

# Disclosure Brochure

January 30, 2024

## MONEY MANAGEMENT SERVICES, INC.

*a Registered Investment Adviser*

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The Information content of this brochure provides the qualifications and business practices of Money Management Services, Inc. (hereinafter "MMS"). If you have any questions about the contents of this brochure, please contact Donald R. Rice at (205) 871-7526. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Money Management Services, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Money Management Services, Inc. is an SEC registered investment adviser. Registration does not imply and level of skill or training.

## **Item 2. Material Changes**

Since the last Form ADV Part 2 brochure for Money Management Services, Inc. (“MMS”) dated February 22, 2023, we note no material changes to the brochure disclosures:

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## **Item 4. Advisory Business**

MMS provides financial planning, consulting, and investment management services. Prior to engaging MMS to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with MMS setting forth the terms and conditions under which MMS renders its services (collectively the “*Agreement*”).

MMS has been in business as an SEC registered investment adviser since October 30, 1992. Donald R. Rice and Gwendolyn R. Rice are the principal owners of MMS. As of December 31, 2023, MMS had approximately \$352,146,419 in regulatory assets under management, of which \$343,817,449 was managed on a discretionary basis and \$8,328,970 was managed on a non-discretionary basis.

This Disclosure Brochure describes the business of MMS. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of MMS’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on MMS’s behalf and is subject to MMS’s supervision or control.

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

MMS may provide its clients with a broad range of comprehensive financial planning and consulting services separate and apart from the combined wealth management services, discussed below. These services include, but are not limited to, modular financial planning, tax-related and other non-investment related matters, retirement, education, estate, investment planning, and cash flow needs of the client. In addition, MMS offers tax preparation services, estate planning, estate settlement services, and bill paying services to its clients for a separate fee.

In performing its services, MMS is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. MMS may recommend the services of itself and/or other professionals to implement its recommendations. MMS has a business arrangement with an unaffiliated licensed attorney whom may be engaged by clients to provide certain legal services in connection with MMS’s estate planning recommendations. Clients generally do not incur additional fees if they decide to engage such legal professional, who is compensated on a subscription basis by MMS in order to make his services available and convenient to clients. MMS does not render legal advice and does not provide legal services.

Client are under no obligation to act upon any of the recommendations made by MMS under a financial planning or consulting engagement or to engage the services of any recommended professional, including MMS itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of MMS’s recommendations.

Clients are advised that it remains their responsibility to promptly notify MMS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising MMS's previous recommendations and/or services.

### **Wealth Management Services**

Clients can engage MMS to manage all or a portion of their assets on a discretionary basis as well as financial planning services for the discretionary management of investment portfolios in accordance with the investment objectives of the client. As needed, MMS will develop a comprehensive financial plan and/or provide ongoing financial planning services, as discussed above.

MMS primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and/or options in accordance with the investment objectives of the client. In addition, MMS may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. MMS also provides advice about any type of investment held in clients' portfolios.

MMS also renders non-discretionary or discretionary investment management services to clients relative to variable life/annuity products that clients may own, their individual employer-sponsored retirement plans, or other products that may not be held by the client's primary custodian. In so doing, MMS either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

MMS tailors its advisory services to the individual needs of clients. MMS consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. MMS ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify MMS if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon MMS's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in MMS's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Educational Services**

MMS may provide non-personalized investment-related training and financial planning seminars to certain institutional clients as part of its educational services. MMS's

institutional educational services generally address issues involving employee participation in an employer-sponsored retirement plan. MMS can charge a fixed and/or hourly fee for these services and shall not render such educational services to its investment advisory clients. Should any of the employer's participants later engage MMS to render additional services, such work shall be done pursuant to a separate written agreement between the employer's participant and MMS, independent of the employer's engagement for educational services.

### **Tax Return Services**

Some clients engage MMS to file tax returns on their behalf. The Firm is either paid by check from the client or the amount is debited from their accounts.

### **DOL PTE 2020-02 Compliance**

MMS is also a fiduciary within the meaning of Title 1 of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are the laws governing retirement accounts when MMS provides investment advice to individual clients regarding individual retirement accounts. The way MMS makes money creates some conflicts of interests, so MMS ensures to operate under a special rule which requires the Firm to act in the individual clients' best interest and not put MMS's interests ahead of the individual clients.

Pursuant to this special rule's provisions, MMS must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put the Firm's financial interests ahead of individual clients when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees and investments;
- Follow policies and procedures designed to ensure that MMS gives advice in the best interest of individual clients;
- Charge no more than reasonable for services; and
- Provide basic information about conflicts of interest (which is further discussed throughout this Brochure).

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

MMS offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

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

MMS may charge a fixed fee and/or hourly fee for financial planning, bill paying, estate planning, estate settlement services and consulting services. These fees are negotiable, but generally range from \$500 to \$10,000 on a fixed fee basis and/or from \$50 to \$500 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. The fees for estate settlement services will vary and may be structured as a fixed or hourly charge or fee based on the gross value of the estate. If the client engages MMS for additional investment advisory services, MMS may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging MMS to provide financial planning and/or consulting services, the client is required to enter into a written agreement with MMS setting forth the terms and conditions of the engagement. Upon entering the written agreement, clients are provided with an estimated fee (fixed or hourly), based on the type and complexity of the services to be provided. The final fee is presented to clients upon completion of the financial planning and/or consulting services, and payable at this time.

### **Standard Wealth Management Fees**

MMS provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by MMS. MMS's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. MMS does not, however, receive any portion of these commissions, fees, and costs. MMS's annual fee is prorated and charged quarterly, in advance, based upon the ending quarterly value of the previous quarter. The annual fee varies (between 0.25% and 1.00%) depending upon the market value of the assets under management and the type of wealth management services to be rendered.

In addition, MMS may offer stand-alone, active investment management of individual stock portfolios. MMS's annual fee for these services is prorated and charged quarterly, in advance, based upon the ending quarterly value of the previous quarter. The annual fee varies (between 0.50% and 2.00%) depending on the market value of the assets under management. As discussed in Item 7, the firm's management fees are also subject to quarterly and annual minimums, which could result in a higher fee rate than the range set forth above.

### **MMS Investment Access Program**

MMS offers investment supervisory services to investors with managed portfolios below \$100,000 under its new MMS Investment Access Program. This lower touch program is aimed individuals with modest sized investment portfolios or assets which cannot be directly managed by MMS. Clients receiving services under this Program will be charged a fixed supervisory fee, which will be assessed on monthly or quarterly, per account basis. Clients given the option to pay via debit/credit card, account debit or direct payment via check or other means.

### **Fee Discretion**

MMS, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Additional Fees and Expenses Incurred by Clients**

Separate from the wealth management fees described above, clients will incur additional fees and expenses which are incidental to the investment advisory services performed under the *Agreement*. MMS will charge a monthly fee of \$25 per account for services related to performance reporting and outside account aggregation. These fees are directly debited from a client's account, as reflected on the monthly/quarterly statements provided by the custodian(s). MMS also reserves the right to charge a \$100 account closing fee, in lieu of continuing the management fee, which will be applied to offset the time and resources we must commit to transferring the account, liquidating holdings, tracking future corporate actions, and other related administrative matters. This closing fee will not under any circumstances operate as a penalty for termination. As discussed in Item 4, clients may also incur charges imposed by outside professionals they engage to implement the firm's financial planning and/or consulting recommendations (e.g., attorneys, accountants).

As further discussed in response to Item 12 (below), MMS generally recommends that clients utilize the brokerage and clearing services of Pershing LLC and its affiliates ("*Pershing*") for investment management accounts. MMS may only implement its investment management recommendations after the client has arranged for and furnished MMS with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Pershing*, any other custodians recommended by MMS, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in



addition to MMS's fee.

### **Fee Debit**

MMS's *Agreement* and the separate agreement with any *Financial Institutions* may authorize MMS to debit the client's account for the amount of MMS's fee, and may also allow for, where applicable, the deduction of other fees that may be agreed upon by MMS and the client. Such *Agreement* allows the *Financial Institution(s)* to directly remit investment advisory fees to MMS. Any *Financial Institutions* recommended by MMS have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to MMS.

### **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between MMS and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. MMS's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to MMS's right to terminate an account. Additions may be in cash or securities provided that MMS reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to MMS, subject to the usual and customary securities settlement procedures.

However, MMS designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. MMS may consult with its clients about the options and ramifications of transferring securities.

However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into an account after the inception of a quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. For assets that are withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Minimum Fee**

As a condition for starting and maintaining an investment management relationship, MMS generally imposes a minimum fee of \$1,250 per quarter or \$5,000 per annum. This minimum fee may have the effect of making MMS's service impractical for certain clients, particularly those with smaller investment portfolios. MMS, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and *pro bono* activities.

Clients receiving advisory services through the MMS Investment Access Program are not subject to these minimum fees. Applicable fees are set forth in the *Agreement*.

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

MMS does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

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

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

### **Methods of Analysis**

MMS's primary method of analysis can be described as fundamental. Fundamental analysis involves the fundamental financial condition and competitive position of a company. MMS will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### **Investment Strategies**

MMS works with each client to develop an investment Policy Statement (IPS) to achieve the client's goals. MMS tailors its services to the type of client (individual, trust, estate, company, etc.), the client's experience, as well as other factors such as the size of the portfolio, risk assumptions and the type of portfolio (qualified or non-qualified). MMS works with clients to build a diversified portfolio that seeks to optimize returns and minimize risk over the long term.

MMS utilizes the strategy of "Tactical Asset Allocation" for long term Investing. MMS centers its methodology on the use of investment vehicles that are within the classification of Core Equity, Core Fixed Income, Cash, Satellite, and Alternative Investments to make up models based on certain return/risk assumptions. Various subclasses such as large, medium, and small capitalization stocks comprise the Core Equity classification, while Short, Intermediate, and Long Term Bonds in both Corporate and Government are part of the Core Fixed Income classification. At one time, MMS may allocate all or none of one classification or subclass to the portfolio.

MMS utilizes various vehicles within the framework of the models to accomplish the intended results. According to the factors discussed above, MMS will use vehicles such as individual stock, bonds, separately managed accounts, institutional mutual funds, Hedge Funds, ETFs or Private Equity within the various models. The chosen vehicle could be one or the combination of two or more vehicles within the models. MMS does not add any outside Independent Manager without the consent of the client.

MMS determines the percentage to be allocated to any classification or subclass as well as the investment medium to be used and the percentage thereof to any model designed. In addition, MMS may add, increase, reduce or delete any individual named vehicle within the model or portfolio at any time. Managers are monitored and compared to indices and their peer groups, while individual equities are monitored and compared within their industry sector as well as their indices or other comparable groups.

MMS provides, to certain eligible clients, the opportunity to choose a portfolio invested

solely in stocks, or in conjunction with other portfolios. MMS offers six stock portfolios managed directly by MMS. The portfolios' range from a Value, Growth, Income, Dividend, Momentum or combination, each with a distinct investment objective and risk profile.

For Example: An income model would select stocks with high dividend yields and with the expectation of Moderate return on equity. MMS subscribes to various services that provide company financials, dividends, analysis research and projections. In addition, MMS uses its own staff for research of various individual stocks. The portfolios vary based on model, but usually are limited to 20 to 40 stocks with no more than 5 stocks from one sector. All stock models are compared to their suitable index or benchmark.

Furthermore, qualified plan investments for participation are selected from primarily mutual funds and ETFs. When possible, MMS uses Institutional Funds. With discretionary authority, MMS develops five models based on the Core Equity, Core Fixed Income, Cash, and Satellite investments. In some cases, alternative investments may be added. Risk Models are designed from conservative to aggressive. MMS decides the percentage of each class or subclass, as well as individual fund or funds and the percentage in each model. MMS rebalances the models based on markets and change funds or percentages based on performance as compared to peers or benchmarks.

All investments are selected and reviewed on an ongoing basis by MMS. Additionally, MMS's investment committee meets on a quarterly basis to review all investments. MMS's disciplined investment approach consists of:

- 1) Clarifying the client's financial goals and assessing risk tolerance and volatility;
- 2) Determining the asset class combinations that will best achieve those goals and what proportion of assets should be allocated to each asset class;
- 3) Evaluating the specific investments that will be used to build the client's portfolio;
- 4) Testing asset class allocations continually to determine how they perform under changing market conditions.
- 5) Rebalancing client portfolios at periodic intervals and recommending investment policy adjustments when appropriate.

## **Risks of Loss**

### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required

by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

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

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

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

### *Market Risks*

The profitability of a significant portion of MMS's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that MMS will be able to predict those price movements accurately.

### *Use of Private Collective Investment Vehicles/Private Equity*

MMS may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *Management Through Similarly Managed Accounts*

MMS may manage portfolios by allocating portfolio assets among various mutual funds

and/or securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “*investment strategy*”). In so doing, MMS buys, sells, exchanges and/or transfers shares of mutual funds and/or securities based upon the *investment strategy*.

MMS’s management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. MMS allocates investment opportunities among its clients on a fair and equitable basis.

*Use of Margin* To the extent that a client authorizes the use of margin, and margin is thereafter employed by MMS in the management of the client’s investment portfolio, the market value of the client’s account and corresponding fee payable by the client to MMS will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client’s portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client’s securities and/or other assets. Under certain circumstances, such a broker- dealer may demand an increase in the collateral that secures the client’s obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client’s obligations to the broker- dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client’s borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client’s profitability.

*Information Sources* MMS selects funds and securities for its clients’ accounts based in part on information and data that fund managers and issuers make available or file with various government agencies, or that is obtained from other sources. MMS can never learn all relevant information about a manager, fund or security and are not in a position to confirm the completeness, genuineness or accuracy of information and data that it receives. In some cases, complete and accurate information is not readily available. Further, MMS may misinterpret or incorrectly analyze the information that it has. These and other factors may cause MMS to (a) invest clients’ assets in funds and securities at times that will lead to losses in the clients’ portfolios or not invest in particular funds or securities at times that would have resulted in gains in clients’ portfolios had MMS caused them to invest. Fund managers are subject to the same limitations on their ability to obtain and correctly assess information about investments.

*Valuation Risks* Some investments may be difficult to value, including interests in private funds and other private securities. MMS generally determine the value of such investments in good faith. Any misvaluation could adversely affect investors, including causing them to pay MMS and the other managers higher fees than they would pay if the valuations were accurate.



*Trading Risks* The process of trading securities is complex and subject to error. MMS may make trade errors, and the terms of their agreements with the funds and clients may not require them to bear the costs of such errors or to reimburse the funds or clients for resulting losses. Trades are generally placed electronically. If an electronic trading system or component fails, it may not be possible to enter new orders, execute existing orders or modify or cancel orders, and order priority may be lost. Any such event may cause material losses for a fund or client account.

*Reliance on Technology* MMS and its service providers (including accountants, custodians, transfer agents and administrators) rely heavily on internal and third-party computer hardware and software, online services, data feeds, trading platforms, and other technology to conduct investment and trading activities. Disruptions to these systems or resources may make it difficult or impossible to implement the investment strategy and could materially and adversely affect the client accounts. Examples of such circumstances include natural disasters, terrorism, cybersecurity attacks, public service or utility disruptions such as those caused by fires, floods, earthquakes, market trading halts, systems failures and other extraordinary events.

*Cybersecurity* There can be no guarantee that the cybersecurity measures employed by MMS and its service providers (including accountants, custodians, transfer agents and administrators) will always succeed in fending off cybersecurity attacks from viruses, malware, computer hackers or other malicious corruption of their information technology systems. Cybersecurity breaches may cause disruptions to business operations, cause losses due to theft or other reasons, interfere with net asset value calculations, impede trading, or lead to violations of applicable privacy and other laws, regulatory fines and penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. MMS cannot control the cybersecurity plans and systems put in place by its service providers and the funds and issuers in which they invest. Any cybersecurity breach could materially and adversely affect clients.

*Adverse Tax Consequences* Some investments made by MMS may create adverse tax consequences to its clients.

*Regulatory Risks Related to Investment Advisers* Various federal, state and international proposals have been made to increase the regulation of investment advisers. In addition, the regulatory and tax environment for derivative securities and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of clients' investments. Actual regulatory and tax changes are impossible to predict, but any such changes may adversely affect clients.

## **Item 9. Disciplinary Information**

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

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

MMS is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. MMS has described such relationships and arrangements below.

### **Related Bank**

Shareholders of MMS and certain of its *Supervised Persons* are also shareholders of National Advisory Holdings, Inc. (“NAH”), a Delaware Corporation. NAH is the parent company of National Advisors Trust Services (“NATC”), a federally chartered trust company. NATC offers trust services to investment advisory clients. MMS may recommend the trust services of NATC to its clients on a fully-disclosed basis. However, clients are advised that such referral is a conflict of interest due to the common ownership among the companies.

## Item 11. Code of Ethics

MMS has adopted a code of ethics in compliance with applicable securities laws (“*Code of Ethics*”) that sets forth the standards of conduct expected of its *Supervised Persons*. MMS’s *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material, non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of MMS’s personnel (called “*Access Persons*”) to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, MMS *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm’s policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

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

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

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

## Item 12. Brokerage Practices

As discussed above, in Item 5, MMS generally recommends that clients utilize the brokerage and clearing services of *Pershing*.

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

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

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

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

Transactions for each client generally will be affected independently, unless MMS decides to purchase or sell the same securities for several clients at approximately the same time. MMS may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among MMS's client's differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among MMS's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that MMS determines to aggregate client orders for the purchase or sale of securities, including securities in which MMS's *Supervised Persons* may invest, MMS generally does so in accordance with applicable rules promulgated under the Advisers

Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. MMS does not receive any additional compensation or remuneration as a result of the aggregation. In the event that MMS determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, MMS may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

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

MMS may receive from *Pershing*, without cost to MMS, computer software and related systems support, which allow MMS to better monitor client accounts maintained at *Pershing*. MMS may receive the software and related support without cost because MMS renders investment management services to clients that maintain assets at *Pershing*. The software and related systems support may benefit MMS, but not its clients directly. In fulfilling its duties to its clients, MMS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that MMS's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence MMS's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, MMS may receive the following benefits from *Pershing* through the Pershing Wealth Managers Solutions Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional

Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

## **Item 13. Review of Accounts**

### **Account Reviews**

For those clients to whom MMS provides wealth management services, MMS monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom MMS provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of MMS’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with MMS and to keep MMS informed of any changes thereto.

MMS contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### **Account Statements and General Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom MMS provides investment advisory services will also receive a report from MMS that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from MMS.

### **Financial Planning and Consulting Reports**

Those clients to whom MMS provides financial planning and/or consulting services will receive reports from MMS summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by MMS.



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

### **Client Referrals**

MMS does not currently provide compensation to third-party solicitors for client referrals.

### **Other Economic Benefit**

MMS may receive an economic benefit from a third party (non-client) for providing investment advice to the firm's advisory clients. This type of relationship poses a conflict of interest, as discussed in Item 12.

## **Item 15. Custody**

MMS's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize MMS through such *Financial Institution* to debit the client's account for the amount of MMS's fee and to directly remit that management fee to MMS in accordance with applicable custody rules.

The *Financial Institutions* recommended by MMS have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to MMS. In addition, as discussed in Item 13, MMS also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from MMS.

## **Item 16. Investment Discretion**

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

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

There are also some clients that have not granted discretionary authority to MMS. In those instances, the clients retain the ability to transact in their accounts.

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

MMS does not accept the authority to vote clients' securities (i.e., proxies) on their behalfs. Clients receive proxies directly from the *Financial Institutions* where their assets are custodied and may contact the Firm at the number on the cover of this brochure with questions about proxies and/or other such solicitations.

## **Item 18. Financial Information**

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

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