

MV Capital Management, Inc.

Form ADV Part 2A Brochure Dated 01/13/2014

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This brochure provides information about the qualifications and business practices of MV Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (301) 656-6545. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about MV Capital Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to MV Capital Management, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

Item 2 Material Changes

The majority of MV Capital Management Inc.'s (MVCM) disclosure statement has remained unchanged since its last Annual Amendment filing on March 29, 2012. However, clients should note that MVCM has terminated its contract for use of the iRebal program for rebalancing of client accounts with TD Ameritrade. Therefore, all reference to the iRebal program has been removed from this Brochure. Additionally, MVCM terminated its contract with F-Squared Investments, Inc. for access to its AlphaSector™ Premium Index trading signals. Therefore, all reference to and sections relating to F-Squared Investments, Inc. have been removed from this Brochure. MVCM's assets under management in Item 4E have been updated to reflect December 31, 2012 values.

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Item 4 **Advisory Business**

- A. MV Capital Management Inc.'s (MVCM) is a corporation formed in the State of Maryland. Masood Vojdani is the sole owner of MVCM and has over 30 years of experience in the financial industry.

At MVCM our mission is to provide unparalleled service, uncommon thinking and uncompromising standards in delivering investment management strategies and solutions tailored to the unique circumstances of each and every client. To accomplish this mission we have invested a great deal of time and effort into developing a unique complement of core competencies:

- A ***client service*** approach that focuses on the specific, unique needs of each client and develops an investment policy customized to the client's return objectives, risk tolerance and special circumstances.
 - An in-house ***research and development*** practice aimed at distilling the complexities of the modern global capital marketplace into innovative, practical investment strategies and solutions.
 - An ***independent*** advisory and execution platform from which to offer conflict-free advice where our sole incentive is the financial success of our clients.
- B. As discussed below, MVCM offers to its clients (High net worth individuals, individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

Clients can determine to engage MVCM to provide discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap *fee* basis. (*See* discussion below). If a client determines to engage MVCM on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage MVCM on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

MVCM's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of MVCM), MVCM may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

NON-WRAP FEE BASIS

The client can determine to engage MVCM to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Generally, MVCM's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under MVCM's management.

MVCM PORTFOLIO MANAGER PROGRAM

MVCM may provide investment management services on a wrap fee basis in accordance with MVCM's Portfolio Manager Program (the "Program"). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants. Under the Program, MVCM is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. All prospective Program participants should read MVCM's Wrap Fee Brochure, and ask any corresponding questions that they may have, prior to participation in the Program. Fidelity Investments, LLC ("*Fidelity*") shall serve as the custodian for Program accounts.

Please Note: As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by MVCM for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, MVCM *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging MVCM to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with MVCM setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to MVCM commencing services. If requested by the client, MVCM may recommend the services of other professionals for implementation purposes, including certain of MVCM's investment adviser representatives in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments ("*PKS*") and/or as licensed insurance agents. (*See* disclosure at Item 10.C). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from MVCM. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify MVCM if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising MVCM's previous recommendations and/or services.

MISCELLANEOUS ADVISORY SERVICES DISCLOSURE

Non-Investment Consulting/Implementation Services. If requested by the client, MVCM may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither MVCM, nor any of its representatives, serves as an attorney or accountant and no portion of MVCM's services should be construed as same. To the extent requested by a client, MVCM may

recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of MVC's investment adviser representatives in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from MVC. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify MVC if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising MVC's previous recommendations and/or services.

Please Note: Non-Discretionary Service Limitations. Clients that determine to engage MVC on a non-discretionary investment advisory basis **must be willing to accept** that MVC cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, MVC will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

Independent Managers. MVC may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. MVC shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which MVC shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

Single Strategy Program. MVC may also recommend all or a portion of a client's assets be invested in one or more strategy available in the Single Strategy Program (SSP) as deemed appropriate by the client's designated investment objective(s) and risk profile. Assets utilizing a strategy will be placed in a separate account from all other assets and/or strategies. Although the strategy(ies) utilized may be considered part of a client's overall portfolio allocation, each strategy in the SSP is independently managed based on proprietary guidelines developed and implemented by MVC. Accounts utilizing the SSP may be assessed an annual management fee up to 1.0% based on the total value of the assets in the SSP. This fee is in addition to overall scheduled portfolio annual investment management fees.

Client Obligations. In performing its services, MVC shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify MVC if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising MVC's previous recommendations and/or services.

Disclosure Statement. A copy of MVC M's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. MVC M shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, MVC M shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on MVC M's services.
- D. There is no significant difference between how MVC M manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage MVC M on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) (*See* Item 4.B). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage MVC M on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody). **Please Note:** When managing a client's account on a wrap fee basis, MVC M shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E. As of December 31, 2012, MVC M had \$336,316,790 in assets under management on a discretionary basis and \$4,202,308 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

A.

NON-WRAP FEE BASIS

If a client determines to engage MVC M to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, MVC M's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under MVC M's management (between 1.50% and negotiable), to be charged quarterly in advance based on account valuation as of the last business day of the previous quarter, as follows:

<u>Account Assets</u>	<u>Fees % of Assets</u>	<u>Incremental Maximum</u>	<u>Total Maximum</u>	<u>Minimum Fees</u>
First \$250,000	1.50%	\$3,750	\$3,750	\$0
Next \$500,000	1.00%	\$5,000	\$8,750	\$3,750
Next \$250,000	0.75%	\$1,875	\$10,625	\$8,750
Next \$2,000,000	0.65%	\$13,000	\$23,625	\$10,625
Next \$2,000,000	0.50%	\$10,000	\$33,625	\$23,625
Next \$5,000,000	0.40%	\$20,000	\$53,625	\$33,625
Over \$10 Million	To be individually assessed.			

MVCM PORTFOLIO MANAGER PROGRAM

If a client determines to engage MVCM to provide investment management services on a wrap fee basis in accordance with MVCM's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, MVCM is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee ranges from 1.50% down to a negotiable fee, depending upon the amount and type of the Program assets.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, MVCM *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. MVCM's planning and consulting fees are negotiable, but generally range from \$1,000 to \$20,000 on a fixed fee basis, and from \$175 to \$450 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have MVCM's advisory fees deducted from their custodial account. Both MVCM's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of MVCM's investment advisory fee and to directly remit that management fee to MVCM in compliance with regulatory procedures. In the limited event that MVCM bills the client directly, payment is due upon receipt of MVCM's invoice.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, MVCM shall generally recommend that Fidelity Investments, LLC ("*Fidelity*"), Charles Schwab & Co. ("*Schwab*") and/or TD Ameritrade, Inc. serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Advisory clients who choose to engage MVCM on a wrap-fee basis will not incur these broker-dealer fees in addition to MVCM's wrap-fee. However, in addition to MVCM's investment management fee, all clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. MVCM's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the valuation of the client's account(s) as of the last business day of the previous quarter. The *Investment Advisory Agreement* between MVCM and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, MVCM shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

E. **Securities Commission Transactions.** In the event that the client desires, the client can engage MVCVM's representatives, in their individual capacities, as registered representatives of Purshe Kaplan Sterling Investments ("PKS"), a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *PKS*, *PKS* will charge brokerage commissions to effect securities transactions, a portion of which commissions *PKS* shall pay to MVCVM's representatives, as applicable. The brokerage commissions charged by *PKS* may be higher or lower than those charged by other broker-dealers. In addition, *PKS*, as well as MVCVM's Representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *PKS* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from MVCVM's representatives. **MVCVM's Chief Compliance Officer, Mark Underwood, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by MVCVM through other, non-affiliated broker dealers or agents.
3. MVCVM does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products MVCVM recommends to its clients.

When MVCVM's representatives sell an investment product on a commission basis, MVCVM does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, MVCVM's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However,** a client may engage MVCVM to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from MVCVM's representatives on a separate commission basis.

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

Neither MVCVM nor any supervised person of MVCVM accepts performance-based fees.

Item 7 Types of Clients

MVCVM's clients shall generally include high net worth individuals, individuals, pension and profit sharing plans, business entities, trusts, estates, and charitable organizations. MVCVM generally requires an aggregate minimum account value of \$1,000,000 per household for investment advisory services. MVCVM, in its sole discretion, may waive or

reduce its minimum asset requirement and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. MVCM may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

MVCM may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by MVCM) will be profitable or equal any specific performance level(s).

B. MVCM's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis MVCM must have access to current/new market information. MVCM has no control over the dissemination rate of market information; therefore, unbeknownst to MVCM, certain analyses may be compiled with outdated market information, severely limiting the value of MVCM's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

MVCM's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

MVCM's approach to investing for long-term success is built upon values that its professional team members adhere to in all market environments:

- A changing world requires the *intelligence* and *agility* to anticipate and prepare for the unforeseen by constantly challenging our assumptions regarding the economic, geopolitical and socio-cultural influences that

affect the risk and return characteristics of asset classes and investment choices. The world economy is currently in the early stages of a new phase of global capitalization that requires a fresh look at the twin sides of opportunity and risk.

- Successful investing requires the *patience* and *discipline* to manage a long-term strategy. We help our clients resist the natural temptation to act on emotion and maintain fidelity to a strategy best suited to their individual goals, tolerances and circumstances.

Long-term investment success requires a deep understanding of fundamental portfolio value drivers and the ability to translate that understanding into a sustained process. Portfolio value drivers change in the face of short-term economic and geopolitical variables – X-factors – and evolve structurally over time as long-term global developments affect the interplay between different asset classes, sub-classes and the means of exposure thereto.

Strategic Framework:

At the core of MVCMM strategic framework is a three-fold investment process. The center of the process is beta-efficient asset class exposure according to our strategic (long-term) views on the major existing style classes across equities, fixed income and alternative assets. Flexible alpha is how we define our strategy for seeking excess returns. We term it “flexible” because where, when and how alpha may be achievable varies with capital market conditions and with our own abilities to source it either through the strategy of a particular money manager or through our own proprietary research, knowledge and models. Finally, peripheral positioning is a process by which we further refine our return-risk-correlation positioning through approaches such as sector, country or region overlays.

Consistent with our belief that there is no single “right” approach we employ both top-down and bottom-up methodologies. Top-down models are particularly important when considering the evolving structure of world markets and particularly the changing roles and texture of regional capital, consumer, service and manufacturing markets. On the other hand the relationship between any given asset’s intrinsic value and its price in the market is driven by fundamental measures such as normalized cash flows, asset quality and capital structure. In our opinion there is strong evidence that different assets and even asset classes can demonstrate both short-term and systematic anomalies between price and value, and we look for effective ways to capture those anomalies when they exist.

X-factors are the short-term, unpredictable events that bring volatility to markets and risk assets. At any time we may have knowledge of potential X-factors – hurricanes, terrorist attacks, credit market defaults – but very little ability to predict their actualization or the likely magnitude of their effect.

Event testing based on historical scenarios can help us prepare for X-factors but not with any predictive ability. Market tectonics, on the other hand, refers to changes that happen more gradually and affect the market’s underlying structure much in the way that geological plates do – they can creep along for years without notice and suddenly collide and cause massive disruption. We study market tectonics with a view towards understanding trends and positioning ourselves to benefit from them over the long term.

We are not short-term traders. Generally speaking we believe the cost of executing multiple transactions in a very short-time period outweighs the potential benefits. We are

also not passive buy-and-hold investors. Our experience and our view of the road ahead show that significant opportunities exist to obtain favorable returns through a dynamic mix of asset allocation discipline, selective alpha hunting and ongoing refinement and customizing of our risk exposure.

Strategic Asset Allocation:

MVCM believes that strategic asset allocation is our single most important strategic decision given its high level of attribution in explaining overall investment performance. Strategic allocation is driven by two primary considerations: the client's capacity and propensity for assuming risk, and our long-term views on the risk, return and correlation relationship between different asset classes. We use both risk and style benchmarks as tools to measure our strategic and tactical allocation and our investment selection decisions.

Tactical Asset Allocation:

Our tactical decisions tend to reflect shorter-term views and lead to changes more frequently than strategic decisions. We employ tactical decisions at least on a one-year basis through re-weighting our asset class exposures, typically in the same time frame as our annual systematic rebalancing. Each December our investment committee goes through an extensive review of top-down and bottom-up factors and arrives at a consensus view for tactical weights. Tactical decisions are not limited to the annual rebalancing and reweighting process, however. We make active use of shorter-term overlay strategies, for example in industry sectors, countries or world regions. We may also make tactical decisions in certain areas such as fixed income duration exposure in line with our bond and credit market views.

Investment Selection:

Central to the investment selection process is a core discipline that constantly asks: are we employing all of the best opportunities at hand to deliver the strongest portfolio returns? Mutual funds and money managers employ security-selection techniques to maximize their returns to benchmark, and we employ similar techniques in evaluating managers. This entails a constant evaluation process of our investment choices and of the percentages we allocate to mutual funds, Independent Manager[s], exchange-traded funds (ETFs), customized products and other investment vehicles.

Monitoring, Rebalancing, and Communications:

Rebalancing is designed to periodically bring a portfolio's asset class weights back in line with the original policy portfolio. As a rule of practice we perform a strategic rebalancing on an annual basis (i.e. one year from the date on which the model portfolio was fully invested). Rebalancing is a discipline shown to have significant benefits to investors over the long term.

On certain occasions portfolio weightings may move significantly out of line with the model as a result of capital market developments within the usual one-year rebalancing period. We retain the flexibility to react to such changes and take action if circumstances suggest. However, we do not maintain a strict percentage-of-portfolio threshold for making rebalancing decisions. On the basis of ongoing monitoring and the availability of significant-variance reports we will make a qualitative consideration as to the need to conduct interim systematic rebalancing.

- C. Currently, MVCVM primarily allocates client investment assets among various mutual funds, ETFs, individual equity (stocks) and fixed income securities on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, MVCVM may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. MVCVM shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which MVCVM shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. (*See* Item 4.B).

Item 9 Disciplinary Information

Neither MVCVM nor any of its management persons have been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. **Broker Dealer.** As disclosed above in Item 5.E, certain of MVCVM's representatives are registered representatives of *PKS*, a FINRA member broker-dealer. Clients can choose to engage MVCVM's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.
- B. Neither MVCVM, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker Dealer.** As disclosed above in Item 5.E, certain of MVCVM's representatives are registered representatives of *PKS*, a FINRA member broker-dealer. Clients can choose to engage MVCVM's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis. (For more information *See* Item 5.E above)

Affiliated Insurance Firm / Licensed Insurance Agents. MV Financial Group, Inc. ("MVFG") is an affiliated insurance agency, that is licensed in various states to sell life and health insurance, as well as variable annuities. Certain of MVCVM's representatives, in their individual capacities, are licensed insurance agents, working through MVFG, and may recommend the purchase of certain insurance-related products on a commission basis.

Conflict of Interest: The recommendation by MVCVM's representatives that a client purchase an insurance or securities commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend insurance and/or

securities products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from MVC's representatives. Clients are reminded that they may purchase insurance products and/or securities products recommended by MVC through other, non-affiliated insurance agents and/or registered representatives, respectively. **MVC's Chief Compliance Officer, Mark Underwood, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. MVC does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. MVC maintains an investment policy relative to personal securities transactions. This investment policy is part of MVC's overall Code of Ethics, which serves to establish a standard of business conduct for all of MVC's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, MVC also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by MVC or any person associated with MVC.

- B. Neither MVC nor any related person of MVC recommends, buys, or sells for client accounts, securities in which MVC or any related person of MVC has a material financial interest.
- C. MVC and/or representatives of MVC *may* buy or sell securities that are also recommended to clients. This practice may create a situation where MVC and/or representatives of MVC are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if MVC did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of MVC's clients) and other potentially abusive practices.

MVC has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of MVC's "Access Persons." MVC's securities transaction policy requires that an Access Person of MVC must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date MVC selects; provided, however that at any time that MVC has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. MVCVM and/or representatives of MVCVM *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where MVCVM and/or representatives of MVCVM are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, MVCVM has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of MVCVM's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that MVCVM recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct MVCVM to use a specific broker-dealer/custodian), MVCVM generally recommends that investment management accounts be maintained at *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* Prior to engaging MVCVM to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with MVCVM setting forth the terms and conditions under which MVCVM shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that MVCVM considers in recommending *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* (or any other broker-dealer/custodian to clients) include historical relationship with MVCVM, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by MVCVM's clients shall comply with MVCVM's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where MVCVM determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although MVCVM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, MVCVM's investment management fee. MVCVM's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

MVCVM has entered into an Investment Advisor Custodial Support Services Agreement with *Fidelity* by which MVCVM has agreed to provide to *Fidelity* certain back office, administrative, custodial support and clerical services and in consideration for these services, *Fidelity* has agreed to pay MVCVM an annual fee of 12 basis points, paid on a monthly basis in arrears, of specified assets – namely NTF mutual fund assets (other than *Fidelity* mutual funds) in custody with *Fidelity* and held in specified account registrations. The services that MVCVM has agreed to provide include the following: clerical and ministerial assistance in opening client accounts, clerical and ministerial assistance in maintaining client accounts and facilitating asset transfers and money movement directed by a client, clerical and ministerial assistance in reconciling and assisting in updating of client account information, clerical and ministerial assistance in connection with customer inquiries and account information research, clerical and ministerial assistance to clients in connection with the use of brokerage services such as

periodic investment plans, periodic withdrawal plans, and check writing privileges, promptly notifying Fidelity in writing of any written customer complaint relating to Fidelity's services and other shareholder services as the parties may agree in writing from time to time.

Research and Additional Benefits. Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, MVCAM may receive from *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist MVCAM to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by MVCAM may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by MVCAM in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist MVCAM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist MVCAM to manage and further develop its business enterprise.

MVCAM has entered into an Investment Advisor Custodial Support Services Agreement with Fidelity by which MVCAM has agreed to provide to Fidelity certain back office, administrative, custodial support and clerical services and in consideration for these services, Fidelity has agreed to pay MVCAM a quarterly fee of 12 basis points of specified assets – namely NTF mutual fund assets (other than Fidelity mutual funds) in custody with Fidelity and held in specified account registrations. The services that MVCAM has agreed to provide include the following: clerical and ministerial assistance in opening client accounts, clerical and ministerial assistance in maintaining client accounts and facilitating asset transfers and money movement directed by a client, clerical and ministerial assistance in reconciling and assisting in updating of client account information, clerical and ministerial assistance in connection with customer inquiries and account information research, clerical and ministerial assistance to clients in connection with the use of brokerage services such as periodic investment plans, periodic withdrawal plans, and check writing privileges, promptly notifying Fidelity in writing of any written customer complaint relating to Fidelity's services and other shareholder services as the parties may agree in writing from time to time.

MVCAM's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* as a result of this arrangement. There is no corresponding commitment made by MVCAM to *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

MVCAM's Chief Compliance Officer, Mark Underwood remains available to address any questions that a client or prospective client may have regarding the above

arrangement and any corresponding perceived conflict of interest such arrangement may create.

MVCM does not receive referrals from broker-dealers.

MVCM does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements the client will negotiate terms and arrangements for their account with that broker-dealer, and MVCM will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by MVCM. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs MVCM to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through MVCM.

MVCM's Chief Compliance Officer, Mark Underwood, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that MVCM provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless MVCM decides to purchase or sell the same securities for several clients at approximately the same time. MVCM may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among MVCM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. MVCM shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom MVCM provides investment supervisory services, account reviews are conducted on an ongoing basis by MVCM's investment advisory representatives. All investment supervisory clients are advised that it remains their responsibility to advise MVCM of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with MVCM on an annual basis.

- B. MVCM *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, MVCM may receive an indirect economic benefit from *Fidelity, Schwab* and *TD Ameritrade, Inc.* MVCM, without cost (and/or at a discount), may receive support services and/or products from *Fidelity, Schwab* and *TD Ameritrade, Inc.*

MVCM's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity, Schwab* and *TD Ameritrade, Inc.* as a result of this arrangement. There is no corresponding commitment made by MVCM to *Fidelity, Schwab* and *TD Ameritrade, Inc.* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

MVCM's Chief Compliance Officer, Mark Underwood, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. Neither MVCM nor any related person of MVCM directly or indirectly compensates any person for client referrals.

Item 15 Custody

MVCM shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. MVCM may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that MVCM provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by MVCM with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of MVCM's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage MVCMM to provide investment advisory services on a discretionary basis. Prior to MVCMM assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming MVCMM as the client's attorney and agent in fact, granting MVCMM full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage MVCMM on a discretionary basis may, at anytime, impose restrictions, **in writing**, on MVCMM's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase certain securities, etc.).

Item 17 Voting Client Securities

- A. MVCMM does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact MVCMM to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. MVCMM does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. MVCMM is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. MVCMM has not been the subject of a bankruptcy petition.

ANY QUESTIONS: MVCMM's Chief Compliance Officer, Mark Underwood, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.



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