

**Item 1 – Cover Page**

**MFP Strategies**

100 Gateway Drive, Suite 300  
Bethlehem, PA 18017  
610-865-2600  
www.mfpstrategies.com

**March 6, 2014**

This Brochure provides information about the qualifications and business practices of MFP Strategies. If you have any questions about the contents of this Brochure, please contact us at 610-865-2600 or [dkowitz@mfpstrategies.com](mailto:dkowitz@mfpstrategies.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.

MFP Strategies is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about MFP Strategies also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 109437.

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to the SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year (December 31st). We may further provide other ongoing disclosure information about material changes as necessary.

Since our last annual update on 3/31/13, the following changes were made to our Firm Brochure: Effective 2/1/2014 MFP Strategies has appointed Denise L. Kowitz as Chief Compliance Officer.

We will further provide you with a new Brochure as necessary based on material changes or new information without charge.

Our Brochure may be requested by contacting Denise L. Kowitz at 610-865-2600 or [dkowitz@mfpsstrategies.com](mailto:dkowitz@mfpsstrategies.com).

### Item 3 -Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	4
Item 6 – Performance-Based Fees and Side-By-Side Management .....	5
Item 7 – Types of Clients.....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations .....	6
Item 11 – Code of Ethics .....	7
Item 12 – Brokerage Practices .....	7
Item 13 – Review of Accounts .....	8
Item 14 – Client Referrals and Other Compensation .....	8
Item 15 – Custody .....	8
Item 16 – Investment Discretion .....	8
Item 17 – Voting Client Securities.....	9
Item 18 – Financial Information.....	9

## Item 4 – Advisory Business

MFP Strategies is a SEC Registered Investment Adviser with its principal place of business located in the Commonwealth of Pennsylvania and began conducting business in 2000. The firm's principal members are Michael D. Molewski, Jimmy D. Edwards, William E. Schantz II and Christopher D. Butz.

The firm offers financial and investment advice to: Retirement Plan Sponsors, Private Clients, Institutions and Endowments.

### ***Retirement Plan Sponsor Services***

We provide defined contribution and defined benefit retirement plan fiduciary and non-fiduciary advisory services to participant directed profit sharing, 401(k), 403(b), 457(b) and pension plans. Retirement plan fiduciary and non-fiduciary services are provided to each client through a service agreement. We can serve as fiduciary under ERISA Section 3(21) or 3(38) for the investment selection, monitoring and de-selection process for qualified retirement plans.

Our fiduciary services are primarily investment advisory services and we do not assume fiduciary responsibility for trustee, record keeping, or administrative services.

### ***Private Client Services***

We develop wealth plans designed to help clients accomplish their financial, family and business objectives. We help clients determine which wealth management strategies and services best accomplish their goals, amount of investment returns and cash flows meet their objectives, what business transfer and estate preservation strategies are suitable and help determine if our investment philosophy and process are a good fit.

Our private client services are primarily investment advisory services, wealth management services, business and estate preservation strategies, and non investment planning services.

### ***Institutional and Endowment Services***

We strive to help institutions better manage their endowment and other investment assets. We provide independent and objective advice to committees, trustees, and boards who have a fiduciary responsibility for managing their investment portfolios.

Among other services, we provide consulting and investment advisory services, asset allocation, manager selection, and performance reporting.

**AMOUNT OF MANAGED ASSETS :** As of 12/31/2013 our total amount of assets under management was \$3,529,842,340. We were actively managing

\$170,638,892 clients' assets on a discretionary basis plus \$3,359,203,448 of clients' assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

**Retirement Plan Sponsor Service** fees can be structured as either a percentage of plan assets, or a flat dollar fixed fee. Fees can also be based on an annual retainer, project based fee or an hourly rate. The fee structure is determined at the commencement of the relationship and may change over time as agreed upon. Fixed fees are negotiable, but generally range from \$10,000 to \$250,000 on an annual basis. The entire scope and rate of these fees depending upon the level of services required are described in the service agreement.

Our fee may be paid directly by client, or at the direction of client paid from plan assets. Our fees are generally calculated and invoiced quarterly in advance based upon the terms and conditions agreed upon in the client's service agreement.

**Private Client Services** fees for investment advisory services are charged as a percentage of assets, as agreed upon in the client's service agreement. The fee structure is determined at the commencement of the relationship and may change over time as agreed upon. The fees generally range up to 1.00% annually depending on the asset level. We retain the discretion to negotiate fees on a client by client basis. Our fees are generally calculated and invoiced quarterly in advance based upon the terms and conditions agreed upon in the client's service agreement.

Fees for wealth management services, business and estate preservation strategies, and non investment planning services can be structured as a flat/fixed dollar fee, an annual retainer, a project based fee or an hourly rate. The entire scope and rate of these fees depending upon the level of services required are described in the service agreement.

**Institutional and Endowment Service** fees for investment advisory services are generally charged as a percentage of assets, as agreed upon in the client's service agreement. The fee structure is determined at the commencement of the relationship and may change over time as agreed upon. The fees generally range up to .50% annually depending on the asset level. We retain the discretion to negotiate fees on a client by client basis. Our fees are generally calculated and invoiced quarterly in advance based upon the terms and conditions agreed upon in the client's service agreement.

**Additional Fees and Compensation:** MFP Strategies fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges

imposed by custodians, brokers, third parties such as 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, exchange traded funds and other similar investments also charge internal management fees, which are disclosed in the fund's prospectus.

There are additional fees if client assets are invested with third party investment managers(s), client will be required to pay, in addition to our fee, a fee charged by each investment manager. Client understands and agrees that our fee is not contingent upon investment results and that we are not responsible for monitoring fees other than the fees we charge for our own services.

In addition, the firm, its' principals and other employees, in some cases, act as insurance agents/brokers for insurance companies, or registered representatives of a broker/dealer, and are able to purchase investment products, as a broker or agent, including traditional insurance and, annuities, variable annuities, variable life insurance, for any client requesting these additional services.

However, clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. If certain securities such as variable annuities are purchased through the firm then that employee is acting as a registered representative of a broker/dealer, such individuals obtain additional compensation through commissions.

While our firm endeavors at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of the individuals noted above when making recommendations.

Termination will be spelled out in the client services agreement and advisor may negotiate an alternative termination arrangement than the one specified in their agreement.

We shall provide a refund of any unearned fees prorated by the number of days from the beginning of the quarter to the receipt of the written termination request. Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

MFP Strategies does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

MFP Strategies provides financial and investment services to retirement plans, individuals, high net worth individuals, Trusts, charitable organizations, foundations, endowments, corporations or other businesses not listed above. We also provide non-investment consulting to qualified and non-qualified retirement plans for corporations, as well as financial consulting and advisory services to individuals and businesses.

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

Our analysis and strategy can be defined in our five step investment process which is utilized primarily for our discretionary assets, which involves: determining risk tolerance, developing strategic asset allocation, implementing tactical positioning, determining underlying investments and monitoring and actively managing the portfolio.

We begin with discussing financial goals, objectives, and our clients' tolerance for risk. We also may have the clients complete a risk tolerance questionnaire. Through this process we gain an understanding of the required rate of return that will be needed for a client to best achieve their long term goals.

We then use our risk assessment in step one to develop an appropriate long term portfolio allocation consisting of stocks, bonds, and alternative investments. This is the most important step in determining the level of risk a client wants to assume. The primary factor that relates to our decision on asset allocation is how much of the portfolio is invested in equities. Generally, the more aggressive the risk tolerance level, the higher weighting in the portfolio to equities.

We also recommend tactical allocation decisions in order to potentially enhance return and/or reduce risk. Tactical allocation decisions are recommendations to execute modest over and underweights in an asset class versus the comparable benchmark. We rely on our analysis of the macro economy and asset class valuations when we make these recommendations.

The firm uses a blend of active and passively managed mutual fund and ETF's (exchange trade funds) when constructing our portfolios. We may also use separate accounts and private partnerships to a certain extent, although most portfolios are comprised primarily of ETFs and mutual funds. Our investment manager due diligence process overviews each manager to produce a more detailed picture of the manager's investment process, personnel, organization, and sources of past performance.

We monitor our portfolios on an ongoing basis. Our investment committee, currently comprised of 11 members, meets at a minimum of quarterly to discuss our outlook on the economy and the markets, how we should position our portfolios, and the performance of our investment managers. On an ongoing basis, the investment strategies team, which currently consists of 4 members, monitors our portfolios' positioning and the performance.

The following are inherent investment risks that client should be familiar with:

Risks:

A risk of asset allocation is that the client may be positioned more conservatively if our risk assessment warrants such positioning, and may not participate in sharp increases if the market appreciates. Alternatively, a client may experience a decline in their portfolio value if the market does not perform well. A risk of tactical asset allocation is that our firm recommends a position or asset class weighting that does not perform as expected, and underperforms its benchmark, declines in value, or experiences higher volatility than a comparable benchmark. A risk of our manager selection process is that a manager we recommend does not perform as well as their benchmark, which can detract from the client's overall return. Other risks that can arise from investing include:

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.

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.

Risk of Loss: Investing in securities involves various types of risk. Clients should be aware of these risks and ask for clarification if they are unsure. We ask that clients work with us to better understand their tolerance for risk. "Investing in securities involves risk of loss that clients should be prepared to bear."

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of MFP Strategies or the integrity of MFP Strategies management. MFP Strategies has no information applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

**Broker-Dealer:** Executive officers and certain other employees are Registered Representatives of M Holdings Securities, Inc., a registered broker-dealer. Registered Representatives occasionally purchase mutual funds and clear these trades through Pershing, who provides all trading resources for M Holdings Securities, Inc.

**Insurance Agent/Broker:** Our firm is licensed as an insurance agency. Consequently, the executive officers and other employees may be agents and/or brokers for various insurance companies. Therefore, we may receive commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these

individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

While our firm endeavors at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of the individuals noted in above paragraph when making recommendations.

Our firm is a member firm of the M Financial Group, (M Group), a network of financial professionals serving the affluent and corporate executive markets. The M Group provides administrative, technical and market support to its member firms. Michael D. Molewski, Jimmy D. Edwards, William E. Schantz II, and Christopher D. Butz and/or our firm own stock in M Financial Holdings, Inc, which is the parent corporation of the M Financial Group. Our firm may receive incentive compensation from M Holdings Inc. in the form of cash and/or stock. The award is based on the firm's contribution to M Financial Holdings, Inc. profitability. Further, our firm, generally distributes these awards to its' executive officers.

We also may utilize SEI Investments Corporation (SIMC) for selected accounts which are outsourced investment portfolios. We may select from one of SIMC's asset allocation models or develop customized portfolios. (SIMC is an investment advisor registered under the Investment Adviser's Act of 1940 with the SEC).

### **Item 11 – Code of Ethics**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. We owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code

also provides for oversight, enforcement and recordkeeping provisions.

Our firm's policy prohibits the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [dkowitz@mfpsstrategies.com](mailto:dkowitz@mfpsstrategies.com), or by calling us at 610-865-2600.

Our firm and individuals associated with our firm are prohibited from engaging in principal transactions and agency cross transactions.

### **Item 12 – Brokerage Practices**

While we may purchase and sell securities on behalf of our clients, we do not commonly trade individual securities such as individual stocks and bonds. Rather, our clients' portfolios are generally invested in mutual funds, exchange traded funds(ETF's), sub-advised managed accounts, and/or other types of professionally managed investment vehicles.

For accounts that hold mutual funds and exchange traded funds (ETFs), transactions are placed through the account's custodian. In recommending a custodian to each client at the outset of our relationship, we consider the full range and quality of the custodian's services, including transaction costs.

To the extent that we may trade individual securities for clients, we have a responsibility to seek best execution in selecting broker-dealers with whom to transact. In recommending a broker-dealer, we will seek to identify one or more broker-dealers that we reasonably believe will provide best execution under the circumstances, and may consider, among other things, the cost, quality, and reliability of brokerage services, the broker-dealer's execution capabilities, reputation and access to the markets for the securities being traded.

For client accounts that are managed by a sub-advisor, we do not monitor our clients' sub-advisors to evaluate their efforts in seeking to obtain best execution. The sub-advisor has a responsibility to seek best execution in

selecting broker-dealers for the transactions it places in our clients' accounts.

We do not have any arrangements or relationships with any broker-dealer that involves the receipt of third party soft dollar benefits. We may receive proprietary research from some broker-dealers. If we do receive proprietary research in connection with clients' securities transactions, we receive an economic benefit since we do not have to produce or pay for the research.

### **Item 13 – Review of Accounts**

**Retirement Plan Sponsor Reviews:** We will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances. We will also review the investment options of the plan according to the agreed upon time intervals established in the client service agreements. Such reviews will generally occur at least annually or more frequently as defined in the written services agreement. For reports, we will prepare and send to clients at least annually an independently prepared plan investment performance report which typically includes: market review, plan asset allocation, IPS monitoring methodology, IPS dashboard, watch list status, investment style matrix, investment performance summary, and an expense analysis.

**Private Client Reviews:** We will review financial objectives with the client. Reviews may also include changes in market value by account and by position, account activity, purchases and sales. In addition to the monthly or quarterly statements and confirmations of transactions that the clients receive from the custodian, clients may be provided quarterly with an investment performance report that provides a summary of the asset allocation as well as investment performance of the account.

**Institutional Reviews:** We will review the Investment Policy Statement (IPS) with the client. Reviews may also include changes in market value by account and by position, account activity, purchases and sales. In addition to the monthly or quarterly statements and confirmations of transactions that the clients receive from the custodian, clients may be provided quarterly with a report that may include a consolidated asset summary, investment performance executive summary, investment policy summary, investment manager dashboard, aggregate portfolio performance as well as a current economic outlook.

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

We may enter into a joint venture relationship with a non-affiliated Registered Investment Adviser through either a Solicitor's Agreement or other joint venture agreement wherein the non-affiliated adviser may refer a qualifying client to us for advisory services. In such relationships, we may share advisory fees with the non-affiliated adviser pursuant to a written agreement. In such cases, fees shall not be increased to the client and Solicitor's or joint venture relationships shall always be disclosed, in advance, to the client.

Conversely, we may refer certain clients to a non-affiliated advisor for services under the non-affiliated where investment advisory fees may be shared with us. Again, in such cases, referrals shall be made under a written agreement to a qualified Registered Investment Adviser, fees, shall not be increased to the client and disclosure regarding any joint venture or Solicitor's arrangement shall be disclosed to the client in advance.

### **Item 15 – Custody**

Our firm does not have actual or constructive custody of client accounts. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. MFP Strategies urges you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements and contact us directly if there may be an error on their statement.

### **Item 16 – Investment Discretion**

Clients may hire us to provide discretionary or non-discretionary asset management services. For discretionary accounts, we have the authority to select the identity and amount of securities to be bought or sold in the account without notifying or obtaining prior permission from the client.

Please refer to (Item 12) Brokerage Practices for a detailed explanation on what our clients' portfolios are generally invested in.



If Investment discretion is granted to us by the client, then it is conducted as trading authority which includes trading and disbursement authorization and also as a limited power of attorney. On a discretionary account, the power of attorney is included in our Investment Advisory Agreement and the account applications. Such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Limitations, if any that are mutually agreed upon by the client and us regarding investment guidelines and restrictions must be agreed by us in writing.

### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, MFP Strategies does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. MFP Strategies does not offer any assistance regarding the clients' voting of proxies.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MFP Strategies financial condition. MFP Strategies 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.