

**Perkins Capital Management, Inc.**

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**This brochure provides information about the qualifications and business practices of Perkins Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (952) 473-8367 or [info@perkinscap.com](mailto:info@perkinscap.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. The use of the term “registered investment adviser” in this brochure does not imply a certain level of skill or training.**

**Additional information about Perkins Capital Management, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Material Changes**

There are no material changes to this brochure.

## **Advisory Business**

Perkins Capital Management, Inc. (the Firm) is a privately held corporation that has been in business since January 1, 1985. Throughout this document, use of the terms “the Firm”, “we”, “ours” “us” and “PCM” will refer to Perkins Capital Management, Inc. or employees of Perkins Capital Management, Inc. The owners of the Firm are Richard W. Perkins, President, Daniel S. Perkins, Executive Vice President, and Richard C. Perkins, Executive Vice President. Each of the owners are also portfolio managers. There is one additional portfolio manager, Harry A. L. Lindberg, Jr. who is a Vice President of the Firm. The main business of the Firm is providing fee based investment advisory and investment supervisory services on a fully discretionary basis. We do not provide financial planning.

All our accounts are fully discretionary. Prior to opening an account with the Firm, clients discuss their investment needs with one of the four portfolio managers. This assists the portfolio manager in deciding on the investment objective for the account. It is at this time that clients may make a request for special handling of their account. Also, portfolio managers contact clients on an ongoing basis to ensure proper service to their accounts. For clients who require higher current income or less volatility than is normally associated with equity investing, we will manage balanced portfolios which contain fixed income investments.

The main objective of PCM is to generate a positive real rate of return over an extended period of years for our clients. Investment strategies vary based on the type of account and the investment objectives of the client, as well as the style of the individual portfolio manager. Our two main account types are equity and balanced.

## ***Equity Accounts***

Our approach to equity investing can be characterized as a search for opportunity. Our primary focus is on companies which appear to be undergoing positive change that may not be recognized in the market place. Such changes include new products, processes, strategies or management. We also search for companies that are likely candidates for acquisition by another company. Situations like this could provide higher earnings, and when acknowledged by others in the market place, could result in a higher price earnings ratio. Generally, equity investments will be held for a longer period of time in individual (taxable) accounts than they will be held in a pension or IRA (tax deferred) account. This provides the client with potentially lower capital gains on their taxable accounts.

We do not believe in trading – in fact, we tend to under-trade. Patience is an important ingredient in successful investing. Once purchased, situations must be given time to develop. Other investors must recognize the change we have identified and must make purchases at higher prices. The elements of change may result in expansion phases that last for years. We try to stay with a winner as long as necessary to fully capitalize on it. Sometimes strong nerves are required. If we err, we prefer to hold too long rather than sell too soon. For individual clients our objective is to concentrate on increasing the after-tax value of their portfolio. For tax

deferred portfolios, we adhere to many of the same principles because we would rather stay with a winner than sell it and risk losing the position.

### ***Balanced Accounts***

Our approach to fixed income investing is to seek maximum income consistent with high quality investments. In our balanced accounts we analyze the outlook for both short-term and long-term interest rates. We will assess both the domestic and international economic scene. In our opinion, the most important factors when selecting fixed income securities are the credit rating, yield curve analysis and liquidity. We prefer a minimum credit rating of A by Moody's or Standard & Poor's rating service. We analyze the yield curves of government, corporate, and municipal bonds looking for inequities in yields which may provide an opportunity. Assessing liquidity requires that the security have excellent marketability. Again, the search for opportunity is a focal point to our investing. If we believe that a fixed income security is selling below estimated worth because of a lack of institutional acceptance, we will look further into it. If an issue has special indenture features that are not fully recognized in the market place or if an issue received a rating upgrade, we will further analyze for investing.

### ***Assets Under Management***

As of December 31, 2011, Perkins Capital Management, Inc. provided discretionary services to 301 accounts for a total of \$163.7 million in assets under management, including the Perkins Discovery Fund and Pyramid Partners, L.P., a Minnesota Limited Partnership. Richard W. Perkins and Daniel S. Perkins co-manage the Perkins Discovery Fund, which had assets under management of \$13.0 million as of December 31, 2011. PCM is the General Partner for Pyramid Partners, L.P. As of December 31, 2011 the Partnership had assets under management of \$6.1 million.

### **Fees and Compensation**

Standard Fee Schedule, charged per quarter in arrears:

First \$500,000 of assets	.375% per quarter
Excess of \$500,000 of assets	.25% per quarter

Accounts under \$250,000 of assets may be charged at the rate of .50% per quarter.

Fees are negotiable depending upon size of account and client servicing needs.

Clients are billed at the beginning of each calendar quarter based upon the market value of their account at the end of the previous quarter. This total value of assets will include any margin or debit balances, investments in mutual funds, and money market funds. Clients must be aware that mutual funds and money market funds incur additional expenses and fees above the amount charged by us. Certain exchanges charge fees for selling shares and these amounts may be charged to the client account. For accounts that do not have a wrap fee agreement, commissions and other brokerage fees may be charged to their account as transactions occur. For more information on brokerage, see the brokerage section of this brochure.

Some clients are invoiced while others have their fees directly deducted from their accounts. Some clients invest in private company securities which are not listed or priced through an exchange. The prices of these securities are determined by PCM employees after discussion with the private company. The pricing of these securities will affect the fee paid by the client. The pricing of these private securities creates a direct conflict of interest. For more information on these types of investments, please see the section on **Methods of Analysis, Investment Strategies and Risk of Loss**.

Either PCM or any client may terminate their contract with thirty (30) days notice. This notice should be in writing via email, fax or postal mail. If a contract is terminated prior to the end of the quarter, a pro-rata reimbursement will be made to the client for the portion of the fee not used.

We are also the investment advisor to the Perkins Discovery Fund, one of a series of professionally managed portfolios. As the advisor, we are paid a monthly management fee that is accrued daily. The amount of the fee is based on the average daily net assets of the Fund at the rate of 1.00% annually and is paid in arrears.

We are also the General Partner of Pyramid Partners, L.P., a Minnesota Limited Partnership. As General Partner, we make all investment decisions and execute all transactions. We are paid a fee of .25% quarterly in arrears based on the net asset value of the partnership at the end of the quarter. In addition to the regular quarterly fee, we may receive an incentive allocation each year of 20% of the net profit allocated to each Limited Partner in the Partnership. This incentive allocation is subject to a “high water mark”. This means we only receive the incentive when the Limited Partner’s share of cumulative net profit through and including the current year exceeds the highest previous level of cumulative net profit. The incentive is always computed based on the performance over periods of at least 12 months.

PCM is compensated on a fee basis. We are not affiliated with any broker/dealer and do not receive commissions on the sale of securities.

## **Performance-Based Fees/Side-By-Side Management**

Perkins Capital Management, Inc. does receive a performance based fee for being the General Partner of Pyramid Partners, L.P., (the Partnership) a Minnesota Limited Partnership. The performance fee is outlined in the previous section, **Fees and Compensation**.

Investment decisions for the Partnership are made independently from those of other client accounts managed by PCM, including the Perkins Discovery Fund (the Fund). However, identical securities could be acceptable for the Partnership, the Fund and client accounts. If identical securities are purchased for the Partnership, the Fund and other client accounts, the length of time the securities are held may differ. The price of the security may differ when bought or sold, as well as fees on transactions such as commissions, markups or markdowns.

The side-by-side management of individual client accounts, the Partnership and the Fund creates a conflict of interest. By managing these accounts together there may be incentive to favor the

Partnership over other accounts for PCM due to the performance incentive in that account. To address this conflict we have created procedures to follow which are outlined in the section entitled **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**.

Employees and family members of PCM are allowed to maintain investment accounts. These accounts are referred to as affiliated accounts. These affiliated accounts are maintained within the same computerized portfolio management system as all accounts. This allows for all affiliated account transactions to be monitored on an ongoing basis.

Purchase or sale transactions could be initiated for a client account, including the Perkins Discovery Fund and Pyramid Partners, L.P., in securities in which affiliated accounts have an interest. Likewise, transactions could be initiated for an affiliated account in securities in which a client account is invested. These transactions could occur independently from client account transactions. The transactions in affiliated accounts could also be grouped together with client accounts as a part of a larger order. When combining transactions, the affiliated accounts and client accounts will receive the same share price. This can give affiliated accounts a better share price than they could have negotiated without participating in the grouped transaction. Grouped transactions involving affiliated accounts are not independent or “arms-length”. An affiliated account may receive more of a benefit than a client account. Also, the number of shares purchased or sold may be larger or smaller for an affiliated account than for a client account.

Purchase or sale transactions can involve the sale of stock from a client account to an affiliated account. Transactions can also involve the sale of stock from an affiliated account to a client account. These transactions are known as cross transactions. If a cross transaction is to take place, the client will be notified of the transaction and will be requested to provide authorization before the transaction occurs. Cross transactions from an affiliated account to a client account, or vice versa, create a clear conflict of interest between the interests of the client and the interest of the affiliated account holder. Therefore, client authorization is required.

All of the above listed transactions can be material and create a clear conflict of interest between the investment of client assets and affiliated accounts. PCM has developed a code of ethics, code of conduct and rules to minimize the impact of these transactions. An outline of our code of ethics, code of conduct and other procedures is available in the section titled **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**.

## **Types of Clients**

PCM provides investment advice to the following types of clients:

- Individuals;
- IRAs, IRA Rollovers, Roth IRAs & SEP accounts;
- Trusts;
- Estates;
- Charitable Organizations;
- Corporations and Other Business Entities;
- Employee Benefit Plans (e.g. pension and profit sharing plans).

We also provide investment advisory services to the Perkins Discovery Fund, a registered mutual fund, as well as Pyramid Partners, L.P., a Minnesota Limited Partnership.

In addition to client accounts, employees of PCM are allowed to have their own investment accounts. These accounts are known as affiliated accounts and are monitored in the same manner as client accounts. For more information on management and trading in all accounts, please refer to the previous section entitled **Performance-Based Fees/Side-by-Side Management**.

We prefer that accounts have a minimum balance of \$250,000, but have made and may make exceptions to this minimum.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

PCM uses a combination of fundamental, technical, and chart analysis in selecting companies for investment. It is our belief that multiple methods of analysis are appropriate in most investments. We use computer systems to derive fundamental data on companies of interest. Technical analysis is also used as an aid in selecting industries and companies which appear to offer the best investment opportunities at a particular time. Chart analysis aids us in selecting the best time/price entry or exit point for a security.

Much of our information used in analysis comes from financial newspapers and magazines, financial journals, subscriber services and research reports. Some of the research reports are prepared by independent research organizations, while others are provided to us by brokerage firms. We do rely on the annual and quarterly reports put out by the companies as well as prospectuses and SEC filings (forms 10-K and 10-Q).

Personal visits to corporations and discussions with company management provide us with details that are not available in many of the reports. We believe that first-hand knowledge of a company and its management are important when making investment decisions. Personal meetings with research analysts and attendance at research and trade association conferences are also part of our information gathering process.

Success in something as difficult as the stock market does not come by chance. It is almost always the result of hard work combined with experience and adherence to a sound investment strategy. It is our job to digest a multitude of facts and opinions and to take action based on the judgments we make. Markets fluctuate to great extremes and often successful investments go through at least one severe reaction before coming to fruition. Therefore, we require that clients have a strong financial base and the ability to withstand market fluctuations. In order for a client relationship to be successful, our client must have the ability and willingness to grant investment authority to us so that we have the discretion to act at the proper time. Our clients must understand that the volatility of the market will affect their account performance. Just as the indexes go up and down, so will the value of their accounts.

Occasionally, we will invest in private companies (venture capital). This includes, but is not limited to, investment in companies which have only limited operations. We also participate in

private investments in public entities (P.I.P.E.s). These are publicly traded companies which are seeking private capital. Both types of investments are only for accredited accounts with the ability to withstand extreme uncertainty. Investments such as these are extremely volatile and come with a high amount of risk. Some of the risks include:

- There is no market for the securities;
- There are significant restrictions on transferability of the securities;
- Liquidation is generally unavailable;
- The shares are not registered for sale under the Securities Act of 1933.

Employees of PCM may also invest in these types of securities. A conflict of interest is created when portfolio managers invest for themselves as well as clients. Occasionally, these companies may offer securities to the public by means of a registered public offering. While our employees may invest in venture capital or private placements, they are not allowed to invest in primary or secondary offerings.

Clients need to be aware that employees of PCM may be on the board of directors for some of the companies in which investments are made, both public and private. Employees of PCM may also be general partners and/or limited partners in partnerships in which clients are invested.

As of December 31, 2011, Richard W. Perkins was on the board of directors for the following public companies:

- intelofilm, Corp.
- Nortech Systems, Inc.
- Synovis Life Technologies, Inc.

Richard W. Perkins was also on the board of the following private companies:

- American Oats, Inc.
- Duke Financial Group, Inc.
- Perkins Capital Management, Inc.
- Perkins and Partners, Inc.
- 730 East Lake Street, LLC

He is also on the board of directors for the Perkins Foundation, a non-profit entity. Partnerships in which he is General Partner include 724 Associates, LP; and 726 Associates, LP. He is also a limited partner of Pyramid Partners, L.P. and an investor in Full Circle Productions, L.P.

As of December 31, 2011, Richard C. Perkins was on the board of directors for the following public company:

- Sajan, Inc.

Richard C. Perkins is also on the board of directors for the following private companies:

- Perkins Capital Management, Inc.
- 730 East Lake Street, LLC.



He is also on the board of directors for the Perkins Foundation, a non-profit entity and is a limited partner of Bentsen Bay Farms.

Daniel S. Perkins is on the board of directors of the following private companies:

- Perkins Capital Management, Inc.
- 730 East Lake Street, LLC.

He is also on the board of directors for the Perkins Foundation, a non-profit entity.

Daniel S. Perkins is also a limited partner of Spell Capital Partners Fund II, LP.

### ***Investment Risks***

Clients must be aware of the risk that they may lose all or a portion of their investments. The following principal risks can affect the value of a client account:

- **General Market Risk:** the market price of a security may fluctuate, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time.
- **Management Risk:** The advisor may fail to implement client's investment strategies and meet the investment objective of the account.
- **Smaller Companies Risk:** Investing in securities of smaller companies including micro-cap, small-cap, medium-cap and less seasoned companies often involve greater volatility than investing in larger, more established companies and these securities may be less liquid than other securities.
- **Diversification Risks:** Many accounts hold fewer than 30 individual securities. As a result, an increase or decrease in the value of a single security held in the account will have a greater impact on the account's value and return on investment.

### **Disciplinary Information**

Neither PCM nor any of our employees have had disciplinary events that would prevent or limit our ability to do business as an investment advisor.

### **Other Financial Industry Activities and Affiliations**

Richard W. Perkins, Richard C. Perkins and Daniel S. Perkins were all registered representatives of ASKAR Corporation until December 31, 2010, when their employment ended. Each of them has the ability to reactivate their Series 7 license within two (2) years if they become employees of another broker/dealer.

PCM is an investment adviser to The Perkins Discovery Fund (the Fund), one of a diversified series of Professionally Managed Portfolios. The Fund is an open-ended management investment company, otherwise known as a mutual fund. As the adviser, we provide the following services to the Fund:

- Managing the investments of the Fund;
- Furnish the Fund with office space;
- Provide certain administrative services;
- Report to the Fund Board on a quarterly basis;
- Vote proxies and file the Form NP-X

PCM is also the General Partner for Pyramid Partners, L.P. (Partnership), a Minnesota Limited Partnership. Pyramid Partners, L.P. is a private investment limited partnership. Units of the Partnership are only available to persons who are accredited investors.

More information on the Perkins Discovery Fund and Pyramid Partners, L.P. is available in the section titled **Performance Based Fees/Side by Side Management** of this document.

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

### *Code of Ethics*

PCM has adopted a code of ethics. The general principles of our code are as follows:

- The duty to always place the client's interest first;
- All employees are required to conduct personal investment transactions consistent with the Code of Ethics and the Perkins Capital Management, Inc. compliance manual;
- Employees should not take inappropriate advantage of their positions;
- All client information is confidential;
- Independence in the investment decision making process is paramount;
- Honesty, integrity and professionalism shall be followed in all our business activities.

Each of these principles are further outlined in our compliance manual, which is reviewed at least annually.

As a federally registered investment adviser, PCM must comply with all the rules set forth under the Investment Advisers Act of 1940 (the Act). Specific activities which are prohibited in the Act are:

- To employ any device, scheme or artifice to defraud a client;
- To mislead any client, including making statements that are untrue or omit material facts;
- To engage in any act, practice or course of business conduct which operates or would operate as a fraud or deceit upon a client;
- To engage in any manipulative practice with respect to any client;
- To engage in any manipulative practice with regard to securities, including price manipulation.

The PCM Code of Ethics is an outline of the rules and procedures that all employees must follow. The more specific areas covered by our code are privacy, personal securities trading,

individual securities blackout periods, trading versus investment, and directorships. For a copy of our Code of Ethics, please contact Compliance at [info@perkinscap.com](mailto:info@perkinscap.com).

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

PCM is the investment adviser to the Perkins Discovery Fund (the Fund) and the General Partner of Pyramid Partners, L.P. (the Partnership), a Minnesota Limited Partnership. Our portfolio managers may recommend that clients invest in the Fund, the Partnership or both. Employees of PCM may also invest in the Fund, the Partnership or both.

Employees of PCM may invest in private placement securities (i.e., private companies which have limited operations or publicly traded companies which are seeking private capital). Portfolio managers of PCM may recommend these same investments to clients. Prior to investing in a private placement security, the employee must receive written approval from Compliance.

Employees of PCM may be on the board of directors for either public or private companies and may invest in the companies in which they are a director. As a board member they may receive compensation in the form of cash or options or both from the company. Portfolio managers of PCM may recommend these investments to clients. Special black-out rules apply to these investments. These rules may create illiquidity in a client account which can adversely affect the client.

Employees of PCM may buy or sell securities in their affiliated accounts that are also owned by clients, including the Fund and the Partnership. Employees may also buy or sell securities from their affiliated accounts to client accounts, and vice versa. These transactions are known as “cross-transactions”. In the event of a cross-transaction, the client will be notified prior to the transaction taking place. If the client does not approve, the transaction will not occur.

Each of these types of transactions create a conflict of interest in the investment of client assets. Any employee or their affiliated account participating in these transactions must abide by the rules set forth in the following section titled **Personal Trading**.

### ***Personal Trading***

The personal trading policies and procedures implemented at PCM are designed to allow employees to invest in a manner that is consistent with the fiduciary relationship that exists between us and our clients.

Employees of PCM are allowed to have investment accounts. Employee accounts and their family accounts are known as affiliated accounts. These accounts are monitored using the same computer portfolio management program as client accounts. The following code of conduct has been established to minimize or avoid conflicts of interest with client accounts:

1. No transaction in a security can be made for an affiliated account before all contemplated orders have been completed for client accounts, unless it is a grouped transaction. If the

affiliated account is included with client accounts in a grouped transaction, the affiliated account must receive the same share price as the client accounts.

2. If transactions for client accounts and affiliated accounts are completed on the same day and through the same broker/dealer, client transactions will receive an equal or better share price than any affiliated account, unless it is a bunched transaction and all prices and fees are the same.
3. Affiliated accounts may only purchase certain securities under specific circumstances or may not be allowed to invest in certain securities. A public offering by an issuer where a public market had not previously existed is one type of security. These securities are commonly known as initial public offerings (IPOs). A public offering by an issuer where a public market has previously existed is known as a secondary offering. Affiliated accounts are not allowed to invest in either of these types of investments.
4. All affiliated accounts are required to maintain records of all securities transactions within PCM's computerized portfolio management system. The minimum information required is as follows:
  - a) Name of security;
  - b) Number of shares held;
  - c) Transaction date;
  - d) Transaction price;
  - e) Name of broker/dealer effecting the transaction.
5. The following securities are exempt from this code of conduct, except provision 4, the recordkeeping provision:
  - a) Obligations of the U.S. Government or its agencies;
  - b) Rights offerings issued pro-rata to all holders of a class of securities;
  - c) Transactions involving a number of shares which is minor in relation to the total number of shares outstanding (less than ½ of 1%) of such security.

Policies and procedures on our personal trading practices are available upon request. Please use the contact information on the front page of this document.

## **Brokerage Practices**

Portfolio Managers or the order desk at PCM select the broker/dealers to execute security transactions in most client accounts. When this occurs it can create a conflict of interest. Employees of PCM may consider any of the following factors when selecting a broker/dealer:

- Best price;
- Prompt execution;
- Willingness to commit capital;
- Quality and timeliness of the research provided;

- Ability to negotiate commissions;
- The size of the order;
- Whether the broker is a market maker in the security;
- Overall responsiveness to PCM's trading needs

Perkins Capital Management, Inc. may pay a brokerage commission in excess of what another broker might have charged for the same transaction. This may be done for the following reasons:

- Recognizing the value of research;
- Research-related materials and information;
- Securities pricing provided by the broker;
- If the broker brought the idea to us;
- The security is a part of a special offering.

Some broker/dealers create a trade error account in the event that an erroneous transaction occurs. If the trade error results in a gain in the client account, the broker/dealer may hold the gains in the trade error account to offset any losses that may occur in the future. At times, the client account may retain gains on erroneous transactions. Client accounts will not retain losses on an erroneous transaction. The client account will always be made whole.

### ***Research and Other Soft Dollar Benefits***

The research products and services provided by brokers may come directly from the broker or may be sent to us by an outside third party, but paid for by the broker. The outside research products are paid for by a portion of the commissions generated by client transactions. These commissions are considered Soft Dollars. There are three broker/dealers that provide us with third party research:

- Piper Jaffray & Co.;
- Knight Capital Group;
- RBC Wealth Management

Piper Jaffray & Co. was the custodian broker for many of our clients until third quarter 2011. Since Piper Jaffray & Co. is no longer a custodian for many of our clients, PCM no longer uses Piper Jaffray & Co. for as large of a percent of transactions and therefore may or may not generate soft dollars.

RBC Wealth Management is the custodian broker for many of our clients. As such they receive a significant amount of commissions from client transactions. A portion of the commissions are used to pay for outside research products. Some of these products include: real time quotation services; technical charting databases; independent technical research reports; quantitative research reports; sector analysis reports; and independent analysts' newsletters. There may be items that are used partially for administrative purposes. These items are partially paid for by soft dollars, and the remainder is paid for by PCM. PCM designates what percent of the cost should be allocated to soft dollars and what percents should be allocated to hard dollars. This

creates a conflict of interest. For a complete list of services provided, please use the contact information provided on the cover page of this form.

Knight Capital Group provides execution of trades, in-house research, and research products provided by third party vendors. For a complete list of services provided, please use the contact information provided on the cover page of this form.

Directing trades to these brokers can create a conflict of interest due to the extra services provided to PCM. The research products from third party vendors are used in management of all accounts, and not necessarily the accounts in which commissions were generated. Transactions executed through these broker/dealers may result in lower quality trade execution.

In selecting these brokers over other brokers, the same factors are considered as listed above under the **Brokerage Practices** heading.

### ***Brokerage for Client Referrals***

There are five broker/dealers that refer clients to PCM. These broker/dealers are:

- Benjamin F. Edwards;
- Morgan Stanley Smith Barney;
- Raymond James;
- RBC Capital Markets;
- UBS Financial Services.

When PCM is retained by these companies, the broker/dealers may:

- Pay management fees on behalf of the client;
- Execute the client's portfolio transactions without commission charges;
- Monitor the accounts performance;
- Act as custodian.

PCM does not direct client transactions to any particular broker in return for client referrals.

### ***Wrap Accounts***

There are some brokers who recommend us to their clients. In these arrangements, the broker executes transactions in the account without commission charges, monitors the account's performance, and may provide custodial services to the account. Through a special arrangement with the broker, a flat fee is assessed to the account which is known as a "wrap fee". This fee is split between PCM and the broker. In such arrangements, the fee does not exceed our normal fee schedule. In these accounts, transactions are effected "net" and a portion of the wrap fee is in lieu of commissions.

When evaluating a wrap fee arrangement, a client should consider whether the services provided by the broker/dealer would exceed the total cost of these services if provided separately and if

PCM had the ability to negotiate commissions. The client must understand that PCM does not have the ability to negotiate brokerage commissions in these arrangements and the total fee the client pays may be more. Clients must also understand that PCM may not receive the best price available for their transaction since they are required to use a specific broker. This can create a conflict of interest between wrap account clients and non-directed clients when purchasing the same security.

### ***Directed Brokerage***

PCM permits clients to direct brokerage transactions to an individual broker. If a client desires to use a specific broker for transactions, they are required to notify us in writing. Directing us to use a particular broker reduces our ability to negotiate reduced commissions on the client's transactions. The client may not be able to benefit from savings when grouped transactions are executed through other brokers. In addition, if grouped transactions and discounts are negotiated with the broker to whom the client has directed their account, the client may not benefit from the negotiated discount. Many times in a directed account, the client may have negotiated a flat commission. In this event, the flat commission may be larger than the negotiated discount we have obtained for the other accounts in the grouped transaction. This can create a conflict of interest between directed brokerage accounts and non-directed accounts when purchasing the same security

## **Review of Accounts**

Each portfolio manager reviews their accounts on an ongoing basis and at least annually. The portfolio managers maintain contact with clients on an ongoing basis. Reviews of the accounts may include running reports, analyzing performance, reviewing holdings, reviewing gains and losses as well as asset allocation.

The following reports are provided to clients:

#### **Quarterly:**

- Portfolio appraisal report as of the quarter end;
- Transaction summary report for the quarter;
- Performance report for the quarter, year-to-date, and since inception;
- Statement of realized gains and losses for the year-to-date;
- Statement of dividends and interest received and expenses paid for the year-to-date.

#### **Annually:**

- Portfolio appraisal report as of the year end;
- Transaction summary report for the fourth quarter;
- Performance report for the fourth quarter, the year, and since inception;
- Statement of realized gains and losses for the year;
- Statement of dividends and interest received and expenses paid for the year.

## **Client Referrals and Other Compensation**

PCM does not compensate anyone for referrals. The only compensation received at PCM is fees paid by clients for the investment advisory services provided.

## **Custody**

PCM holds custody of client assets in the following two ways:

1. Most client accounts have advisory fees automatically deducted.
2. PCM is the General Partner of Pyramid Partners, L.P., a Minnesota Limited Partnership.

To comply with the Investment Advisors Act of 1940, PCM's client assets are held in the client name with a qualified custodian. The qualified custodians send statements directly to the client on at least a quarterly basis. Assets held at the custodian may differ from the assets owned by the client and PCM is aware of the differences. These differences may be due to uncertificated securities or certificates that are held by another custodian or the originating company. PCM maintains a list of these differences and reviews it on a monthly basis. In addition, PCM will begin to have surprise examinations by an independent public accountant to verify client assets in 2013.

Pyramid Partners, L.P., statements are sent to each limited partner on a quarterly basis. The Partnership is audited on an annual basis and the audited financial statement is sent to each limited partner. The audit is performed by an outside accounting firm that is registered with the Public Company Accounting Oversight Board.

## **Voting Client Securities**

Item 15 of our client contract reads: "*Client hereby retains all authority and responsibility to vote proxies for any stocks held in the Account unless voting authority is specifically delegated to PCM, Inc. by initialing the following space \_\_\_\_\_.*" If a client initials this space on the contract, PCM will vote all proxies according to their proxy voting procedures. Our procedure for voting proxies is often to vote with the management of the company. If a client does not initial the space, the client will retain the right to vote their own proxies. Further information on the voting policies and procedures is available upon request through the contact information on the cover page of this form.

## **Financial Information**

Financial information is not required.



**Item 1.**

Richard W. Perkins  
730 Lake Street East  
Wayzata, Minnesota 55391  
(952) 473-8367

Perkins Capital Management, Inc.  
730 Lake Street East  
Wayzata, Minnesota 55391  
(952) 473-8367 Phone  
(952) 473-4702 Fax

Supplement as of March 31, 2012

This brochure supplement provides information about Richard W. Perkins that supplements the Perkins Capital Management, Inc. brochure. You should have received a copy of that brochure, known as the ADV Part IIA, last year or when you opened your account. Please contact Lisa R. Schmidt, VP, Compliance at the above phone number or email [info@perkinscap.com](mailto:info@perkinscap.com) if you did not receive Perkins Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Richard W. Perkins is available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **Item 2. Educational Background and Business Experience**

### **Education:**

BA Finance, University of Wisconsin (1955)  
MBA Finance, University of Wisconsin (1957)  
Certificate, American Institute of Banking (1958)  
Chartered Financial Analyst Designation by the CFA Institute (1966)

### **Business:**

1985 to present – President, Perkins Capital Management, Inc., Wayzata, Minnesota

## **Item 3. Disciplinary Information**

Richard W. Perkins has not been involved in any disciplinary events.

## **Item 4. Other Business Activities**

- A. Richard W. Perkins is not engaged in any other investment related business or occupation.
- B. Richard W. Perkins is not engaged in any other business or occupation for compensation that represents more than 10 percent of his time and income.

## **Item 5. Additional Compensation**

Richard W. Perkins does not receive any additional compensation for providing advisory services.

## **Item 6. Supervision**

Supervision includes:

- daily transaction analysis;
- email monitoring of both internal and external emails;
- approval needed prior to certain investments;
- black-out periods established for certain companies;
- annual certification of accounts in which he has beneficial interest;
- annual code-of-ethics review and certification of receipt;
- quarterly commission analysis by brokerage;
- quarterly performance monitoring of all accounts, which includes verification of investment objective.

The above items are reviewed by Compliance on an ongoing basis. In addition to these reviews, the Operation area of Perkins Capital Management, Inc. reconciles transactions on a daily basis from confirmations sent out in response to a transaction. Client accounts are also reconciled to the custodial statements as well as other outside information on a monthly and quarterly basis. Quarterly statements are then generated and sent to each client.

Together, these actions constitute a system of checks and balances that oversee the portfolio manager when managing an account. If you have questions or concerns, please contact Lisa R. Schmidt, Vice President, Compliance at (952) 473-8367 or [lschmidt@perkinscap.com](mailto:lschmidt@perkinscap.com).

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Additional information about Richard C. Perkins is available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **Item 2. Educational Background and Business Experience**

### **Education:**

BA Administrative Science and Mathematics/Economics, Colby College (1975)  
Chartered Financial Analyst Designation by the CFA Institute (1993)

### **Business:**

2012 to present – Chief Compliance Officer, Perkins Capital Management, Inc., Wayzata, Minnesota  
1990 to present – Executive Vice President, Perkins Capital Management, Inc., Wayzata, Minnesota

## **Item 3. Disciplinary Information**

Richard C. Perkins has not been involved in any disciplinary events.

## **Item 4. Other Business Activities**

- A. Richard C. Perkins is not engaged in any other investment related business or occupation.
- B. Richard C. Perkins is not engaged in any other business or occupation for compensation that represents more than 10 percent of his time and income.

## **Item 5. Additional Compensation**

Richard C. Perkins does not receive any additional compensation for providing advisory services.

## **Item 6. Supervision**

Supervision includes:

- daily transaction analysis;
- email monitoring of both internal and external emails;
- approval needed prior to certain investments;
- black-out periods established for certain companies;
- annual certification of accounts in which he has beneficial interest;
- annual code-of-ethics review and certification of receipt;
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**Item 1.**

Daniel S. Perkins  
730 Lake Street East  
Wayzata, Minnesota 55391  
(952) 473-8367

Perkins Capital Management, Inc.  
730 Lake Street East  
Wayzata, Minnesota 55391  
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Supplement as of March 31, 2012

This brochure supplement provides information about Daniel S. Perkins that supplements the Perkins Capital Management, Inc. brochure. You should have received a copy of that brochure, known as the ADV Part IIA last year or when you opened your account. Please contact Lisa R. Schmidt, VP, Compliance at the above phone number or email [info@perkinscap.com](mailto:info@perkinscap.com) if you did not receive Perkins Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Daniel S. Perkins is available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **Item 2. Educational Background and Business Experience**

### **Education:**

BS Business Administration, University of Colorado (1976)

MBA Finance, University of Minnesota (1983)

Chartered Financial Analyst Designation by the CFA Institute (1991)

### **Business:**

1985 to present – Executive Vice President, Perkins Capital Management, Inc., Wayzata, Minnesota

## **Item 3. Disciplinary Information**

Daniel S. Perkins has not been involved in any disciplinary events.

## **Item 4. Other Business Activities**

- A. Daniel S. Perkins is not engaged in any other investment related business or occupation.
- B. Daniel S. Perkins is not engaged in any other business or occupation for compensation that represents more than 10 percent of his time and income.

## **Item 5. Additional Compensation**

Daniel S. Perkins does not receive any additional compensation for providing advisory services.

## **Item 6. Supervision**

Supervision includes:

- daily transaction analysis;
- email monitoring of both internal and external emails;
- approval needed prior to certain investments;
- black-out periods established for certain companies;
- annual certification of accounts in which he has beneficial interest;
- annual code-of-ethics review and certification of receipt;
- quarterly commission analysis by brokerage;
- quarterly performance monitoring of all accounts, which includes verification of investment objective.

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Together, these actions constitute a system of checks and balances that oversee the portfolio manager when managing an account. If you have questions or concerns, please contact Lisa R. Schmidt, Vice President, Compliance at (952) 473-8367 or lschmidt@perkinscap.com.

**Item 1.**

Harry A. L. Lindberg, Jr.  
730 Lake Street East  
Wayzata, Minnesota 55391  
(952) 473-8367

Perkins Capital Management, Inc.  
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(952) 473-4702 Fax

Supplement as of March 31, 2012

This brochure supplement provides information about Harry A. L. Lindberg, Jr. that supplements the Perkins Capital Management, Inc. brochure. You should have received a copy of that brochure, known as the ADV Part IIA, last year or when you opened your account. Please contact Lisa R. Schmidt, VP, Compliance at the above phone number or email [info@perkinscap.com](mailto:info@perkinscap.com) if you did not receive Perkins Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Harry A. L. Lindberg, Jr. is available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **Item 2. Educational Background and Business Experience**

### **Education:**

BA Politics and Government, Ohio Wesleyan University (1977)

### **Business:**

1987 to present –Vice President, Perkins Capital Management, Inc., Wayzata, Minnesota

## **Item 3. Disciplinary Information**

Harry A. L. Lindberg, Jr. has not been involved in any disciplinary events.

## **Item 4. Other Business Activities**

- A. Harry A. L. Lindberg, Jr. is not engaged in any other investment related business or occupation.
- B. Harry A. L. Lindberg, Jr. is not engaged in any other business or occupation for compensation that represents more than 10 percent of his time and income.

## **Item 5. Additional Compensation**

Harry A. L. Lindberg, Jr. does not receive any additional compensation for providing advisory services.

## **Item 6. Supervision**

Supervision includes:

- daily transaction analysis;
- email monitoring of both internal and external emails;
- approval needed prior to certain investments;
- black-out periods established for certain companies;
- annual certification of accounts in which he has beneficial interest;
- annual code-of-ethics review and certification of receipt;
- quarterly commission analysis by brokerage;
- quarterly performance monitoring of all accounts, which includes verification of investment objective.

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Together, these actions constitute a system of checks and balances that oversee the portfolio manager when managing an account. If you have questions or concerns, please contact Lisa R. Schmidt, Vice President, Compliance at (952) 473-8367 or lschmidt@perkinscap.com.