

## **FINANCIAL MANAGEMENT SERVICES**

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**8240 Manderville Lane Apt. 524  
Dallas, TX 75231**

**and**

**333 NE 21st Ave., Suite 1510  
Deerfield Beach, FL 33441**

**Tel. (214) 505-1170  
[www.FinancialManagementServices.com](http://www.FinancialManagementServices.com)**

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**This brochure provides information about the qualifications and business practices of Financial Management Services ("FMS"). If you have any questions about the contents of this brochure, please contact us at the number listed above or [Ben@FinancialManagementServices.com](mailto:Ben@FinancialManagementServices.com). 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. FMS is registered with the SEC as an investment adviser; however, please note that such registration does not imply a certain level of skill or training.**

**Additional information about FMS is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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\* A NOTE ABOUT THE FORMAT OF THIS BROCHURE: The SEC requires all investment advisers to organize their disclosure documents according to specific categories, some of which may not pertain to a particular adviser's business. Where a required category is not relevant to our business, we list the category and state that it does not apply.

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## **A. ADVISORY BUSINESS**

### ***1. Background***

Founded in 1990, FMS is an independent, fee-only investment manager headquartered in Dallas, Texas, with a seasonal office in Deerfield Beach, Florida. FMS prides itself on developing long-term relationships with clients by providing a high level of dedicated, personalized service. Since its inception, FMS has been owned and operated by Benjamin A. Brown. You can find more information about Ben in Section F below.

### ***2. Services Provided***

FMS actively manages clients' separate securities accounts based on a thorough understanding of clients' particular financial situation and investment objectives. In doing this, FMS takes a customized portfolio construction approach instead of a "black box" or computer-generated model portfolio approach. Clients may place reasonable restrictions on the securities bought and sold for their accounts, so long as those restrictions do not interfere with our fundamental investment style. All portfolios are managed by the owner of the firm, who, with rare exception, is available to communicate with clients any day, at any time.

FMS's equity and balanced portfolios employ a conservative, disciplined value approach to security selection. This style is consistent with the needs of investors concerned with capital preservation. We seek high-quality, undervalued stocks that can be held for long periods of time. Occasionally, convertible securities, such as convertible preferred stocks and convertible bonds, are held where appropriate to the investment objectives and risk tolerances of the portfolio. Schwab's Money Market and Government Securities Funds are often used for cash equivalent needs, while CDs of financial institutions and U.S. Government fixed-income securities of varied maturities may be included in the non-equity portion of portfolios.

Although we make no guarantees about performance, our investment approach is risk averse, and strives to provide superior returns through market cycles, with better-than-market results during negative and flat periods, and near-market returns during strong advances.

Please see Section E below for more information about our portfolio management practices.

### ***3. Assets Managed***

As of December 31, 2023, FMS managed approximately \$279.6 million on a discretionary basis and \$690,000 on a non-discretionary basis.

### ***B. FEES AND COMPENSATION***

FMS's annual fees are generally 1.00% of the first \$500,000 of assets under management, 0.75% of the next \$500,000 of assets under management and 0.50% of assets above \$1,000,000, although in rare cases fees are negotiable.

At the end of each calendar quarter, we send a statement to each client showing the client's total assets under management at the end of the quarter and the end of the previous quarter, the arithmetic average (mean) of those amounts, and the fee, calculated as 1/4 of the applicable annual rate. A client may either pay us by check or authorize us to deduct the fees from the client's account. Each quarterly fee deduction must be separately authorized; we do not accept standing authority to deduct fees from client accounts.

Clients may terminate their advisory contracts with FMS at any time, without penalty. In the event of such termination, fees will be pro-rated based on the number of days in the billing quarter during which services were rendered. FMS will not assign the responsibility to manage a client's account without the client's express permission.

In addition to fees for our services, clients also are responsible for brokerage and other transaction costs incurred in trading for their accounts. (Please refer to Section J below for information about our brokerage practices.) Furthermore, in the event that we are retained to manage an account which contains or acquires mutual fund shares, our management fee shall be in addition to the fees and expenses charged by the fund. While FMS endeavors to help clients optimize their investment returns, we do not guarantee that clients will be invested in the lowest mutual fund expense share class at all times.

### ***C. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT***

This item does not apply to our business.

### ***D. TYPES OF CLIENTS***

FMS's client base consists of individuals (primarily, but not exclusively, high net-worth), trusts and individual IRA and 401(k) accounts. In the case of employee benefit accounts, FMS acts as a "fiduciary" as that term is defined under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue

Code. While FMS will undertake the management of a rollover retirement account at a client's request, FMS will not make any investment recommendations about a retirement account before being engaged to exercise discretion over the retirement assets.

FMS generally will not accept new accounts with assets of less than \$1 million. This amount might be altered because of long-standing relationships, anticipated client additions to assets under management or for other reasons.

#### **E. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

As noted in Section A above, FMS employs a conservative, disciplined value approach to selecting securities for our managed accounts. We seek to invest in high-quality, undervalued companies at low prices relative to earnings power, net assets or other benchmarks of value. In other words, we seek value with a growth overlay. We will occasionally seek growth stocks, but only at what we consider a significant discount to long-term value.

Portfolio turnover in our managed accounts has historically been very low, a characteristic important to clients sensitive to capital gains taxes and transaction costs. Nevertheless, although we typically engage in long-term purchases (securities that we hold for at least a year), we do, on occasion, engage in short-term purchases (securities held for less than a year); in rare cases, we may even "trade" securities (*i.e.*, buy and sell a security within 30 days).

Over extended periods of time, equities have consistently outperformed fixed-income investments, a relationship we believe will continue through future market cycles. Therefore, we expect the equity portion of most client portfolios to provide long-term growth of capital, while our fixed-income style focuses on capital preservation and a quality income stream intended to provide balance and stability to portfolios.

Although we are passionate about achieving our goals, we cannot guarantee that our management of client portfolios will result in any particular return within any particular time period. Investing in securities involves risk of loss that clients should understand and be prepared to bear.

##### **O A Closer Look at the Investment Process**

###### **Stocks**

FMS employs a bottom-up fundamental analysis, focusing on both investment quality and valuation. Our equity style employs a conservative

value approach to stock selection seeking high-quality, undervalued stocks that can be held for long periods of time. Generally, we screen out any investment opportunity that does not have what we believe is an upside potential of at least 100% within a 3-5 year period.

Utilizing both internal and external resources, we search for companies that meet our value and quality constraints. At times, our perception of inherent risk in a company or our inability to be comfortable with the fundamentals of the industry will cause us to summarily reject an opportunity.

Our value criteria include, though are not limited to, relative and absolute price/earnings and price/cash flow ratios, historical P/E and dividend yield levels, financial quality ratings and contact with company management. In addition, technical analysis is often used to support our fundamental analysis.

FMS does not generally recommend margin accounts, will rarely participate in initial public offerings ("IPOs"), does not buy or sell cryptocurrencies, options or other synthetic securities, and will not short stocks.

### Bonds

The fixed-income portion of a client portfolio is conservatively managed for capital preservation and current income. Fixed income securities may include U.S. Treasury securities, high-grade corporate bonds and municipal bonds. Our emphasis on high-grade, short and intermediate maturity bonds rated investment grade is important to the process of managing credit and price risk.

### Sell Discipline

A stock may be sold when we observe deterioration in fundamentals, a technical price breakdown without qualitative justification, or extreme overvaluation relative to historical parameters. Additionally, tax considerations, where appropriate, are evaluated with respect to the capital gains impact of the sale. We do not, however, offer "tax management" advisory services.

Occasionally a stock that has performed extremely well may become such a large portion of an individual portfolio that it becomes prudent to reduce the holding. While a portfolio may contain 20-30 different investments comprising positions of 3%-5% each, should any one issue grow to become greater than 10%, a partial sale may be undertaken in order to maintain proper overall risk tolerance for the portfolio.

## **F. ABOUT THE PRINCIPAL**

After obtaining his BBA degree in accounting from Adelphi University (Garden City, New York, 1964), Ben Brown (b. 1943) worked for a small CPA/law office in Forest Hills, New York. His career on Wall Street began in 1967, when he became a securities and portfolio analyst at Walston & Co., Inc., one of the larger retail stock brokerage firms at the time. Ben eventually became a vice-president with a specialty in the natural gas, electric and telephone utility industries. In 1971, while working on Wall Street, Ben obtained his MBA degree in Finance & Investments from the Bernard M. Baruch School of Business (City University of New York).

Ben and his wife, Elinore, moved to Dallas in 1974, when Lone Star Gas Company offered him a career opportunity as Vice President, Finance and Treasurer. While with the Lone Star Gas, ENSERCH Corporation and Enserch Exploration organizations, Ben was the primary officer responsible for financial community relations, dealing on a daily basis with stockbrokers, institutional shareholders, research analysts, pension fund managers, investment and commercial bankers, the major credit rating agencies and the media. After retiring from that career, Ben founded FMS and has been enjoying helping his clients achieve their financial goals ever since.

Ben and Elinore have two grown children. Adam, an information technology consultant, is married with 4 children and lives in Long Beach, CA, while his sister, Dina, also married, worked for a healthcare information systems company based in Kansas City, MO for 9 years and is now a full-time mother of 2.

## **G. DISCIPLINARY INFORMATION**

This item does not apply to our business.

## **H. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither FMS nor its principal is engaged in any business other than investment management, nor are we affiliated with parties engaged in financial industry activities.

## **I. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **1. Code of Ethics**

In accordance with SEC Rule 204A-1, FMS has adopted a Code of Ethics that describes certain standards of conduct that the firm will follow, and that addresses personal trading by Ben Brown and his related accounts. With regard to the standards of conduct, the Code of Ethics, among other things, affirms our fiduciary relationship with clients and obligates us to carry out our duties solely in the best interests of clients and free from all compromising influences and loyalties. The Code of Ethics also contains provisions designed to prevent us from improperly trading on inside information.

We would be pleased to provide a copy of our Code of Ethics upon written request.

## ***2. Participation or Interest in Client Transactions***

This section does not apply to our business.

## ***3. Personal Trading***

FMS may buy or sell for clients securities that Ben Brown or his family or other related accounts also own. At all times, however, actions taken on behalf of clients will be taken independently of the securities holdings of Mr. Brown or his related persons.

With regard to personal trading, the FMS Code of Ethics provides that neither Ben Brown nor any member of his immediate family will trade in any security being considered for purchase, sale or recommendation to clients on a particular day until all contemplated client transactions with respect to such security have been completed for that day. Notwithstanding this general rule, Ben may combine an order for securities for himself or his related persons with orders for client accounts, provided that if such a bunched order is only partially filled at the end of a trading day, the securities purchased (or sold) will be allocated ratably among all accounts. [Note however, that odd lots or positions generally less than one percent of an account's total market value will be avoided.]

## ***J. BROKERAGE PRACTICES***

FMS typically uses limit orders to buy or sell thinly-traded securities for client accounts. Market orders generally are placed only when we determine that there exists a high degree of liquidity and trading activity, such that the execution of a market order would not be expected to affect the market price of the security.

### ***1. Directed Brokerage***

FMS requires that each investment management client establish a securities brokerage account at Charles Schwab & Co., Inc. ("Schwab"), a member of the New

York Stock Exchange and other national and regional stock exchanges. We reserve the right to reject any investment management client who declines to maintain an account with Schwab. Please note that not all advisers require their clients to direct brokerage to a particular firm.

We have determined that directing brokerage through Schwab is in our clients' best interests because of the cost and quality of Schwab's trade executions. Moreover, when we trade through Schwab, our clients gain access to Schwab's institutional trading desk and institutional-only fund offerings; Schwab also makes certain load mutual funds available to our clients at net asset value and provides other accommodations typically not available to retail investors. Despite these benefits, it is theoretically possible that we may be unable to achieve most favorable execution on client trades because of this directed brokerage arrangement, which may cost clients more money.

## ***2. Research and Other Soft-Dollar Benefits***

In addition to executing trades for our managed portfolios, Schwab also provides custodial services to our clients and provides us with products and services that assist with the management and administration of client accounts. These additional products and services -- which are used in connection with all of our accounts and are not allocated to client accounts in proportion to the trading in such accounts -- include software that facilitates trade execution and clearance; research, pricing information and other market data; as well as software that assists with back-office support, recordkeeping and client reporting. These brokerage, research and administrative services benefit FMS because we do not have to produce the services ourselves or purchase them from another source. Consequently, we have an incentive to recommend Schwab based on our interest in receiving these services rather than on clients' interest in receiving most favorable execution.

Notwithstanding this incentive, as stated above, we believe that trading through Schwab is in our clients' best interests. FMS has not committed to direct any specific level of business to Schwab in order to receive ancillary services. Schwab does not currently charge FMS clients commissions for online equity trades, and we believe that the overall cost of doing business with Schwab is reasonable and competitive, in view of Schwab's execution abilities, its custody services and the institutional level of services it provides to our clients.

## ***3. Brokerage for Client Referrals***

FMS does not recommend the use of any particular broker-dealer in exchange for referrals of advisory clients.

#### ***4. Trade Aggregation***

FMS may bunch trades of managed accounts in order to obtain best execution. Where a bunched trade is only partially executed, the securities purchased (or sold) will be allocated ratably among all accounts. However, odd lots or positions generally less than one percent of an account's total market value will be avoided.

#### ***K. REVIEW OF ACCOUNTS***

FMS's principal reviews all portfolios at least once a month, usually twice per month and sometimes, weekly. When a new investment is being undertaken, all FMS client accounts are reviewed to ascertain the suitability of the investment for each account.

FMS sends periodic written reports to clients pertaining either to general topics of interest or specific company investments. Such reports are usually sent via e-mail.

#### ***L. CLIENT REFERRALS AND OTHER COMPENSATION***

This section does not apply to our business.

#### ***M. CUSTODY***

As noted in Section J above, Schwab maintains custody of clients' funds and securities. On at least a quarterly basis, Schwab sends each client an account statement identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during that period. We urge clients to review those statements carefully and to compare the information in them with the information contained in any reports clients receive from FMS.

#### ***N. INVESTMENT DISCRETION***

As described in Section A above, FMS typically accepts discretionary authority to manage securities accounts on clients' behalf. This is reflected in an "investment objectives" letter that FMS periodically sends to clients.

#### ***O. VOTING CLIENT SECURITIES***

##### ***1. Proxies***

We believe that an important ingredient of the investment process is an evaluation of management; therefore, if a condition arises where we would not be in concert

with the recommendations of management, we most likely would sell the security in advance of any proxy vote. For this reason, it is FMS's policy that all proxies that are voted on behalf of a client are voted in favor of the proposals and recommendations of the management of the companies held, unless FMS determines that a different vote is in the client's best interests or unless the client instructs otherwise.

Although it is highly unlikely, it is theoretically possible that FMS may be called on to vote a proxy in a situation that entails a conflict of interest. (This condition has never occurred to date.) Such a condition could arise, for example, if we had a business or personal relationship with the proponent of a proxy proposal or a candidate for a corporate directorship. In any such case, we either will contact clients for consent prior to casting a vote, or will seek advice from and follow the recommendation of an independent third party on the issue.

Clients may obtain information on how FMS has voted their proxies by calling, writing or e-mailing us.

## ***2. Class Actions***

Although FMS does not actively monitor all securities class actions affecting clients' investments or the issuers thereof, we do review the litigation claim notices we receive either from Schwab or our clients to determine the advisability of participating in class action settlements. Considerations include the reported size of the settlement pool and minimum claim requirements (if any), the number of shares in the class and the client's holdings during the claim period. Where FMS determines that it is advisable for a client to participate in a class action settlement, FMS will provide the necessary information and will either complete the claim form and deliver it to the client or will assist the client in completing the claim form. (This happens infrequently.) In all cases, the client is responsible for submitting his or her own class action settlement claims. Furthermore, FMS will not accept class action settlement proceeds on a client's behalf.

## ***P. FINANCIAL INFORMATION***

This item does not apply to our business.