

DIVERSIFIED PORTFOLIO MANAGEMENT, LLC
Form ADV Part 2A
Investment Adviser Brochure

December 31, 2010

This brochure provides information about the qualifications and business practices of Diversified Portfolio Management, LLC. If you have any questions about the contents of this brochure, please contact us at 620.225.6100 and/or LARRYC@DPMLLC.NET. 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 Diversified Portfolio Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration does not imply a certain level of skill or training.

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LARRYC@DPMLLC.NET

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Item 2: Summary of Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 620.225.6100 or by email at: LARRYC@DPMLLC.NET.

Additional information about Diversified Portfolio Management, LLC is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Diversified Portfolio Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Diversified Portfolio Management, LLC.

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Item 4: Advisory Business

Firm Description

Diversified Portfolio Management, LLC is an Investment Advisor providing advice to individuals, pension and profit sharing plans, trusts, estates and charitable organizations, corporations or other business entities, and other retirement accounts (IRA's, SEP's, etc.). Diversified Portfolio Management, LLC was founded in 2004.

Principal Owners

Larry C. Cook owns a 33.33% interest of Diversified Portfolio Management, LLC through a single-member LLC called Dimensional Advisors, LLC.

E. Kent Smoll and Carolyn Banning each effectively own a 33.33% interest of Diversified Portfolio Management, LLC through ownership of an LLC called Professional Wealth Advisors, LLC.

Types of Advisory Services

Diversified Portfolio Management, LLC provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations.

On occasion, Diversified Portfolio Management, LLC may provide consulting services for portfolio review and/or design of same without any on-going supervision and reporting.

On more than an occasional basis, Diversified Portfolio Management, LLC furnishes advice to clients on matters not involving securities, including such topics as personal finance, taxation issues, retirement planning, and trust services that often include estate planning.

Investment Supervisory Services

Diversified Portfolio Management, LLC provides continuous advice to clients regarding investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, Diversified Portfolio Management, LLC develops a client's personal investment policy statement and creates and manages a portfolio based on that policy. Diversified Portfolio Management, LLC will manage advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, growth and income, etc.). Diversified Portfolio Management, LLC may also offer these services to clients with Vanguard variable annuity products, whereby Diversified Portfolio Management, LLC will manage the underlying variable annuity sub-accounts on behalf of the client.

Diversified Portfolio Management, LLC will create a portfolio consisting of one or all of the following: individual equities, bonds, other investment products, ETF's (exchange traded funds), and no-load or load-waived mutual funds. Diversified Portfolio Management, LLC will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the

fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities.

When appropriate to the needs of the client, Diversified Portfolio Management, LLC may recommend the use of margin transactions or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

Financial Planning

Diversified Portfolio Management, LLC does not provide formalized financial planning services. The owners of Diversified Portfolio Management, LLC are Certified Public Accountants (CPA's) who, in order to comply with applicable professional standards, provide financial planning services through an affiliated CPA firm, Smoll & Banning CPA's, LLC.

Consulting

Diversified Portfolio Management, LLC also offers investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. Additionally, Diversified Portfolio Management, LLC may provide advice on non-securities matters; generally, in connection with the rendering of estate planning, insurance, and/or annuity advice.

Diversified Portfolio Management, LLC provides personalized, confidential planning and investment management to individuals, pension and profit sharing plans, trusts, estates and charitable organizations, corporations or other business entities, and other retirement accounts (IRA's, SEP's, etc.). Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Diversified Portfolio Management, LLC is strictly a fee-only investment advisory firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is affiliated with an entity, Heritage Financial Services, LLC, which sells financial products, life insurance, annuities, and securities. No commissions in any form are accepted by Diversified Portfolio Management, LLC, however, commissions may be earned by Supervised Persons as Registered Representatives of NEXT Financial Group, Inc.

Asset Management

Assets are invested primarily in no-load or load-waived mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Diversified Portfolio Management, LLC does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through Diversified Portfolio Management, LLC.

Tailored Relationships

Diversified Portfolio Management, LLC tailors advisory services to the individual needs of the client. The goals and objectives for each client are documented in our client relationship management system. Clients may impose restrictions on investing in certain securities or types of securities. Investment policy statements are created that reflect the stated goals and objectives, including any restrictions imposed by the client.

Agreements may not be assigned without client consent.

Wrap Fee Programs

Diversified Portfolio Management, LLC does not participate in a Wrap Fee Program.

Client Assets

Diversified Portfolio Management, LLC manages client accounts, and as of December 31, 2010 these assets totaled \$66,367,247.80, and, as of that date, all were discretionary accounts.

Item 5: Fees and Compensation

Compensation

Diversified Portfolio Management, LLC bases its fees on a percentage of assets under management and hourly charges.

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size or structure, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation. Lower fees for comparable services may be available from other sources.

Compensation – Investment Supervisory Services

Asset based management fees will be charged quarterly in advance based on a percentage of the client's assets under management at the beginning of that calendar quarter. Fees will be debited from the account in accordance with the client authorization in the investment advisory agreement. The compensation for our services, which include developing and implementing an investment policy statement based on the clients goals and objectives, monitoring a client's investment results, and reporting to the client on a quarterly basis, is as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Up to \$199,999	1.85%
\$200,000 to \$499,999	1.45%
\$500,000 to \$999,999	1.20%
\$1,000,000 or more	1.00%

Individual accounts for members of the same family, defined as husband, wife, and dependent children, are assessed fees based on the total account balance of all family accounts. In its first year, a new account will be charged an account set up fee of 0.25%, not to exceed \$50.00.

Compensation – Hourly Services

On occasion, clients may wish to obtain Diversified Portfolio Management, LLC's services for portfolio review and/or portfolio design without any on-going supervision and reporting. Under these circumstances, Diversified Portfolio Management, LLC charges an hourly rate which will range between \$150 - \$250 per hour depending on the size and complexity of client's portfolio. Hourly compensation is payable upon completion of the review.

Calculation and Payment

The specific manner in which fees are charged by Diversified Portfolio Management, LLC is established in a client's written agreement with Diversified Portfolio Management, LLC. Diversified Portfolio Management, LLC will generally calculate fees on a quarterly basis, in advance each calendar quarter. With client authorization, Diversified Portfolio Management, LLC normally directly debits fees from the applicable client accounts, however, depending on client's unique situation – such as the aggregate related party portfolio size or structure, family holdings, or pre-existing relationships with clients, fees may be directly billed to the client.

Diversified Portfolio Management, LLC clients pay fees in advance. In the case of an account termination, a client will receive a pro rata refund of any fees collected in advance, but not yet earned by Diversified Portfolio Management, LLC.

Termination of Agreement

Either the client or Diversified Portfolio Management, LLC may terminate any of the aforementioned agreements at any time by giving a 30 day written notification. If the client made an advance payment, Diversified Portfolio Management, LLC will refund any unearned portion of the advance payment.

Past Due Accounts

Diversified Portfolio Management, LLC reserves the right to stop work on any account that is more than 30 days overdue. In addition, Diversified Portfolio Management, LLC reserves the right to terminate any engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Diversified Portfolio Management, LLC's judgment, to providing proper advice. Any unused portion of fees collected in advance will be refunded within 30 days.

Receipt of Commissions

Diversified Portfolio Management, LLC does not accept compensation for the sale of securities or other investment products.

All of the principals and supervised persons (employees) are registered representatives with an unaffiliated broker dealer, and in that capacity, may receive compensation in the form of commissions on the sale of securities or other investment products. In the event a recommendation is made for a product that includes a commission, the type of compensation will be explained as well as the fact that they are acting in the capacity of a registered representative and not as an investment advisor.

General Information on Compensation and Other Fees

Diversified Portfolio Management, LLC's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment companies, and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees, and commissions are exclusive of and in addition to Diversified Portfolio Management, LLC's fee. Diversified Portfolio Management, LLC does not receive any portion of these commissions, fees, and costs.

Item 12 – Brokerage Practices further describes the factors that Diversified Portfolio Management, LLC considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

All fees paid to Diversified Portfolio Management, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and variable annuity sub-accounts to their shareholders. These fees and expenses are described in each fund's or sub account's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution 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 or sub-account directly, without the services of Diversified Portfolio Management, LLC. In that case, the client would not receive the services provided by Diversified Portfolio Management, LLC which are designed, among other things, to assist the client in determining which mutual funds or sub-accounts are most appropriate to each client's financial condition, goals, and objectives. Accordingly, the client should review both the fees charged by the funds/sub-accounts and the fees charged by Diversified Portfolio Management, LLC to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

Item 6: Performance-Based Fees and Side-by-Side Management

Performance Based Fees

Neither Diversified Portfolio Management, LLC nor any of its Supervised Persons (employees) accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Diversified Portfolio Management, LLC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Item 7: Types of Clients

Types of Clients

Diversified Portfolio Management, LLC generally provides investment advice to individuals, high net worth individuals, banking or thrift institutions, pension and profit sharing plans, trusts, estates and charitable organizations, corporations or other business entities, and other retirement accounts (IRA's, SEP's, etc.).

Account Minimums

The minimum account size is \$100,000 of assets under management, which equates to an annual fee of \$1,850. Diversified Portfolio Management, LLC may group certain related client accounts for the purposes of achieving the minimum account size.

Diversified Portfolio Management, LLC has the discretion to waive the account minimum. The decision to waive the account minimum may be influenced by certain criteria such as the historical client relationship, type of assets, anticipated future earning capacity, dollar amounts of assets to be managed, related accounts, account composition, and negotiations with clients.

Accounts of less than \$100,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$100,000 within a reasonable time.

Other exceptions will apply to employees of Diversified Portfolio Management, LLC and their relatives, or relatives of existing clients.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Diversified Portfolio Management, LLC employs fundamental analysis.

The main sources of information used by Diversified Portfolio Management, LLC include commercially available investment services, financial newspapers, periodicals, and issuer prepared information. We may also use outside consultants to provide expertise in certain circumstances.

Other sources of information that Diversified Portfolio Management, LLC may use include information from investment managers, financial service companies, data base companies, financial journals, government sources, Morningstar Principia mutual fund information, Morningstar Principia stock information, and the Internet.

Investment Strategies

Our advice is based upon long-term investment strategies that incorporate the principles of modern portfolio theory. Our investment approach is firmly rooted in the belief that markets are efficient, and that the investors returns are determined principally by asset allocation decisions, not market timing or stock picking.

The primary investment strategy utilizes broadly diversified portfolios of passively managed mutual funds strategically allocated to incorporate three specific risk factors: equity exposure, company size, and a book-to-market stock price factor. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the goals and objectives stated by the client during consultations. The client or outside factors may change these goals and objectives from time to time. Each client executes an Investment Policy Statement that documents their goals and objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, margin transactions, and covered option writing.

Diversified Portfolio Management, LLC primarily recommends mutual funds. Mutual funds carry the following material risks:

- Mutual funds are subject to market risk and volatility. Shares may lose or gain value. Diversification does not assure a profit or protect against loss.
- Shares of mutual funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.
- Before investing in any mutual fund, investors should carefully consider a fund's investment objectives, risks, charges and expenses. Fund prospectuses contain this and other information about the funds.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Diversified Portfolio Management, LLC reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. Diversified Portfolio Management, LLC may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship or on any investment on which the client requests advice.

Initial Public Offerings

Diversified Portfolio Management, LLC does not participate on behalf of its clients in initial public offerings.

Item 9: Disciplinary Information

Legal and Disciplinary

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Diversified Portfolio Management, LLC or the integrity of Diversified Portfolio Management, LLC's management. Diversified Portfolio Management, LLC has no information to disclose applicable to this Item.

Item 10: Other Financial Industry Activities and Affiliations

Financial Industry Activities

Diversified Portfolio Management, LLC is not registered as a broker-dealer. Its Supervised Persons are registered representatives of a broker-dealer, NEXT Financial Group, Inc.

Neither Diversified Portfolio Management, LLC nor any of its Supervised Persons are registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

Affiliations – Not Applicable

Neither Diversified Portfolio Management, LLC nor any of its Management Persons have a material relationship or arrangement with any related person or entity in the financial industry in the following areas:

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. Other investment adviser or financial planner
4. Futures commission merchant, commodity pool operator, or commodity trading advisor
5. Banking or thrift institution
6. Lawyer or law firm
7. Insurance company or agency
8. Pension consultant
9. Real estate broker or dealer
10. Sponsor or syndicator of limited partnerships

Affiliations – Applicable

Diversified Portfolio Management, LLC has arrangements that are material to its advisory business or its clients with a related entity that is an accounting firm.

Conflicts of interest can arise due to differences in the compensation received while acting in their capacity as a certified public accountant. The code of ethics of Diversified Portfolio Management, LLC requires that all conflicts of interest be resolved in favor of the client.

Broker-Dealer Registered Representatives

As described above, the Firms’ Management Persons and other Supervised Persons are registered representatives of NEXT Financial Group, Inc. This relationship could create a material conflict of interest with clients. Commissions vary from product to product and can create a conflict of interest between the stock broker’s own interests and those of the client. Clients will be made aware when a Supervised Person is acting as a registered representative and will be informed of any fees or commissions that will result from such transactions, should the client decide to utilize such services.

Other Investment Advisors

Diversified Portfolio Management, LLC does not recommend or select other investment advisors for its clients.

The Supervised Persons of Diversified Portfolio Management, LLC are investment advisory representatives of NEXT Financial Group, Inc. This relationship could create a conflict of interest with clients. Fees vary from one investment strategy to another and can create a conflict of interest between the investment advisory representative's own interests and those of the client. Investment advisor representatives are bound by a fiduciary responsibility to resolve any conflict of interest in the client's best interest.

Accountant or Accounting Firm

All of the Principals of Diversified Portfolio Management, LLC, are licensed certified public accountants and members of Smoll & Banning CPA's, LLC, a certified public accounting practice. Smoll & Banning CPA's, LLC provide income tax preparation, public accounting services, and financial planning services for separate and typical compensation. Smoll & Banning CPA's, LLC may provide advice regarding tax and estate planning, as well as other matters that do not fall within investment advisory services.

Smoll & Banning CPA's, LLC may recommend Diversified Portfolio Management, LLC to accounting clients in need of advisory services and vice versa. There are no referral fee arrangements between Diversified Portfolio Management, LLC and Smoll & Banning CPA's, LLC for these recommendations. No Diversified Portfolio Management, LLC client is obligated to use the Smoll & Banning CPA's, LLC for any accounting services and conversely, no accounting client of Smoll & Banning CPA's, LLC is obligated to use the advisory services provided by Diversified Portfolio Management, LLC. The Principals spend approximately 50% of their time on Smoll & Banning CPA's, LLC activities.

Insurance Company or Agency

The Supervised Persons of Diversified Portfolio Management, LLC may be appointed with several insurance companies and may be able to receive separate compensation for transactions implemented through various insurance companies. Clients are not obligated to use any company for insurance product purchases, and may work with any insurance agent they choose. Insurance compensation will be separate and distinct from financial planning fees charged by Diversified Portfolio Management, LLC. Supervised Persons spend less than 5% of their time on insurance sales.

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

Code of Ethics

Diversified Portfolio Management, LLC Supervised Persons must comply with a Code of Ethics and Statement for Insider Trading. The Code describes the Firms' high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

The Chief Compliance Officer reviews all employee trades each quarter. These reviews ensure that personal trading does not affect the markets, and that clients of Diversified Portfolio Management, LLC receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

All Supervised Persons of Diversified Portfolio Management, LLC must acknowledge the terms of the Code of Ethics at least annually.

Clients and prospective clients can obtain a copy of Diversified Portfolio Management, LLC's Code of Ethics by contacting Larry C. Cook at 620.225.6100.

Participation or Interest in Client Transactions – Personal Securities Transactions

Diversified Portfolio Management, LLC and its Supervised Persons may buy or sell securities identical to those recommended to customers for their personal portfolios. The Firm maintains a list of restricted securities that Supervised Persons may not purchase or sell based upon having (or possibly having) access to inside information.

Supervised Persons are required to put the best interests of the client first. Supervised Persons must comply with a Code of Ethics and Statement for Insider Trading. The Code contains provisions reasonably necessary to deter misconduct and conflicts of interest and to detect any violation.

Participation or Interest in Client Transactions

Neither Diversified Portfolio Management, LLC nor its Supervised Persons recommend to clients or buy or sell for client accounts, securities in which they have a material financial interest.

Diversified Portfolio Management, LLC and its employees may buy or sell securities that are also held by clients. Supervised Persons comply with the provisions of Diversified Portfolio Management, LLC's Compliance Program.

Participation or Interest in Client Transactions – Aggregation

Diversified Portfolio Management, LLC and its Supervised Persons may trade in the same securities with client accounts on an aggregated basis when consistent with Diversified Portfolio Management, LLC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Diversified Portfolio Management, LLC will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Item 12: Brokerage Practices

Research and Other Soft Dollar Benefits

Schwab Institutional may provide general access to research and perhaps discounts on research products. Any research received is used for the benefit of all clients. From time to time, Schwab Institutional may offer Diversified Portfolio Management, LLC Supervised Persons the ability to attend industry-related conferences or other benefits; however, Diversified Portfolio Management, LLC does not believe that such incentives impair Diversified Portfolio Management, LLC's independence. Clients should be aware, however, that Diversified Portfolio Management, LLC's receipt of economic benefits from a broker-dealer may create a conflict of interest since these benefits may influence Diversified Portfolio Management, LLC's choice of broker-dealer over another broker-dealer that does not furnish similar general research access or discounts on research products.

Schwab Institutional also offers other services intended to help Diversified Portfolio Management, LLC manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) 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 Diversified Portfolio Management, LLC. Schwab Institutional 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 Diversified Portfolio Management, LLC. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of Diversified Portfolio Management, LLC personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab Institutional, Diversified Portfolio Management, LLC 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 it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab Institutional, which may create a potential conflict of interest.

Diversified Portfolio Management, LLC receives, from time-to-time, a software maintenance credit of about \$3,600 per year from Charles Schwab & Company because some client assets are custodied at Schwab Institutional. This credit offsets annual maintenance fees for our portfolio management software. All clients benefit from this credit as it reduces the firm's overall expenses.

The selection of Charles Schwab & Company as a custodian for clients is not affected by this nominal credit.

Brokerage for Client Referrals

Diversified Portfolio Management, LLC does not receive client referrals from broker/dealers.

Directed Brokerage

If the client requests Diversified Portfolio Management, LLC to arrange for the execution of securities brokerage transactions for the client's account, Diversified Portfolio Management, LLC shall direct such transactions through broker-dealers that Diversified Portfolio Management, LLC reasonably believes will provide best execution. Diversified Portfolio

Management, LLC shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

Diversified Portfolio Management, LLC shall generally recommend that portfolio management clients establish brokerage accounts with Schwab Institutional, a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts.

Diversified Portfolio Management, LLC is independently owned and operated and not affiliated with Charles Schwab & Company. Schwab Institutional provides Diversified Portfolio Management, LLC with access to its institutional trading and custody services, which are typically not available to Charles Schwab & Company's retail investors. These services generally are available to independent investment advisors on an unsolicited basis and are not otherwise contingent upon Diversified Portfolio Management, LLC committing to Schwab any specific amount of business (assets in custody or trading).

For Diversified Portfolio Management, LLC's client accounts maintained there, Schwab Institutional is compensated through commissions or other transaction-related fees for securities trades that are executed through Schwab Institutional or that settle into Schwab Institutional accounts. The brokerage commissions and/or transaction fees charged by Schwab or any other designated broker-dealer are exclusive of, and in addition to, Diversified Portfolio Management, LLC's fees.

Diversified Portfolio Management, LLC may receive from Schwab, at no cost to Diversified Portfolio Management, LLC, professional services, computer software, and related systems support, enabling Diversified Portfolio Management, LLC to better monitor client accounts maintained at Schwab Institutional. Diversified Portfolio Management, LLC may receive this support without cost because of the portfolio management services rendered to clients that maintain assets at Schwab Institutional. The support provided may benefit Diversified Portfolio Management, LLC, but not its clients directly. In fulfilling its duties to its clients, Diversified Portfolio Management, LLC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Diversified Portfolio Management, LLC's receipt of economic benefits from a broker-dealer may create a conflict of interest since these benefits may influence Diversified Portfolio Management, LLC's choice of broker-dealer over another broker-dealer that does not furnish similar services, software, and systems support.

The commissions paid by Diversified Portfolio Management, LLC's clients shall comply with Diversified Portfolio Management, LLC's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Diversified Portfolio Management, LLC determines, in good faith, that the commission is 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 broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Diversified Portfolio Management, LLC will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Client Directed Brokerage

While not routine, a client may direct Diversified Portfolio Management, LLC to use a particular broker-dealer to execute some or all transactions for the client. This brokerage direction must be requested by the client in writing. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Diversified Portfolio Management, LLC will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by Diversified Portfolio Management, LLC. By directing brokerage, 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. Not all advisers require or allow their clients to direct brokerage. Subject to its duty of best execution, Diversified Portfolio Management, LLC may decline a client’s request to direct brokerage if, in Diversified Portfolio Management, LLC’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Trade Aggregation

Diversified Portfolio Management, LLC does not typically aggregate or block trades as most trades are mutual funds or exchange-traded funds where trade aggregation does not typically obtain any client benefit.

If aggregate or block trades are executed, the accounts for Diversified Portfolio Management, LLC or its employees may be included in an aggregate or block trade with client accounts.

Item 13: Review of Accounts

Reviews

The investment philosophy of Diversified Portfolio Management, LLC's was established and is monitored by the Principals of the Firm, Larry C. Cook, E. Kent Smoll and Carolyn Banning. Each of the Principals is also a client relationship manager. The Principals meet regularly to discuss overall firm investment philosophy and to ensure consistent application to client accounts regardless of the client relationship manager.

Each client is assigned a client relationship manager. The client relationship manager has the responsibility for communicating with the client, updating changes to the client's situation, and regularly reviewing the client's portfolio including the asset allocation and the specific assets included in the account. The client review includes comparing the portfolio and current security positions with the goals and objectives as outlined by the Investment Policy Statement, reviewing changes to the client's investment circumstances, evaluating the specific holdings, re-balancing the portfolio and communicating the current status of the portfolio and any recommended actions to the client.

Clients' accounts are reviewed regularly; formal reviews, including contact with clients, typically occur at least once a year.

Review Triggers

The firm believes in being fully invested in a passive, strategic asset allocation strategy and under normal circumstances would not recommend making changes resulting from changes in the market, political or economic conditions. Other conditions that may trigger a review are changes to tax laws, new investment information, and changes in a client's own situation.

Reporting

Each month, the custodian provides clients with an account statement for each client account, which may include individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance. In addition, the custodian provides clients with trade confirmations for each position bought and sold.

Diversified Portfolio Management, LLC provides clients with a quarterly report including an account appraisal that identifies the current positions as of the reporting date, amount owned, current value, capital contributions and withdrawals, and percentage weighting within the portfolio of each security. A performance summary is also provided for the portfolio during the most recent quarter, year-to-date, one-year, three-year, five-year, and ten-year cycles and from inception.

Item 14: Client Referrals and Other Compensation

Other Compensation

Diversified Portfolio Management, LLC does not receive economic benefits (other than normal compensation) from any firm or individual for providing investment advice except for a software maintenance credit as described in Item 12.

Compensation – Economic Benefits

Diversified Portfolio Management, LLC may recommend that clients establish brokerage accounts with the Charles Schwab & Company, a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Diversified Portfolio Management, LLC may recommend that clients establish accounts at Schwab Institutional, it is the client's decision as to who will custody assets. Diversified Portfolio Management, LLC is independently owned and operated and is not affiliated with Charles Schwab & Company.

Other Compensation – Brokerage Arrangements

See disclosure under Item 12, Brokerage Practices regarding compensation, including economic benefits received in connection with giving advice to clients.

Compensation – Client Referrals

Other than the Solicitation Agreement described below, Diversified Portfolio Management, LLC does not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Compensation – Client Referrals – Solicitation Arrangement

Diversified Portfolio Management, LLC has entered into a written arrangement to pay cash referral fees to certain Registered Representatives of a NEXT Financial Group, Inc., who recommends prospective clients. There is a written agreement between Diversified Portfolio Management, LLC as the Advisor and the Solicitor which clearly defines the duties and responsibilities of Diversified Portfolio Management, LLC under this arrangement. In addition, Diversified Portfolio Management, LLC will provide a written disclosure document, which explains to the prospective client the terms under which the Solicitor is working with the Diversified Portfolio Management, LLC and the fact that he is being compensated for the referral activities. Diversified Portfolio Management, LLC will also furnish a copy of the Advisor's written disclosure document (Form ADV Part 2) to the prospective client and obtain a written acknowledgement from the client that both Diversified Portfolio Management, LLC's and the Advisor's disclosure documents have been received.

Item 15: Custody

Custody – Fee Debiting

Diversified Portfolio Management, LLC has one form of custody. Clients may authorize Diversified Portfolio Management, LLC (in the client agreement) to debit fees directly from the client's account at the broker dealer, bank or other qualified custodian (custodian). Client investment assets will be held with a custodian agreed upon by the client and Diversified Portfolio Management, LLC. The custodian is advised in writing of the limitation of Diversified Portfolio Management, LLC's access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to Diversified Portfolio Management, LLC.

While Diversified Portfolio Management, LLC will assist clients in establishing and maintaining accounts at the custodian, Diversified Portfolio Management, LLC shall have no responsibility or liability with respect to custodial arrangements or the acts, omissions or other conduct of the custodian.

Custody – Account Statements

As described in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that Diversified Portfolio Management, LLC provides. Diversified Portfolio Management, LLC statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities

Item 16: Investment Discretion

Discretionary Authority for Trading and Limited Power of Attorney

Through the investment management agreement, Diversified Portfolio Management, LLC may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows Diversified Portfolio Management, LLC to execute trades on behalf of clients.

When such limited powers exist between the Diversified Portfolio Management, LLC and the client, Diversified Portfolio Management, LLC has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, Diversified Portfolio Management, LLC may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to Diversified Portfolio Management, LLC in writing.

All clients sign an Investment Policy Statement that contains a specific asset allocation model designed to meet the goals, objectives, and risk tolerance of the Client. Diversified Portfolio Management, LLC strictly adheres to the portfolio allocations contained in the Client's Investment Policy Statement when placing trades.

Item 17: Voting Client Securities

Proxy Voting

Diversified Portfolio Management, LLC does not have any authority to and does not vote proxies on behalf of clients. Diversified Portfolio Management, LLC also does not render advice to or take any actions on behalf of clients with respect to any legal proceedings, including bankruptcies and shareholder litigation. Clients retain the responsibility for receiving and voting proxies and any legal proceedings for securities maintained in their portfolios; clients receive these corporate actions from directly from either custodians or transfer agents.

Item 18: Financial Information

Financial Condition

Diversified Portfolio Management, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Diversified Portfolio Management, LLC is not required to provide a balance sheet; Diversified Portfolio Management, LLC does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$600 per client, and six months or more in advance.

Other Information

Privacy

Diversified Portfolio Management, LLC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver our Privacy Notice to you annually, in writing.

Business Continuity Plan

Diversified Portfolio Management, LLC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. The Business Continuity Plan covers natural and man-made disasters. Electronic files are backed up daily and archived offsite.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. Diversified Portfolio Management, LLC's intention is to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Item 19: Requirements for State Registered Advisors

Management Background

See disclosure in Form ADV Part 2B.

Other Business

See response to Item 10 – Other Financial Industry Activities and Affiliations.

Performance-Based Fees

Neither Diversified Portfolio Management, LLC nor any supervised persons are compensated by performance-based fees.

Disciplinary Disclosures

Neither Diversified Portfolio Management, LLC nor any management persons have been involved in any activities resulting in a disciplinary disclosure.

Issuer of Securities

Neither Diversified Portfolio Management, LLC nor any management persons have any relationships or arrangements with any issuer of securities.

DIVERSIFIED PORTFOLIO MANAGEMENT, LLC

Form ADV Part 2B

Investment Adviser Brochure Supplement

Supervisor: Larry C. Cook, Chief Compliance Officer

Supervisor of:

E. Kent Smoll

Carolyn Banning

December 31, 2010

This brochure supplement provides information about the Firm's Supervised Persons that supplements the Diversified Portfolio Management, LLC's brochure. You should have received a copy of that brochure. Please contact Larry C. Cook/Chief Compliance Officer if you did not receive Diversified Portfolio Management, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about the Firm's Supervised Persons is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration does not imply a certain level of skill or training.

2410 Central Avenue
Dodge City, KS 67801
620.225.6100
LARRYC@DPMMLLC.NET

Educational Background and Business Experience

Supervised Persons

LARRY C. COOK

Year of Birth: 1956

Business Background:

Smoll & Banning CPA's, LLC
Member

1999 to Present

Diversified Portfolio Management, LLC
Member/Chief Compliance Officer

2004 to Present

CBIZ/S&B Business Services, Inc./Smoll & Banning CPA's, LLC
Director/Member

1999 to 2003

Education Background:

AA, Dodge City Community College
BA, St. Mary of the Plains College
MBA, Wichita State University

Professional Designations and Licenses:

Certified Public Accountant/Personal Financial Specialist (CPA/PFS)

E. KENT SMOLL

Year of Birth: 1952

Business Background:

Smoll & Banning CPA's, LLC
Member

1998 to Present

Diversified Portfolio Management, LLC
Member

2006 to Present

S&B Business Services Inc./CBIZ Western Kansas, Inc.
President

1998 to 2003

Education Background:

Wichita State University
BSA, Kansas State University

Professional Designations and Licenses:

Certified Public Accountant/Personal Financial Specialist (CPA/PFS)

CAROLYN BANNING

Year of Birth: 1955

Business Background:

Smoll & Banning, CPA's, LLC
Member

1998 to Present

Diversified Portfolio Management, LLC
Member

2006 to Present

S&B Business Services, Inc./CBIZ Western Kansas, Inc.
Vice President

1998 to 2003

Education Background:

BSA, Washburn University

Professional Designations and Licenses:

Certified Public Accountant/Personal Financial Specialist (CPA/PFS)

Explanation of Professional Designations

Certified Public Accountant (CPA) CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

Personal Financial Specialist (PFS) The PFS credential demonstrates that an individual has met the minimum education, experience and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an unrevoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA. A PFS credential holder is required to adhere to AICPA's *Code of Professional Conduct*, and is encouraged to follow AICPA's *Statement on Responsibilities in Financial Planning Practice*. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA.

Disciplinary Information

Neither Diversified Portfolio Management, LLC nor any Supervised Persons have been involved in any activities resulting in a disciplinary disclosure.

Other Business Activities

Disclosure on Outside Business Activities is provided in Form ADV Part 2A Item 10 – Other Financial Industry Activities and Affiliations above.

Additional Compensation

No Supervised Person of Diversified Portfolio Management, LLC receives any economic benefit, outside of normal compensation, related to amount of sales, client referrals or new accounts.

Supervision

Larry C. Cook, Chief Compliance Officer supervises all persons named in this Form ADV Part 2B Investment Adviser Brochure Supplement. Larry C. Cook may be reached at 620.225.6100.

All supervised persons are in one location. Periodic staff, investment and ad hoc meetings are held. Reports are prepared and reviewed each quarter. Review of client and personal trading. Ad hoc reviews of portfolios.

Requirements for State Registered Advisers

Neither Diversified Portfolio Management, LLC nor any management persons have been involved in any activities resulting in a disciplinary disclosure.