning fees are normally charged by M Securities in addition to fees for management of portfolios or third party advisory services.

The client's IAR, with few exceptions, will also be a registered representative of M Securities' broker/dealer. In such cases, the IAR may receive a financial planning fee in addition to commissions received from transactions resulting from recommendations in the plan, if securities products are purchased through the broker/dealer.

### Termination of the Financial Planning Agreement

The client may cancel the financial planning agreement at any time, for any reason. Should the client decide to terminate this arrangement, hourly charges will immediately stop and the client will only be charged the pro-rata portion of the work already completed on a flat fee basis.

## **GENERAL INFORMATION**

### Termination of the Advisory Relationship

A client agreement may be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid and unearned fees will be refunded, generally at the next billing cycle. In calculating a client's reimbursement of fees, we will pro-rate the reimbursement according to the number of days remaining in the billing period. Termination of a Financial Planning Agreement is handled on a different basis. Please see the discussion of Financial Planning Agreement termination above.

### 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 IAR receive any commissions. However, M Securities and its IARs may receive other fees (*e.g.*, finders fees) associated with mutual fund transactions.

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

In many instances, we make available mutual funds in our advisory programs that offer various share classes. Not all mutual funds have the same share classes available. Each share class charges different



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

### Wrap Fee Programs

Appendix 1 of Form ADV 2A provides information regarding our specific wrap fee programs. You may access this appendix through the SEC's website. Directions related to accessing this information are provided on the cover page of this brochure.

Clients participating in wrap fee program may be charged various program fees in addition to the advisory fee charged by M Securities. Such fees may include the investment advisory fees of the portfolio manager, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. The client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the wrap fee charged by the broker/dealer, 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.

Most accounts are charged a single wrap fee that combines transaction costs and advice. With regard to these programs, the associated fees and commissions are discussed in the respective wrap brochures. Accounts held at Schwab are charged a separate asset-based fee or an execution charge for each client transaction. All such transaction charges are kept by Schwab and are not shared with M Securities. The schedule of these transaction-based or asset-based transaction charges are detailed in the Schwab paperwork associated with the individual accounts.

### Additional Custodian Fees

A client may be charged custodian fees by the custodian of an account, and these are separate fees for maintaining your account at the custodian. These fees may include, but are not limited to, account maintenance fees, account closing fees and account transfer fees. For more information about such fees, please consult with your custodian directly. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### Additional Fees and Expenses

Clients are responsible for the fees and expenses charged by custodians and imposed by broker/dealers, including, but not limited to, any transaction charges imposed by a broker/dealer with whom an independent investment manager effects transactions for the client's account(s). Please refer to the



“Brokerage Practices” section (Item 12) of this Form ADV for additional information. Additionally, accounts established through M Securities’ Wealth Pursuit™ Prime program are housed at Pershing and are subject to a transaction fee for each transaction. The schedule of these clearing charges is detailed within the M Securities Client Service Agreement related to this program. Clients should ask their IAR to provide a copy of the above agreements if examination of the respective fee structures is desired.

#### 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 will differ among clients.

#### Advisory Fees in General

Clients should note that comparable advisory services may be available from other registered (or unregistered) investment advisors for similar or lower fees.

#### Factors Involving Negotiability of Advisory Fees

Although M Securities has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client’s circumstances, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the IAR and each client.

When possible, certain related client accounts can be grouped for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of M Securities.

#### Services

We typically seek IARs with experience in the securities industry and a demonstrated ability to advise clients responsibly with respect to their investment goals. All IARs are also supervised by individuals with experience in determining suitability of products purchased for clients. Additionally, all IARs must comply with state investment advisory representative registration requirements.

IARs 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 IAR provides services in this capacity, he or she will receive higher fees compared to arrangements where a sub-advisor assists with the management of your account; therefore an incentive exists for the IAR to recommend himself as portfolio manager compared to other sub-advisory arrangements.

Please be sure to compare the services, costs and experience level of your IAR to other portfolio managers and investment advisory programs.



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

M Securities does not charge performance-based fees on the basis of capital gains within your portfolio.

## **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 and IARs may use a variety of methods of analysis in formulating investment advice and/or managing client assets, including, but not limited to the following:

Charting: In this type of technical analysis, charts of market and security activity is reviewed in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis: 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), is used to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis: Past market movements are analyzed and that analysis is applied to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis: In this type of technical analysis, the movements of a particular stock is measured against the overall market in an attempt to predict the price movement of the security. A risk in using cyclical analysis is that the overall market is subject to change and we may incorrectly identify where we are in the business or economic cycle.

Quantitative Analysis: Mathematical models are used in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.



Qualitative Analysis: Non-quantifiable factors are subjectively evaluated, 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.

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 may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income and cash will change over time due to stock and market movements, and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis: The experience and track record of the manager of the mutual fund or ETF is reviewed in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Consideration to the underlying assets in a mutual fund or ETF is made in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. Funds or ETFs are monitored in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Sub-Advisor and TAMP Analysis: M Securities examines the experience, expertise, investment philosophies and past performance of sub-advisors and TAMP asset managers in an attempt to determine if the manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with an asset manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party asset manager's portfolio, there is also a risk that an asset manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the asset manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

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

## INVESTMENT STRATEGIES



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

Long-Term Purchases: These are recommendations to purchase securities with the idea of holding them for a year or longer. Typically this strategy is used when there is a belief the securities are currently undervalued, and/or there is a desire 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 may not take advantage of short-term gains that could be profitable to a client. Moreover, if the predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short Sales: While not common, shares of a stock for the client's portfolio can be borrowed from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Margin Transactions: Upon approval from M Securities, a client can purchase stocks with money borrowed from the Custodian. This allows the purchase of more stock than would be possible with the client's available cash, and allows the purchase stock without selling other holdings.

Option Writing: Upon approval from M Securities, a client may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

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

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

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



## RISK OF LOSS

Investing in securities involves risk of loss that you should be prepared to bear. Securities investments are not guaranteed and clients may lose money on investments. Clients should work closely with their IARs so that he/she has a complete understanding of client's tolerance for risk. The following types of risks may significantly affect the performance of your Portfolio:

- *Equity Risk:* Strategies that invest in equities involve the risk that the value of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions, which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.
- *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 may 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.<sup>2</sup>
- *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.

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<sup>2</sup> 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).



- *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 value of the underlying securities will decline because of an increase in interest rates; a fund with longer than average bond maturity dates will be more sensitive to changes in interest rates than a fund with shorter bond maturity dates.
- *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.

## 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 Respondent in connection with its mutual fund share class selection practices and the 12b-1 fees M Securities and/or its associated persons received. At times during the relevant period, M Securities purchased for, recommended to, or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. M Securities failed to disclose in its Form ADV or otherwise conflicts of interest related to the collection of such fees. As a result of the conduct, M Securities willfully violated Sections 206(2) and 207 of the Advisers Act. M Securities agreed to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act. Respondent was censured, agreed to pay disgorgement plus interest of \$1,022,048.49 and shall comply with the undertakings described in the Offer of Settlement.

On July 9, 2018, M Securities, a broker/dealer and member of FINRA, 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 registered investment advisor, our firm is registered as a broker/dealer with the SEC and a member of FINRA. Most IARs also offer brokerage services as registered representatives of M Securities. Certain management personnel of our firm are also separately licensed as registered representatives of M Securities. M Securities as a broker/dealer transacts business in various types of securities, including mutual funds, stocks, bonds, alternative investments, variable annuities, real estate investment trusts and other investment products. M Securities is registered to operate in all 50 states and has an independent-contractor sales force of IARs and registered representatives throughout the United States. Before engaging with an IAR, clients should understand the differences between advisory services and brokerage services to determine which account meets their needs. Clients are encouraged to discuss the differences with their IAR.

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

As required, any affiliated investment advisors are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the cover page of this brochure.)

Clients should be aware that the receipt of additional compensation by M Securities and its management personnel, employees and IARs creates a conflict of interest that may impair the objectivity of M Securities and these individuals when making advisory recommendations. M Securities takes the following steps to address this conflict:

- M Securities discloses to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- M Securities discloses to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- M Securities collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- M Securities conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;



- M Securities requires that our employees seek prior approval of any outside employment activity so that M Securities may ensure that any conflicts of interests in such activities are properly addressed;
- M Securities periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- M Securities educates our employees and IARs regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

#### M Wealth

We are affiliated with M 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 registered investment advisors that are owned by registered representatives of M Securities. M Wealth is recommended by us as a sub-advisor when appropriate for the client. An incentive and therefore a potential conflict of interests exists to offer the management services of M Wealth as opposed to other investment advisory managers since many IARs and their private agencies 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 an IAR through the client selecting M Wealth to manage their assets.

#### MFIA and M Funds

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

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

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

#### M Financial Securities Marketing, Inc.

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



Marketing, Inc. could ultimately find its way to an IAR.

#### 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’ broker/dealer. 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 an IAR 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.

#### Unaffiliated Investment Advisors

As discussed in Item 5, we receive solicitor fees from unaffiliated investment advisors to whom we refer advisory clients. This creates conflicts of interest by providing a financial incentive to refer business to investment advisors that will pay us a solicitor fee, generally, and provides a further financial incentive to refer business to investment advisors that will pay us the highest solicitor fee (as compared to other advisors that will pay a solicitor fee). We address these conflicts of interest by requiring a detailed written disclosure to be acknowledged by the client, and through the review of documented arrangements by M Securities supervisory personnel. M Securities will only recommend advisers that pay us a referral fee.

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

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

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

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

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



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

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

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

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

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

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

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

- No principal or employee of M Securities may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is based on information received as a result of his or her employment, unless the information is also available to the investing public.
- No person employed by M Securities may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- M Securities requires prior approval for any initial public offering (“**IPO**”) or private placement investments by related persons of M Securities.
- We maintain a list of all reportable securities holdings for M Securities and anyone associated with this advisory practice who has access to advisory recommendations (“**access person**”). These holdings are reviewed on a regular basis by M Securities' Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.



- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of M Securities.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

Our internal supervisory procedures and compliance audit and sampling procedures are designed to detect potential breaches of conduct by an IAR. As disclosed in the preceding section of this brochure (Item 10), related persons of our firm are separately registered as registered representatives of M Securities' broker/dealer and they receive commissions as a result of establishing a broker/dealer account with the client and entering transactions on the client's behalf. Many of the transactions entered through the broker/dealer involve the purchase of securities related insurance products in addition to general securities products. Additionally, nearly all registered representatives of M Securities' broker/dealer and registered investment adviser are involved with insurance agencies that are independent from M Securities and sell insurance products that are not securities related.

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

#### 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. No commission is charged by M Securities and we see no conflict in association with this process.

## **Item 12 Brokerage Practices**

M Securities requires that clients provide us with written authority to determine which broker/dealer to use, and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

M Securities will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.



Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. M Securities will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. M Securities' block trading policy and procedures are as follows:

- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with M Securities or with M Securities' order allocation policy.
- The IAR must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- The IAR 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.
- If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro-rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. Adjustments to this pro-rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- Generally, each client who participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro-rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- The order will be allocated in a manner as stated on the allocation statement unless the order does not fully execute. In that event, accounts participating in the aggregate trade will receive a pro rata share of the partially filled trade. If a pro rata allocation is not possible without creating fractional shares, the methodology to allocate the aggregate order may differ depending upon the trading system.

If the aggregate order did not fully execute, the securities purchased or sold by the close of each business day, as well as transaction costs, must be calculated on a pro rata basis and then rounded to the nearest whole share. The amount of each client's allocation is added together and subtracted from the executed quantity to determine the remainder to be distributed. The remainder amount is distributed one share at a time to clients in sequential order starting with the first individual listed on the allocation statement, unless this individual participated in other block orders and most recently or previously received a greater allocation as compared to others participating in the common block trade.

- M Securities client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, bought and sold for that account.
- No client or account will be favored over another.



M Securities may require that clients establish brokerage accounts with Schwab or Pershing in cases where IARs manage client portfolios. Not all advisors require their clients to direct brokerage. Both Schwab and Pershing are broker/dealers registered with the SEC and members of FINRA and SIPC, and would maintain custody of clients' assets and effect trades for their accounts.

### Pershing

M Securities is an introducing broker/dealer for Pershing. As a result of this relationship, we have access, without charge, to Pershing's NetX360 software and website, which provides access to client account records and facilitates the execution and review of client transactions.

M Securities has also established a trading platform with Pershing Advisor Solutions. Pershing Advisor Solutions is an introductory broker/dealer that utilizes Pershing, LLC to hold account assets and provide securities execution services. As a result of this relationship, we have access without charge to Pershing's NetX360 software and website, which provides access to client account record and facilitates the execution and review of client transactions in addition to significant back office support from PAS to assist with the execution of securities transactions.

Accounts transitioning to M Securities and Pershing's custodial platform that incur termination fees from the prior custodian will be reimbursed by M Securities up to a maximum of \$100 per account. M Securities will promptly provide this reimbursement to the account holders.

### Schwab

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 registered investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the registered investment advisor's clients' assets are maintained in accounts at Schwab Institutional.

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.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab. Please note that while IARs do not receive commissions or marketing fees from Schwab, Schwab may receive commissions or asset based fees depending upon the product selected and the pricing structure provided. Given that Schwab does not pass along 12b-1 fees to M Securities, an incentive may exist to recommend programs using custodians other than 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.

Schwab and Pershing'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.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to M Securities. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to M Securities. Schwab 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 Schwab or Pershing, we may 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 by Schwab and Pershing, which may create a potential conflict of interest.

M Securities will comply with its fiduciary duty to seek best execution of client transactions and consider other relevant factors concerning a broker, such as:

- The broker's facilities, reliability, expertise, level of back office support and financial condition;
- The broker'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 factors the applicant may consider to be relevant including a client's request to use a particular broker/dealer.

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.

## **Item 13      Review of Accounts**

### **INVESTMENT MANAGEMENT ACCOUNTS**

For clients participating in Investment Management services, client's account is reviewed on an on-going basis to assure that the securities held and the transactions conducted on the client's behalf are suitable and are conducted in a manner that meets regulatory requirements. M Securities reviews client account forms and other required documentation to assure that all information required to be collected from the client is on file and that it is complete. M Securities also reviews accounts using risk-based criteria that may include trading activity, concentration, and performance. IARs are aware of risk tolerance, goals and objective information. Clients will meet with the IAR at least annually to review their



account, and clients can request more frequent reviews. Additionally, IARs may review accounts more frequently due to changes in market conditions, political or economic environment. Clients should notify their IAR of any material changes to their financial condition, investment objectives, personal circumstances that could affect the overall investment goals and strategies or the investment advice provided or investment decisions made by the IAR.

### Reports

In addition to the monthly statements and confirmations of transactions that clients receive from their broker/dealer, we may provide quarterly reports summarizing account performance, balances and holdings.

## **THIRD PARTY ASSET MANAGERS**

Client participating in Third Party Asset Management services have accounts that are reviewed on an on-going basis by the IAR in the context of the investment objectives and guidelines of each portfolio as well as any investment restrictions provided by the client. Initially, M Securities reviews client account forms and other required documentation to ensure that all information required to be collected from the client is on file and that it is complete. M Securities also reviews accounts using risk-based criteria that may include trading activity, concentration, and performance. Clients will meet with the IAR at least annually to review their account, and clients can request more frequent reviews. Additionally, IARs may review accounts more frequently due to changes in market conditions, political or economic environment. Clients should notify their IAR of any material changes to their financial condition, investment objectives, personal circumstances that could affect the overall investment goals and strategies or the investment advice provided or investment decisions made by the IAR. M Securities, Investnet or custodian will provide initial due diligence reviews on sub-advisors and third part asset manager or TAMP provider, depending on the which platform the sub-advisor service is offered.

## **RETIREMENT CONSULTING SERVICES**

Account reviews by M Securities for Retirement Consulting arrangements includes the review of the Qualified Plan Agreement and other required paperwork to ensure that all information required collected from the client is on file and that it is complete and 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. M Securities will sample client files to ensure that information leading up to the recommendations is appropriate and on file, and that evidence is on file to verify that the specific services in the agreement have been satisfied. 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. M Securities will sample Qualified Plan Agreements after receipt to ensure they are 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 appropriate to be documented as a Qualified Plan arrangement.

### Reports

These client accounts will receive reports as contracted for at the inception of the advisory



relationship.

## FINANCIAL PLANNING SERVICES

M Securities reviews the Financial Planning Agreement and other required paperwork to ensure that all information required collected from the client is on file and that it is complete and 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. M Securities will sample client files to ensure that information leading up to the recommendations is on file and that the recommendations are appropriate. The plan, or other work product, will be reviewed to ensure that it was either generated from an approved financial planning tool or plan template. 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. M Securities will review Financial Planning Agreements after receipt of documentation to ensure they are 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 appropriate to be documented as a Financial Planning arrangement.

### Reports

Financial Planning clients will receive a completed financial plan or other work product as negotiated directly between the IAR and the client. Additional reports will not typically be provided unless otherwise contracted.

## Item 14 Client Referrals and Other Compensation

### CLIENT REFERRALS

Our firm may pay referral fees to independent persons or firms ("**Solicitors**") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our "**Firm Brochure**") and a separate disclosure statement that includes the information required by the Advisers Act.

As a matter of best practice, the advisory fees paid to M Securities by clients referred by solicitors are not increased as a result of a referral.

### ADDITIONAL COMPENSATION

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

Certain Investment Providers provide revenue sharing arrangements or fee payments to M Securities that are separate from the fee charged to Clients for providing investment advisory services. All revenue and/or fee payments received by M Securities are retained at the firm level to help defray marketing and business costs, such as training and educating, investment conferences, meals or entertainment (non-cash compensation), provider due diligence, sales and marketing, and administrative costs. The method of



calculation and the amount of revenue sharing or fees paid by each Investment Provider may vary and is subject to change at any time. Clients should be aware that revenue sharing arrangements and/or fee payments create potential conflicts of interest for M Securities. However, participation in any revenue sharing or fee payment arrangement has no contingency on payment to an IAR as we do not create any incentives for an IAR to use any particular Investment Providers. 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 no-transaction-fee 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. M Securities advisory clients can find additional information about this arrangement in their Pershing New Account Disclosure.

Pershing offers clients a variety of supplementary account features which are available for additional fees. Some of these features may share a percentage of the additional service fee collected from clients with M Securities and/or the servicing IAR. Prior to participation in these supplementary features, Clients should read the associated disclosures to determine the relevance and possible conflict of interest to IARs.

M Securities and its IARs have access, without charge, to Pershing’s NetX360 software and website, which provides access to client account records and facilitates the execution and review of client transactions.

#### Compensation from Charles Schwab, Inc.

M Securities and its IARs have access to Schwab’s institutional trading and custody services, which are typically not available to clients that maintain accounts directly with Schwab and are generally only available to institutional investors or investors that maintain very large account balances.

These services are available to independent investment advisors on an unsolicited basis, at no charge to them provided that a total of at least \$10 million of client assets are maintained in accounts at Schwab, and are not otherwise contingent upon the Advisor committing to Schwab any specific amount of business (*assets in custody or trading*). In limited instances, Schwab provides M Securities with a monetary credit, which may be used towards technology, marketing and research related expenses.

Schwab’s services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or require a significantly higher minimum initial investment. For M Securities client accounts custodied at Schwab, Schwab generally does not charge separately for custody but is compensated by commissions or other transaction-related fees for securities trades that are executed through Schwab. We do not receive any of these commissions, or other transaction-related fees, as they are paid directly to Schwab.

Through these programs, both M Securities and the IAR receive access to real-time account information, electronic download of trades, balances and positions, and we have the ability to directly debit client advisory fees. Both M Securities and the IAR also receive software and support services, including reduced or eliminated fees relating to training and conferences conducted by these sponsors.



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.

Schwab has agreed, in limited instances, to assist clients in their transition from a third party custodian to Schwab, to reimburse transfer fees. Reimbursements are credited directly to the client account, M Securities does not retain any compensation.

#### Compensation from Pershing Advisor Solutions, LLC

PAS is a Registered Investment Advisor offering access to a suite of advisory products and services. Clearing, custody or other brokerage services may be provided by Pershing LLC, an affiliate of PAS. M Securities receives a .03% (3/100th's of 1% fee) based upon assets maintained with PAS. IARs do not receive any of this fee payment directly, although many IARs of M Securities have ownership in M Financial, and this revenue would contribute to the company's profits.

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

Member Firms are independently owned and managed financial service firms (other than M Benefit Solutions, a Member Firm wholly owned by M Financial Group), and are not agents of M Financial Group.

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

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

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



## Services to Member Firms

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

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

## Proprietary Insurance Products

M Financial Group develops life insurance products in conjunction with unaffiliated insurance companies, which products can be offered only by M Financial Group, its Member Firms and their affiliated producers. These products are designed using M Financial Group's proprietary experience data (such as mortality, persistency, and policy size) derived from policies reinsured by M Financial Re. These proprietary products may include pricing advantages and other features that benefit the highly affluent clientele primarily served by Member Firms.

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

## Ownership of M Financial Group

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

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



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

#### Sources of M Financial Group Revenues

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

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

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

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

#### Compensation of Member Firms and Producers

The primary source of compensation for Member Firms and their producers is the traditional system of commissions and fees applicable to insurance agents, securities representatives and investment advisory representatives. In addition to the indirect compensation arrangements (described above) which Member Firms and their producers derive from membership in M Financial Group, Member Firms and producers



typically receive from unaffiliated financial service providers some or all of the following compensation, as applicable:

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

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

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

The subsidiaries of M Financial Group are as follows: M Financial Re, M Administrative Services, LLC, Management Compensation Group, Northwest, LLC (dba M Benefit Solutions), M Holdings Securities, Inc., M Financial Securities Marketing, Inc., M Financial Investment Advisers, Inc., M Financial Asset Management, Inc., M Financial Wealth Partners, Inc., M Insurance Solutions, Inc., M Subco, Inc., M Financial Bermuda, Ltd., M Financial Global Services, Ltd., and Management Partnership (dba M Marketing Company).

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

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

#### Certain Potential Conflicts of Interest

The culture of M Financial Group and its Member Firms is to serve the client. However, clients of Member Firms should be aware that the direct and indirect compensation arrangements described in this



summary create economic incentives which could influence recommendations for particular financial products or services (including proprietary products referenced above). These incentives include, but are not limited to, the following:

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

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

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

#### Non-Cash Incentive Program

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

### **Item 15 Custody**

M Securities has custody of client funds because M Securities and its IARs have the ability to instruct the custodian to disburse, or transfer funds from a client’s account, including the ability to directly debit advisory fees from client accounts. M Securities does not automatically have authority to transfer funds from a client’s account, however, a client may grant an IAR the authority to do so by completing a standing letter of instruction with the custodian.

M Securities does not act as a qualified custodian. As of the date of this brochure, most of M Securities assets are held at Schwab, Pershing and PAS. As a Client of M Securities, you will receive statements and confirmations from the custodian where your account is held. If you do 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 a 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.

In addition to the periodic statements that clients receive directly from their custodians, some of our IARs send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account 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 IAR places trades in 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.

Clients give us discretionary authority when they sign a discretionary agreement with M Securities, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with written instructions.

M Securities manages portfolios directly and also offers investment advisory services involving the management of 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 management of sub-advisors the client may grant us authority to hire and fire the selected sub-advisor(s) managing client accounts.

All accounts established to manage variable annuity products must be managed by the IAR on a discretionary basis.

## **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.

## **Item 18 Financial Information**



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

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

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