



Minneapolis Portfolio Management Group, LLC

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Form ADV Part 2A Dated: March 12, 2015

This brochure provides information about the qualifications and business practices of Minneapolis Portfolio Management Group, LLC ("MPMG"). If you have any questions about the contents of this brochure, please contact Sarah Rude, Director of Client Operations, at 612-334-2000 or via email at s.rude@mpmgllc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

MPMG is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training.

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

Item 2. Material Changes

There have been no material changes since the last annual update, which was dated February 14, 2014.

MPMG will provide clients with a complete copy of its current brochure at any time, without charge. The brochure may be requested by contacting Sarah Rude, Director of Client Operations, at 612-334-2000 or s.rude@mpmgllc.com. Additional information about MPMG also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 4. Advisory Business

MPMG is a value-based investment management firm that attempts to create wealth for their clients over meaningful periods of time, while also seeking less volatile results than more aggressive methods of equity investing. MPMG is an all-capitalization manager, looking at small-, mid- and large-cap companies, both domestic and abroad. MPMG was founded in 2004 and is owned by Harrison Grodnick and Phillip Grodnick, both of whom are the Principals of MPMG.

MPMG specializes in designing equity portfolios or balanced portfolios consisting of equity securities as well as fixed income instruments. These portfolios are managed on a discretionary basis in accordance with MPMG's "All-Cap Value" strategy. In limited situations, MPMG also manages client portfolios on a non-discretionary basis. Further information regarding the All-Cap Value strategy may be found in Item 8.

Clients have the right to place any type of limitation or restriction on their portfolio holdings. For example, a client can request that MPMG execute transactions to address tax issues, add to a particular security position, omit an industry/sector, etc.

MPMG also provides investment advisory services pursuant to wrap programs sponsored by various third parties and to model-based managed account programs. With regard to MPMG's wrap programs, MPMG uses the All-Cap Value strategy and manages such accounts no differently than it manages other accounts. MPMG receives a portion of the wrap fee for its services.

With regard to its model-based managed account programs, MPMG similarly provides advisory services using the All-Cap Value strategy through programs ("programs") sponsored by certain financial intermediaries ("program sponsors"). In these programs, MPMG provides the program sponsors non-discretionary investment advice through model portfolios, and has no relationship with the program sponsors' clients. The program sponsors are responsible for investment decisions and performing various other services and functions typically handled by MPMG in a traditional discretionary managed account program. Additional information concerning MPMG's trading practices with respect to wrap and model-based managed account programs is contained in Item 12.

To the extent that this Form ADV Part 2A is delivered to program clients with whom MPMG has no advisory relationship or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only. Furthermore, because a model-based managed account program sponsor generally exercises investment discretion and, in many cases, brokerage discretion, performance and other information relating to MPMG's services for which it exercises investment and/or brokerage discretion is generally provided for informational purposes only and will not be representative of model-based managed account program client results or experience.

In addition, MPMG provides sub-advisory services to a family of private investment funds. MPMG manages assets delegated to it by the private investment funds' investment adviser. Additional information relating to MPMG's sub-advisory services is provided in Item 5.

As of December 31, 2014, MPMG had \$804,567,099 in assets under management in discretionary accounts and \$133,220,503 in assets under management in non-discretionary accounts.

Item 5. Fees and Compensation

MPMG charges an investment advisory fee to clients determined as a percentage of market value of assets under management. The fee schedule percentage is based upon the market value of the assets in the account at the time the account is opened. This percentage may be adjusted by agreement between MPMG and the client if the client adds or withdraws assets after the account is opened. However, the percentage used to calculate the fee will not automatically change solely because of appreciation or depreciation in the market value of assets under management.

Direct Client Fees

The basic fee schedule for non-institutional clients whose assets are managed directly by MPMG is as follows:

<u>Assets Under Management at Inception</u>	<u>Annual Fee</u>
\$0-\$500,000	2.0%
\$500,001-\$1,000,000	1.8%
\$1,000,001- \$5,000,000	1.6%
\$5,000,001- up	1.4%

The basic fee schedule for institutional clients whose assets are managed directly by MPMG is as follows:

<u>Assets Under Management at Inception</u>	<u>Annual Fee</u>
\$0 - \$2,000,000	1.4%
\$2,000,001 - \$5,000,000	1.2%
\$5,000,001 – up	1.0%

MPMG may, in its sole discretion, aggregate assets in related accounts for purposes of the fee break points in the schedules above.

MPMG's fees are negotiable. The investment advisory fees charged may vary significantly from client to client, and may be higher or lower than those indicated in the basic fee schedules above. Factors taken into consideration when negotiating fees include the amount of assets under management, the nature of the assets, the type of analysis required

to manage the account, the level of service required by the client and the overall relationship of the client or the client's broker with MPMG. The fee schedule and specific manner in which fees are charged to each client account is provided for in the investment advisory agreement that clients sign when they establish an investment advisory relationship with MPMG.

Fees are payable quarterly, in advance, based upon the value of assets in the client's account on the last business day of the previous quarter. The fee schedule percentage is determined based upon the account value at the time MPMG commences management of the account. If the account was opened or is terminated during a quarter, the client pays a prorated fee based on the period of time during the quarter that the account was open, and will receive a pro rata refund of fees paid in advance. Clients may add cash to and withdraw funds from their account(s) at any time. MPMG reserves the right to charge a prorated fee with respect to any material addition of assets during any quarter.

Wrap Account Fees

The fee MPMG charges for managing assets pursuant to a wrap program is determined by agreement between the wrap program's sponsor and MPMG. This fee is negotiated on a case-by-case basis and may vary with different program sponsors. Program sponsors typically collect the total program fee and remit MPMG's fee to MPMG.

The documents relating to each wrap program provide additional information regarding the fees payable in connection with the program. In certain circumstances, clients participating in wrap programs enter into an investment advisory agreement directly with MPMG, although the program sponsor will still collect the fee on MPMG's behalf.

Wrap account fees are payable in accordance with the agreement between the wrap program's sponsor and MPMG, but are typically payable quarterly, in advance, based upon the value of assets in the client's account on the last business day of the previous quarter.

Model-Based Managed Account Program Fees

The fee MPMG charges for providing model-based managed account program services is determined by agreement between the program sponsor and MPMG. This fee is negotiated on a case-by-case basis and may vary with different program sponsors. The documents relating to each model-based managed account program provide additional information regarding the fees payable in connection with the program. Model-based managed account program fees are payable in accordance with the agreement between the program sponsor and MPMG.

Model-based managed account program fees are payable in accordance with the agreement between the model-based managed account's program sponsor and MPMG, but are typically payable quarterly, in arrears, based upon the net asset value of all accounts for

which the program sponsor employs the advice provided by MPMG as of the last business day of the previous quarter.

Sub-Advisory Fees

The fee MPMG charges for providing sub-advisory services is determined by agreement between the primary advisor and MPMG and is negotiated on a case-by-case basis. This fee may vary with different primary advisors and will be based on a number of factors. The documents relating to each sub-advisory account provide additional information regarding the fees payable in connection with the sub-advisory services it provides with regard to any particular account.

Additional Information Regarding Fees

The following applies to direct client and wrap account fee schedules:

- If the account was opened or is terminated during a quarter, the client pays a prorated fee based on the period of time during the quarter that the account was open, and will receive a pro rata refund of fees paid in advance. Clients may add cash to and withdraw funds from their account(s) at any time. MPMG reserves the right to charge a prorated fee with respect to any material addition of assets during any quarter.
- Clients may elect to have the quarterly fee deducted automatically from their account. To make this election, clients are required to provide authorization in the investment advisory agreement. Clients will receive a monthly account statement directly from the custodian broker-dealer maintaining their account(s) with the management fee withdrawal clearly noted. Upon request, MPMG will also bill clients directly.
- If client assets are invested in mutual funds (including money market funds), unit investment trusts, annuities or similar investment vehicles, the client's account will bear its proportionate share of the fees (including advisory fees) and internal management expenses of such investment vehicles, as well as any applicable sales loads (although MPMG expects that most transactions in mutual fund shares will be free from sales loads). These fees are set forth in the product prospectus. Clients who invest in these types of investment vehicles will therefore pay two levels of advisory fees on these assets – one to MPMG and one to the investment vehicle's adviser.
- Clients may also incur transactional fees charged by a broker-dealer or other intermediary in connection with making investments in mutual funds and other investment vehicles. In some cases, the client may be able to avoid transaction fees

by effecting transactions in mutual fund shares directly with the fund. MPMG shall not receive any portion of these commissions, fees and costs.

- MPMG's fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which shall be incurred by the client. In addition, clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer fees, etc.

Please see Item 12 for information about MPMG's brokerage practices.

The investment advisory agreement between MPMG and each client may be terminated by either party by written notice given to the other party at least 30 days prior to the date on which the termination is to take place. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. If termination occurs within five business days of entering into an agreement for investment advisory services, the client shall be entitled to a full refund.

Neither MPMG nor its supervised persons accept compensation for the sale of securities or investment products.

Item 6. Performance-Based Fees and Side-By-Side Management

MPMG does not agree to any performance-based fees. As a result, MPMG has no conflicts of interest between accounts that pay asset-based fees and accounts that pay performance-based fees (known as "side-by-side management").

Item 7. Types of Clients

MPMG provides investment management services to individuals, high net worth individuals, trusts, estates, pooled investment vehicles (including private investment funds), pension and profit sharing plans, certain government entities, insurance companies and certain institutional clients (corporations, partnerships, foundations or other business entities). MPMG generally requires a minimum account size of \$1,000,000, subject to waiver on a case-by-case basis by MPMG in its sole discretion. For example, related accounts may be aggregated for purposes of satisfying the minimum account size. Account size requirements for wrap programs are set forth in the documents relating to each program.

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

In implementing its All-Cap Value strategy, MPMG employs a value-based style to equity investing and considers investments in small-, mid- and large-size companies, both domestic and foreign.

- *Valuations.* MPMG's process starts with valuations. MPMG looks for bargains in asset classes, world markets and especially in individual companies. MPMG feels that it is on the bargain table that excess market risks may have been already minimized. This means MPMG looks for such things as lower Price to Sales, Price to Cash Flow, Price to Book and forward Price to Earnings ratios, among other factors.
- *Business Risks.* MPMG also looks for where a company's business risks may be lessened by searching for solid balance sheets, strong assets, modest liabilities and well-rooted market shares.
- *Growth.* MPMG feels that even the least expensive company with the strongest balance sheet may still be no bargain if its business is in secular decline. So, MPMG seeks companies with growing and needed products or services, as well as management teams committed to growth, incented to stay and savvy enough to strongly build in a competitive world.
- *Timing.* In an effort to accomplish more efficient timing, MPMG searches for indications that other significant investors are awakening to the potential of these bargains and are accumulating stock.
- *Sell Side.* On the sell side, MPMG looks for evidence that a company is realizing its valuation potential or that a change in the company's fundamentals has taken place.
- *"Big Picture."* MPMG blends its quantitative analysis described above with a macro-economic, "big-picture" view of capital markets. MPMG strives to identify and understand issues that affect the world, anticipate the likely consequence of such issues on the market, and then position its clients' portfolios accordingly.

Investing in securities involves risk of loss. MPMG cannot guarantee that it will achieve its stated investment objective or achieve positive or competitive returns. MPMG cannot control external factors which may affect the performance of its investments. Clients bear the risk that they could lose all or a portion of their investment.

There is always the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

MPMG's value-based style often results in investments in equity securities with stock prices that have recently declined in hopes that the lower stock price will minimize excess market

risk. In addition to finding companies with low multiples, MPMG strives to find companies in emerging industries and technologies that are well positioned to capitalize on future global challenges. These companies may deliver innovative solutions and services or benefit from the companies that operate in this sector. Such an investment strategy may entail additional risk of loss due to the declining stock prices of many of the equity investments called for by the strategy. There can be no assurance that the equity securities selected by MPMG will not continue to decline in price, thus subjecting client accounts to losses.

MPMG will generally invest a portion of each account's assets in securities issued by smaller companies. Such companies may offer greater opportunities for capital appreciation than larger companies, but investments in such companies involve certain special risks. Smaller companies may have limited product lines, markets or financial resources and may be dependent on a limited management group. Such companies' securities may trade less frequently and in smaller volume than more widely held securities. The values of these securities may fluctuate more sharply than those of other securities, and MPMG may experience some difficulty in establishing or closing out positions in these securities at prevailing market prices. There may be less publicly available information about the issuers of these securities or less market interest in such securities compared to larger companies, and it may take a longer period of time for the prices of such securities to reflect what MPMG believes is the full value of their issuers' underlying earnings potential or assets.

MPMG may invest in American Depositary Receipts, which are U.S. dollar-denominated equity and debt securities of foreign issuers. Interest or dividend payments on such securities may be subject to foreign withholding taxes. Investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies, including possible unfavorable changes in currency exchange rates, reduced and less reliable information about issuers and markets, different accounting standards, illiquidity of securities and markets, local economic or political instability and greater market risk in general. MPMG is not subject to any limitations regarding the percentage of the assets in client accounts that may be invested in any single country. A concentration of investments in one or a small number of countries would exacerbate the risks described in this paragraph.

As part of its All-Cap Value strategy, MPMG may also identify investment opportunities in fixed income instruments including municipal debt. Investments in fixed income securities involve risks and considerations not typically associated with equity securities. For example, when interest rates rise, bond prices fall; conversely, when interest rates decline, bond prices rise. The longer the time until a bond matures, the greater the interest rate risk. Also, there is a possibility that a bond issuer will go into default and be unable to make interest or principal payments.

Item 9. Disciplinary Information

MPMG is required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' or prospective clients' evaluation of MPMG or the integrity of MPMG's management. MPMG has nothing to disclose that is responsive to this Item.

Item 10. Other Financial Industry Activities and Affiliations

MPMG is required to describe material relationships or arrangements MPMG (or any of its management persons) has with related financial industry participants, any material conflicts of interest that these relationships or arrangements create and how MPMG addresses such conflicts. MPMG has no such relationships or arrangements to be disclosed. Further, MPMG does not recommend or select other investment advisers for clients.

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

MPMG has adopted a Code of Ethics that sets forth its high standard of business, fiduciary and ethical conduct required of all employees. Among other things, the Code of Ethics requires employees to comply with all applicable federal securities laws and includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of gifts and procedures regarding personal securities trading procedures. All employees at MPMG must acknowledge the terms of the Code of Ethics annually, or as amended. The Code of Ethics also provides for a range of sanctions that may be applied to employees who violate it.

MPMG performs investment advisory services for various clients and may give advice or take action with respect to one client which may differ from advice given or the timing or nature of action taken with respect to other clients. All such actions are subject to MPMG's fiduciary duty and its policy to allocate investment opportunities to all clients over a period of time on a fair and equitable basis.

MPMG employees may trade securities for their personal accounts. Such trading presents potential and actual conflicts of interest when the securities traded are the same as securities MPMG trades for client accounts. Theoretically, if an employee desires to purchase a security also held in client accounts, but does not want to pay current market value for the security, the employee could sell the security out of the client accounts and drive the market price down before making the personal investment. Similar manipulative behavior could occur if the employee desires to sell a personal security holding, but sells it out of client accounts first in an effort to drive up the price before the employee sells. MPMG's Code of Ethics contains various provisions that prohibit this sort of conduct, including a requirement that employees put client interests first and avoid actual and

potential conflicts of interest when transacting in securities for their own accounts. Furthermore, as provided in more detail below, the Code of Ethics imposes restrictions and reporting requirements regarding MPMG's employees' personal trading.

Personal Securities Transactions

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of MPMG's employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics prohibits employees from investing in initial public offerings and private placements. Employees are required to provide holdings and transaction reports to MPMG. Employee trading is monitored under the Code of Ethics to detect and prevent conflicts of interest between MPMG and its clients.

Certain MPMG employee accounts may trade in the same securities with client accounts on an aggregated basis when consistent with MPMG's fiduciary duties and obligation to seek best execution. See Item 12 for additional information related to Bunched Trades and Allocation of Partial Fills.

Gifts & Business Entertainment

From time to time, MPMG may determine that it is appropriate and useful to provide reasonable business gifts and/or business entertainment to clients, prospective clients, broker-dealers or other third parties with whom MPMG has a business relationship. Any such gift or entertainment is provided subject to internal policies and procedures as well as applicable laws and regulations. MPMG may, at the request of a broker-dealer or third party with whom MPMG has a business relationship, provide charitable contributions or financial support to programs, events or seminars sponsored by the broker-dealer or third party, provided such is not inconsistent with MPMG's general fiduciary duties to its clients.

A copy of MPMG's Code of Ethics is available to any client or prospective client upon request by contacting Sarah Rude, Director of Client Operations, at 612-334-2000 or s.rude@mpmgllc.com.

Item 12. Brokerage Practices

Directed Brokerage

MPMG does not have discretion to determine which broker-dealer will be used or the commission rates paid. Each client either maintains or establishes an account with a broker-dealer of the client's choosing. This broker-dealer acts as the custodian of the client's assets. MPMG does not open these custodial broker-dealer accounts for clients,

although it may provide assistance in doing so. The client instructs MPMG to execute all transactions through or with its custodial broker-dealer.

Not all advisers require their clients to direct brokerage. Because of these client directed brokerage arrangements, MPMG may not be able to achieve most favorable execution of client transactions. Directed brokerage arrangements may result in higher commissions, greater spreads or less favorable net prices. Furthermore, such directed brokerage arrangements forego certain benefits such as the negotiation of volume discounts or the execution of “bunched” trades.

MPMG typically recommends that its clients use either Charles Schwab & Co. (“Schwab”) or TD Ameritrade (“TDA”), both FINRA-registered broker-dealers and SIPC members, to serve as the client’s custodial broker-dealer. MPMG is independently owned and operated and is not affiliated with Schwab or TDA. While MPMG may recommend Schwab or TDA, the ultimate decision on which custodial broker-dealer to select is left with the client. Clients must open an account with whichever custodial broker-dealer they select by entering into an account agreement directly with them.

In recommending Schwab and TDA, MPMG considers a wide range of factors including, among other things:

- Combination of quality execution services and asset custody services;
- Capability to execute, clear and settle trades (buy and sell securities for a client’s account);
- Capability to facilitate transfers and payments to and from accounts (e.g., wire transfers, check requests, and bill payment);
- Quality of services;
- Competitiveness of the price of those services (e.g., commission rates, margin interest rates, and other fees) and willingness to negotiate prices;
- Reputation, financial strength and stability;
- Prior service to MPMG or its clients; and
- Availability of other products and services that benefit us, as discussed below and in Item 14.

While MPMG will execute most trades through the client’s custodial broker-dealer, trades may be executed through a different broker-dealer. Thus, trades for accounts held at Schwab or TDA may be executed at different times and different prices than trades for

other accounts that are executed at other broker-dealers. Clients that select Schwab or TDA to serve as their custodial broker-dealer may benefit from the commission rates Schwab and TDA makes available to MPMG's clients.

Neither Schwab nor TDA charge separately for custody services, but they are compensated by charging commissions or other fees on securities trades they execute for client accounts. For some client accounts, custodial broker-dealers may charge a percentage of the dollar amount of assets in the account in lieu of commissions. In addition to commission and asset-based fees, custodial broker-dealers may charge clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade MPMG has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into client's account with the custodial broker-dealer. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize client trading costs, MPMG has the custodial broker-dealer execute most trades for client accounts. MPMG has determined that having Schwab or TDA execute most trades is consistent with its duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based upon all relevant factors, including those listed above.

Products and Services Available to MPMG from Schwab.

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like MPMG. They provide MPMG and its clients with access to its institutional brokerage—trading, custody, reporting and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help MPMG manage or administer clients' accounts, while others help MPMG manage and grow its business. Schwab's support services generally are available on an unsolicited basis (i.e., MPMG does not have to request them) and at no charge to MPMG, as long as MPMG clients collectively maintain a minimum asset amount in accounts at Schwab.

Following is a more detailed description of Schwab's support services:

- *Services That Benefit MPMG Clients.* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment products available through Schwab include some to which MPMG might not otherwise have access or that would require a significantly higher minimum initial investment by MPMG clients. Schwab's services described in this paragraph generally benefit MPMG clients and their accounts.
- *Services That May Not Directly Benefit MPMG Clients.* Schwab also makes available to MPMG other products and services that benefit MPMG but may not directly benefit its clients. These products and services assist MPMG in managing and administering

clients' accounts. They include investment research, both Schwab's own and that of third parties. MPMG may use this research to service all or a substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
 - Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
 - Provide pricing and other market data;
 - Facilitate payment of MPMG fees from clients' accounts; and
 - Assist with back-office functions, recordkeeping and client reporting.
- *Services That Generally Benefit Only MPMG.* Schwab also offers other services intended to help MPMG manage and further develop its business enterprise. These services include:
 - Educational conferences and events;
 - Consulting on technology, compliance, legal and business needs;
 - Publications and conferences on practice management and business succession; and
 - Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to MPMG. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide MPMG with other benefits, such as occasional business entertainment for MPMG's employees (subject to the requirements and limitations of the Code of Ethics).

- *MPMG Interests in Schwab's Services.* The availability of these services from Schwab benefits MPMG because MPMG does not have to produce or purchase them. MPMG does not have to pay for Schwab's services so long as MPMG's clients collectively keep a minimum asset amount in accounts at Schwab. Beyond that, these services are not contingent upon MPMG committing any specific amount of business to

Schwab in trading commissions or assets in custody. The asset minimum requirement may give MPMG an incentive to recommend that clients maintain their account with Schwab, based on MPMG's interest in receiving Schwab's services that benefit MPMG's business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of their transactions. This is a potential conflict of interest. MPMG believes, however, that its selection of Schwab as custodian and broker is in the best interests of its clients. MPMG's selection is primarily supported by the scope, quality and price of Schwab's services, as discussed above, and not Schwab's services that benefit only MPMG.

Products and Services Available to MPMG from TDA.

MPMG participates in TDA's institutional program and may recommend TDA as a custodial broker-dealer to its clients. There is no direct link between MPMG's participation in the program and the investment advice it gives to clients, although MPMG receives economic benefits through its participation in the program that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving MPMG participants; access to bunched trading (described further, below); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology and practice management products or services provided to MPMG by third-party vendors. TDA may also pay for business consulting and professional services received by MPMG personnel.

Some of the products and services made available by TDA through the program may benefit MPMG but not client accounts. These products or services may assist MPMG in managing and administering client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help MPMG manage and further develop its business enterprise. The benefits received by MPMG or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. As part of its fiduciary duties to clients, MPMG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by MPMG or its related persons in and of itself creates a potential conflict of interest and may indirectly influence MPMG's recommendation of TDA as a custodial broker-dealer.

Bunched Trades

Sometimes a decision is made to simultaneously purchase or sell the same security for a number of clients using the same custodial broker-dealer. In such a case, trades in the same security for clients using the same custodial broker-dealer will be "bunched" in a single

order in an effort to obtain the best execution at the most favorable price available. If a bunched order is filled at several prices (which may occur in more than one transaction), each client participating in the order will receive the average price, which could be higher or lower than the actual price that would otherwise be paid by the client in the absence of bunching. The transaction costs incurred will be shared proportionately based on each client's participation in the transaction.

As most of MPMG's clients use Schwab or TDA as their custodial broker-dealer, the opportunity to bunch trades for clients who have elected to direct brokerage to an alternate firm is extremely limited, although such trades will be bunched to the extent possible with other clients using the same custodial broker-dealer as discussed below. Clients using alternate firms should understand that they may lose the possible advantage that clients using Schwab or TDA as their custodial broker-dealer may derive, from the bunching of orders for several clients into a single transaction.

In some circumstances, trades for MPMG employee accounts and client accounts will be bunched together. In those instances, both affiliate and client accounts will share commission costs equally and receive securities at a total average price. MPMG will retain records of each order (specifying each participating account) and its allocation, which will be completed prior to the entry of the bunched order. Completed trades will be allocated as specified in the order details.

To help ensure fairness among client accounts, when bunching client orders for a security, MPMG creates numbered groups based on the client's custodian. Actual placement of each bunched order is then rotated on a transaction-by-transaction basis. For example, if group one orders are placed first, group two orders second and group three orders third, then for the next transaction group two orders will be placed first, group three orders second and group one orders last. MPMG maintains written records of this rotation. From time to time, it may be necessary to deviate from the rotation for reasons such as delays on the part of a custodian or execution concerns. All such deviations, along with the justification, are documented and maintained by MPMG.

With respect to MPMG's wrap programs and model-based managed account programs, MPMG communicates its recommendations to the various program sponsors within the same rotation system discussed above. However, these program sponsors may retain investment and brokerage discretion with respect to the wrap program and model-based managed account program recommendations provided to them. To the extent that a program sponsor receives and/or commences trading with respect to the wrap program and model-based managed account program recommendations before another program sponsor, the accounts of such other program sponsor may be subject to price movements, particularly if they are trading after large block trades, involve thinly traded or illiquid securities or occur in volatile markets. This may result in wrap program and model-based managed account program recipients obtaining a different execution price (which may be more or less favorable) than those account trades that were executed first.

Partial Fill Allocation

When a bunched order is not filled in its entirety, MPMG employs two different means of allocating trades based on the size of the fill. If more than 50% of the order is filled, MPMG allocates the order pro rata across all participating accounts. If less than 50% of the order is filled, MPMG uses a random system that is designed to ensure that, over time, all participating accounts are allocated investment opportunities in a fair and equitable manner.

Trade Error Policy

Occasionally, a trading error may occur in a client's account, (e.g., the wrong security may be bought or sold). Of course, MPMG seeks to keep these errors to a minimum. However, if a trading error is discovered, MPMG immediately contacts the broker-dealer to provide notice of the error and to seek to correct it. If feasible, the trade will be canceled.

If it is not feasible to cancel the trade (e.g., because the trade has settled), MPMG will instruct the broker-dealer to reverse the trade. If this results in a net loss to the client, and MPMG was responsible for the trade error, MPMG will reimburse the client.

As a general matter, where we have brokerage discretion, the client will retain any net gain that results from reversing the trade. If a client chooses not to keep a gain, we will take reasonable measures to ensure MPMG does not benefit from the gain, such as making a charitable donation. If related trade errors result in both gains and losses in a client's account, they will typically be netted for the purpose of determining the amount of overall loss or gain.

With respect to clients custodied at Schwab that choose not to retain a gain resulting from correcting a trade error, Schwab will donate the amount of any gain \$100 or over to charity and keeps gains under \$100. If the correction results in a loss of less than \$100, Schwab will absorb the loss to avoid its own additional administrative and operational expense and burden of processing such errors. MPMG reimburses losses of \$100 or greater. Schwab's policy therefore relieves MPMG of the financial obligation to reimburse losses of less than \$100 with respect to clients custodied at Schwab.

Clients participating in wrap programs will be subject to the trade error correction practices of the program sponsors and should refer to their program documentation. As a general matter, clients are made whole for any losses resulting from the correction of trading errors MPMG makes either by MPMG reimbursing the account or the program sponsor reimbursing the account and billing MPMG for the amount or netting it against the fee the program sponsor pays MPMG.

MPMG does not have any arrangements with a broker-dealer or third party under which it receives products or services from the broker-dealer in exchange for commissions paid to the broker-dealer for executing securities transactions.

MPMG will not cross trades between client accounts or engage in principal transactions between either (i) MPMG client accounts or (ii) MPMG employees and client accounts.

Item 13. Review of Accounts

MPMG's CEO and COO generally review accounts at the strategy level. They review either quarterly or monthly reports identifying certain securities weighting issues that require follow-up as well as performance dispersion. Such reviews can trigger a more detailed review at the individual client account level. MPMG's CEO and COO also review accounts on an as-needed basis in connection with client calls or meetings. These reviews include performance and client portfolio holdings as well as any applicable investment guidelines or policies.

MPMG communicates with investment advisory clients by way of meetings, telephone calls, letters and written portfolio reports. The frequency and mode of personal contact is flexible and usually dependent on what is needed to seek to ensure an effective working relationship. Clients receive monthly financial reports from account custodians. MPMG prepares and sends account statements to clients on a quarterly basis that include performance measurement against benchmarks for various periods and investment performance review for the current quarter. The account statements sent by MPMG also provide performance information net of fees, actual and annualized rates of return, total portfolio value versus invested capital, summary of asset allocation, portfolio holdings and tax lots, comprehensive transaction and investment activity and year-to-date realized gains and losses.

Item 14. Client Referrals and Other Compensation

MPMG enters into solicitation or referral arrangements with broker-dealers and other third parties. Under such arrangements, MPMG compensates these parties by paying them a percentage of the investment advisory fees MPMG receives from the clients they solicit or refer to MPMG. Such compensation does not increase the advisory fees paid by clients and, in fact, MPMG may offer services to these clients at discounted fees. MPMG may pay these parties an annual retainer in addition to the referral or solicitation fee.

Solicitation or referral fee arrangements present a conflict of interest because the third parties involved have a financial incentive to refer a client to MPMG. To address such conflicts of interest, MPMG requires that all such arrangements be disclosed to clients in writing before or at the time of solicitation.

Item 15. Custody

All client assets must be held by a third-party custodian, generally a bank or a broker-dealer. MPMG cannot and does not serve as a qualified custodian for clients and will decline client requests to provide services that would result in MPMG being deemed to have custody under the applicable regulatory rules, such as serving as trustee to a client's account.

Where clients have authorized MPMG to automatically deduct periodic advisory fees directly from the client's account, the rules deem MPMG to have custody and MPMG complies with the relevant requirements related to this sort of custody. Clients wishing to elect automatic payment of advisory fees from their account must authorize this in their investment advisory agreement. In such cases, the clients' custodian will remit fees directly to MPMG and record a debit transaction which will be reflected on the quarterly account statement issued to the client.

Each client receives statements no less than quarterly from the broker-dealer, bank or other qualified custodian that maintains the client's investment assets. MPMG urges its clients to carefully review such statements and compare official custodian records to the account statements that MPMG provides, which may vary from custodian statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. Clients must notify MPMG using the contact information on the cover page if they have questions about their statement or if their custodian stops sending account statements on a no less than quarterly basis.

Item 16. Investment Discretion

When completing the investment advisory agreement, clients grant MPMG authority to determine which securities are bought and sold and the amount of securities to be bought or sold for the assets MPMG manages. In all cases, such investment discretion must be exercised in a manner consistent with the stated investment objectives for each particular client account. MPMG's discretionary investment authority may be limited with respect to some accounts through use of investment restrictions or other limitations imposed by the client. Any client imposed investment restriction or limitation must be provided to MPMG in writing.

Item 17. Voting Client Securities

MPMG has authority to vote client securities by virtue of its discretionary authority. As required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, MPMG has adopted a Proxy Voting Policy that, among other things, requires all proxy voting in equity securities to be performed prudently and solely in the best long-term economic interest of MPMG's clients and their beneficiaries, considering all relevant factors and

without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Clients may direct a particular proxy vote at any time by contacting MPMG.

Conflicts of interest are very rare, but if they do arise, MPMG is committed to resolving the conflict in its clients' best interest. In situations where MPMG perceives a material conflict of interest, it may disclose the conflict to relevant clients and obtain their consent before voting; defer to the voting recommendation of the relevant clients or an independent third-party provider of proxy services; send the proxy directly to the relevant clients for a voting decision; vote the proxy based on the voting guidelines set forth in its Proxy Voting Policy if the application of the guidelines to the matter presented involves little discretion on the part of MPMG; or take such other action in good faith that would protect the interest of MPMG clients.

All proxies received by MPMG are handled by Broadridge, an independent, third-party proxy voting service. A Portfolio Manager instructs MPMG's trading desk who in turn instructs Broadridge on how to vote each proxy in accordance with MPMG's Proxy Voting Policy and Proxy Voting Guidelines and consults a Principal of MPMG regarding issues not clearly covered by the Proxy Voting Policy, prior to submitting instructions to Broadridge.

Clients may obtain a complete copy of the Proxy Voting Policy or a record of MPMG's proxy votes upon request and free of charge by contacting Sarah Rude, Director of Client Operations, at 612-334-2000 or s.rude@mpmgllc.com.

Item 18. Financial Information

MPMG does not require pre-payment of fees six months or more in advance, and is therefore not required to disclose certain information related to its financial condition. MPMG has no information to disclose related to any financial commitment that impairs MPMG's ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.