



Mountain Pacific Investment Advisers

Brochure

December 31, 2011

This brochure provides information about the qualifications and business practices of Mountain Pacific Investment Advisers. If you have any questions about the contents of this brochure, please contact Bruce Reeder at 208-336-1422. 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.

Mountain Pacific Investment Advisers is a Securities and Exchange Commission registered investment adviser. Registration does not imply a certain level of skill, training, or experience.

Additional information about Mountain Pacific Investment Advisers is also available on the Internet at www.adviserinfo.sec.gov

Mountain Pacific Investment Advisers
877 Main Street
Suite 704
Boise, ID 83702
Phone: (208) 336-1422



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Item 2. ADVISORY BUSINESS

Mountain Pacific Investment Advisers ("Mountain Pacific") and its predecessor have provided investment advisory services for over 35 years, advising clients from across the country, with a specific focus on Idaho, the Mountain West and the Pacific Northwest. The firm is independent and has no affiliation with a brokerage firm, bank or insurance company. The three principal owners of the firm are William Palumbo, Rod MacKinnon, and Bruce Reeder.

Mountain Pacific manages on a discretionary basis approximately \$661 million in assets as of December 31, 2011. The firm maintains one large institutional account and private client accounts (including individuals, small company retirement plans, trusts, and foundations).

Economic and investment cycles are inherently unpredictable, and efforts to "time" these cycles will not produce consistent performance results. However, there are certain companies whose operating records have exhibited a resistance to cyclical influences. We have developed a specific set of criteria to identify these "consistent growth stocks", one of which is valuation. This investment strategy is called "growth at a reasonable price", or GARP. Most of these companies are mid-capitalization in size.

We diversify across industry sectors to control the common stock selection risk in each portfolio. To control overall stock market volatility, we balance the portfolio with an allocation to fixed income and cash. For one large institutional account, we are required to invest in a portfolio of mid-capitalization GARP stocks.

For our private clients we create individualized investment portfolios with a mix of primarily common stocks and fixed income securities to meet their objectives. For many private clients, the asset mix is usually based on investment goals, risk tolerance and time horizon. The investment advisers work closely with clients to understand and monitor any changes in financial circumstances that would result in changes to the investment portfolio. Clients may impose restrictions on certain securities if they desire.



Item 3. FEES AND COMPENSATION

Figure 1 shows a typical fee schedule for Mountain Pacific's investment services. The firm does reserve the right to negotiate lower fees when required by competitive circumstances, or when clients do not use the full range of our services. Management fees are prepaid, but only for periods of 90 days. Clients may elect to have fees deducted from their assets or be billed for fees incurred. Fees are generally calculated and payable quarterly, based upon the market value of assets managed at the end of each preceding calendar quarter. Money market funds, mutual funds, and exchange-traded funds (ETFs) generally with "embedded" fees may also be included in our fee calculations. Additionally, clients may pay custodial fees in connection with their accounts, although this is not the norm. All clients will incur brokerage and other transaction costs that are discussed in Item 8, Brokerage Practices.

If an account is terminated, fees will be prorated to the date of termination and any unearned portion of prepaid fees will be refunded to the client.

The firm utilizes three primary custodians, Morgan Stanley Smith Barney Inc., D. A. Davidson & Co., and Charles Schwab & Co Inc., which generally do not charge custodial fees on managed accounts. The bank custodians do charge custodial fees, as negotiated with the client. MPIA does not share in any of these fees.

Figure 1. Typical Fee Structure

Fee Parameters and Schedule
<ul style="list-style-type: none">▪ Equity and Balanced Accounts<ul style="list-style-type: none">▪ 1.00% on the first \$1,000,000▪ 0.75% on the next \$2,000,000▪ 0.50% thereafter▪ Fixed Income Accounts<ul style="list-style-type: none">▪ 0.50% management fee



Item 4. PERFORMANCE FEES AND SIDE-BY-SIDE MANAGEMENT

Mountain Pacific does not currently have an investment management contract containing a performance fee. However, in the past, performance fees above the contract rate have been paid. Long-term performance and trading activity are similar to other private client accounts. Refer to Item 3, Fees and Compensation for our typical fee schedule.



Item 5. TYPES OF CLIENTS

Our private clients primarily consist of individuals, trusts, small company retirement plans, and foundations. Additionally, the firm manages a mid-capitalization portfolio for one large institutional account.

In general, our minimum required account size is \$750,000. However, we may accept accounts of lesser size with the potential to grow significantly through subsequent contributions.



Item 6. METHODS OF ANALYSIS, STRATEGIES AND RISK OF LOSS

Mountain Pacific employs a fundamental investment strategy to manage client assets. This involves the study and analysis of company financial statements. Mountain Pacific may invest in a universe of companies that include common stock and fixed income securities publicly traded on exchanges and markets in the United States.

The investment strategy used to select common stocks is “Growth at a Reasonable Price”, or GARP (see Item 2, Advisory Business). The firm seeks to diversify investments across industry sectors and emphasizes investments in companies that demonstrate consistent growth through an entire economic cycle.

Fixed income securities might include U.S. Treasuries, U.S. agencies, certificates of deposit, U.S. corporate bonds, and preferred stocks. Mountain Pacific employs a passive fixed income approach with “laddered” maturities in sequential years to minimize the risk of changes in interest rates. Mountain Pacific does not try to time or guess movements in interest rates. The firm’s fixed income strategy is designed to “balance” a portfolio, thereby reducing its exposure to the volatility of the stock market.

The firm generally invests the cash balances in either taxable or tax-free money market funds.

Clients should be aware that investments made on their behalf are risky and that loss of client funds is possible in both individual selections and in total, especially with respect to common stocks.



Item 7. CODE OF ETHICS AND PERSONAL TRADING

The firm's code of ethics provides a standard of conduct and addresses conflicts that may arise from personal trading by firm personnel. As a fiduciary, Mountain Pacific must act in the best interest of its clients and must avoid or disclose any conflicts of interest. The firm's code of ethics memorializes these fundamental principles and provides a framework for implementing protocols for adhering to the code. These include the following:

1. Our duty is to put the interests of the client first.
2. The investment advisers should not take inappropriate advantage of their positions.
3. Information concerning the identity of security holdings and financial circumstances of clients is confidential.
4. Independence in the investment decision-making process is critical.
5. All personal securities transactions should avoid any conflict of interest or abuse of the adviser's responsibility, and must be done according to the firm's code of ethics.

Upon request, Mountain Pacific will provide a copy of our code of ethics.

Occasionally, the firm's staff may invest in the same securities owned by its clients. The firm's staff may not execute personal securities transactions on the same day that client trades for identical securities are conducted. Applicable transactions must be cleared in advance by the Chief Compliance Officer or in his absence by one of the principals authorized to approve requested transactions. Additionally, firm's staff is required to submit quarterly personal securities transaction reports to the Chief Compliance Officer, who then reviews the reported transactions. Generally, the firm staff trades infrequently and the size of the trades is insubstantial creating relatively limited potential for conflicts of interest.



Item 8. BROKERAGE PRACTICES

Single large institutional client

We receive research and related products or services from various broker-dealers and a third party in return for the execution of trades (“soft dollar benefits”). The firm benefits from the research and related products because we do not need to produce or pay for these services. We acquire broker-dealer proprietary research and related services by negotiating “bundled” commission rates on trades. The bundled commission includes a broker’s commission as well as the cost of the trade execution.

For one of our broker-dealers, we try to reach a certain level of soft dollars to receive the company’s research. As a result, we may direct trades in order to reach this target. This may create a conflict of interest if the firm fails to receive “best execution”.

The firm utilizes Capital IQ, a company that provides pricing, research, and analytical and reporting tools that aid in our investment decision-making process. The firm has the ability to use soft dollars from a broker-dealer to pay for these services and NYSE, AMEX, and NASDAQ listing fees. This may result in a conflict of interest if the firm directs trades to this broker and the firm fails to receive best execution.

Soft dollar commissions are used for the benefit of all clients, but the firm does not allocate these commissions to other client accounts. Soft dollars commissions may cause a client to pay a higher commission rate than otherwise available and may create a conflict of interest for Mountain Pacific in that it has an incentive to select the broker-dealer providing specific services.

We are committed to achieve best execution, that is, the best terms reasonably available under the circumstances. To accomplish this we consider several factors including quality of services, value of research, effectiveness of communication, ability to execute trades, and commission rates. During the year, we evaluate the various broker-dealers used and allocate commissions according to the benefits provided.

Private Clients

Mountain Pacific recommends that private clients select either Charles Schwab & Co. Inc. (Schwab), Morgan Stanley Smith Barney, or D.A. Davidson for their custodian/broker. Our firm is independently owned and operated and not affiliated with any of these firms. Schwab, Morgan Stanley Smith Barney, and D.A. Davidson may provide products and services that assist us to manage and administer accounts, including software and technology to facilitate trade execution, provide pricing information, payment of adviser fees, and support for back office functions, recordkeeping, and client reporting. They may also provide research and compliance support that is used for the benefit of all clients. As a result, we do not have to produce or purchase these services directly for our clients.

As long as our assets at Schwab are at least \$10 million, we do not have to pay for Schwab services. We believe that our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab’s services and not Schwab’s services that benefit us. We do not believe that recommending our clients to collectively maintain at least \$10 million of assets at Schwab in order to avoid paying quarterly service fees to Schwab presents a material conflict of interest.



We recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, advantageous compared to other available providers. We consider a range of factors, including transaction services and asset custody services, capability to execute trades, capability to facilitate transfers and payments, quality of services, competitiveness of the price of services, reputation, financial strength, stability, and prior service to us and our clients. We believe our clients pay commissions that are competitive with other brokerage firms.

When a client directs us to use a specific brokerage firm, we may not be able to achieve the best execution of trades or achieve competitive transaction costs.

Mountain Pacific generally aggregates purchases or sales for multiple clients in a single transaction and each client account receives an average price. However, in the event orders are partially filled, portfolio managers will use their discretion, considering client cash levels, existing positions, or other factors to allocate shares. This may result in a benefit to some clients over others.



Item 9. REVIEW OF ACCOUNTS

The firm divides account management responsibilities among the four portfolio managers based upon origin of the account, mutual agreement or client preference. Each portfolio manager has responsibility for reviewing their primary portfolios on a monthly basis to ensure the account is adhering to proper asset allocation, risk tolerance, and diversification guidelines.

The firm provides written semi-annual reports to each client. The report includes a letter describing the investment climate and two financial reports for each managed portfolio: a statement of assets and a statement of changes in investments. The latter report incorporates the beginning market value, deposits and withdrawals, realized and unrealized capital gains, interest, dividends, fees, and ending market value. The letter also includes a rate of return calculation.



Item 10. PAYMENT FOR CLIENT REFERRALS

We receive an economic benefit from Schwab in the form of the support product and services it makes available to us. These products and services and the related conflicts of interest are described in Item 8, Brokerage Practices. These services are available to us on an unsolicited basis and are not tied to trading or commissions paid.

Mountain Pacific receives client referrals from Schwab through participation in the Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Mountain Pacific. Schwab does not supervise Mountain Pacific and has no responsibility for its management of client portfolios or other advice or services. Mountain Pacific's participation in the Service may raise potential conflicts of interest described below.

Mountain Pacific pays Schwab a participation fee on all referred accounts that are maintained in custody at Schwab. The participation fee paid by Mountain Pacific is a percentage of the fees the client owes to Mountain Pacific or a percentage of the value of the assets in the client's account. Mountain Pacific pays Schwab the participation fee for the period in which the referred client's account is in Schwab's custody. The participation fee is billed to Mountain Pacific quarterly and may be increased, decreased or waived by Schwab from time to time. Mountain Pacific is responsible for paying the participation fee, not the client. Mountain Pacific has agreed not to charge clients referred through the Service fees greater than the fees it charges clients with similar portfolios that are not referred through the Service.

The participation fee is calculated based on assets in accounts of Mountain Pacific's clients who were referred by Schwab and family members living in the same household. Thus, Mountain Pacific has incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Mountain Pacific's fees directly from the accounts.



Item 11. CUSTODY

Mountain Pacific is deemed to have custody of client funds when the firm is allowed to deduct its investment management fees directly from client accounts. Many clients authorize this practice because they find it more convenient than writing and mailing checks to the firm. The custodian (brokerage firm or bank) maintains actual custody of client assets. All clients receive account statements at least quarterly, directly from the custodian through e-mail or the postal service. Clients should carefully review the statements and compare them to copies of the fee invoices received from Mountain Pacific.



Item 12. INVESTMENT DISCRETION

Mountain Pacific maintains discretionary authority that provides the firm with the ability to manage securities and implement investment decisions on behalf of clients. A client may provide written instructions to impose limitations on specific security transactions, however, in practice, this is rarely done. Mountain Pacific and the custodian keep copies of the limited power of attorney documents. Prior to obtaining discretionary authority, we work closely with clients to understand their investment goals, risk tolerance, and time horizon. We use this information to develop investment portfolios that will meet their objectives. (Refer to Item 2, Advisory Business)



Item 13. VOTING CLIENT SECURITIES

Mountain Pacific generally possesses authority from clients to vote proxies on their behalf. However, a limited number of clients elect to retain voting authority for the securities in their portfolios. These clients receive proxy forms for their securities or other related solicitations directly from their custodians. These clients may elect to contact us with questions related to specific solicitations.

Mountain Pacific has a fiduciary obligation to vote in the best interests of its clients on proxy issues. Generally, Mountain Pacific will form a single opinion on proxy issues and place votes consistently across client accounts. Portfolio managers use the proxy voting process as an important tool for exercising shareholder influence in matters of corporate governance.

The firm has established policies on each proxy issue to support its decision when casting votes. Mountain Pacific's voting policies are as follows:

Stock-based compensation plans

Mountain Pacific generally votes with management unless it has information that would prompt it to vote against the plans. Mountain Pacific will consider the recommendation of a company's Board in the absence of facts or specific guidelines to support a vote against management.

Corporate takeovers

Mountain Pacific generally opposes measures that prevent corporate takeovers or buyouts. These measures have the potential to allow management to act in a manner contrary to the best interest of shareholders.

Approval of independent auditors

Mountain Pacific generally supports management's recommendation to approve the auditor except in instances where audit and audit related fees make up less than 50% of the total fees paid by the company to the auditor. The relationship between the company and its outside auditors should be limited primarily to auditing and should not raise any issues of independence.

Election of Board of Directors

Mountain Pacific generally supports the Board's nominees. However, Mountain Pacific will look to approve a nominated slate that results in a Board comprised of a majority of independent directors. Also, all members of the audit, nominating, and compensation committees should be independent of management. Mountain Pacific will support proposals to declassify Boards and block efforts for classified Board structures, in which only part of the Board is elected each year.

Shareholder rights

Mountain Pacific favors simple majority votes for matters submitted for shareholder approval and would vote against proposals to impose super-majority requirements. Additionally, Mountain Pacific would likely vote against proposals for a separate class of stock with different voting rights.



Mountain Pacific will generally support shareholder resolutions that allow shareholders to vote on the adoptions of rights plans (poison pills). Management and directors should not generally be permitted to adopt such plans without shareholder approval.

Corporate and Social Policy issues

Occasionally, shareholders will request that management or Boards of Directors address certain issues of corporate or social policy. Mountain Pacific typically votes against these types of proposals, as it believes ordinary business matters are the responsibility of management and the Board of Directors.

Other

Mountain Pacific's policies and procedures cannot encompass every foreseeable voting situation. However, Mountain Pacific does strive to vote each proxy proposal in the best interests of its clients. Mountain Pacific considers a company's Board recommendations in the absence of facts or specific guidelines to support a vote against management.

Resolving Conflicts of Interest

The firm is independent and not affiliated with a broker-dealer or any other company. Mountain Pacific is solely engaged in the investment advisory business. As a result, it is unlikely that Mountain Pacific would have any material conflicts of interests during its voting process. In the event of a conflict, Mountain Pacific would take measures to ensure clients receive adequate information regarding the shareholder vote so the client may make an informed decision about whether or not to consent.

A copy of our proxy voting policies and records of proxy votes are available upon request:

Bruce Reeder

Mountain Pacific Investment Advisers
877 Main Street, Suite 704
Boise, ID 83702



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*Does not apply so it is not included.