

**Part 2A of Form ADV: *Firm Brochure***

**MDH Investment Management, Inc.**

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04/01/2015

This brochure provides information about the qualifications and business practices of MDH Investment Management, Inc. (hereinafter "MDH," the "firm" or "we") If you have any questions about the contents of this brochure, please contact us at 330-386-4452 or [contact@mdhinv.com](mailto:contact@mdhinv.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about MDH also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 133127.

## Item 2 Material Changes

This Firm Brochure, dated 04/01/2015, provides you with a summary of our firm's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things.

This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. *Annual Update:* We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.

However, MDH is not required to send such updated documents to our clients when there are no material changes to report since the filing of our most recent prior Brochure.

2. *Material Changes:* Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

This brochure, dated April 1, 2015, revises important information previously reported in our disclosure document dated March 17, 2014.

Effective April 1, 2015, MDH is wholly owned by its founder and President, Marc D. Hoffrichter, and David R. Bickerton, the firm's Vice President. While MDH is no longer affiliated with Tri-State 1<sup>st</sup> Banc, Inc. (thereby eliminating any inherent conflicts of interest), there will be no change in the advisory services and strategies utilized for the management of advisory client assets.

Because of the broad scope of these disclosures throughout this document, we urge clients to review this information and we welcome the opportunity to answer any questions you may have.

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## Item 4    **Advisory Business**

MDH Investment Management, Inc. is an SEC-registered investment adviser with its principal place of business located in East Liverpool, Ohio. Registration does not require and should not be interpreted to imply any particular level of skill or training. MDH began conducting business in 1983.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Marc D. Hoffrichter, President, CEO & Chief Compliance Officer
- David R. Bickerton, Vice President

We offer the following advisory services to our clients:

### **PORTFOLIO MANAGEMENT SERVICES**

Our firm provides continual advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We typically create and manage a blended portfolio, allocating the client's assets among various investments taking into consideration the overall management style selected by the client. Portfolio weighting between funds and market sectors are determined on a per account basis pursuant to each client's individual needs and circumstances. Clients retain individual ownership of all securities.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Warrants
- Municipal securities
- Foreign issuers
- Certificates of deposit
- Corporate debt securities (other than commercial paper)
- Securities traded over-the-counter
- Commercial paper
- U.S. governmental securities
- Exchange-traded funds
- Options contracts on securities

- Mutual fund shares (money market funds only)

Although recommendations for new investments will typically be limited to these types of securities, we may render investment advice on other types of investments held by a client at the start of the advisory relationship.

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **MDH MANAGED PORTFOLIO PROGRAM**

MDH also provides its discretionary portfolio management services through the MDH Managed Portfolio Program (the "Program"). MDH is the sponsor and investment manager of this wrap fee program through which clients can receive the same asset management services provided by MDH for a single asset-based fee. This program may be more appropriate for clients whose accounts are more actively traded.

Clients participating in the Program are provided with a separate disclosure document, MDH's Wrap Fee Program Brochure, containing specific details. Clients and prospective clients interested in obtaining additional information may request a copy of the Wrap Fee Program Brochure by contacting Marc Hoffrichter at 330-386-4452 or via email sent to [contact@mdhinv.com](mailto:contact@mdhinv.com).

### **AMOUNT OF MANAGED ASSETS**

As of 02/26/2015, we were actively managing \$74,237,371 of clients' assets on a discretionary basis, and zero non-discretionary assets as MDH only provides discretionary portfolio management services.

## **Item 5 Fees and Compensation**

### **PORTFOLIO MANAGEMENT FEES**

The annualized fee for our Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$250,000 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.00%
Above \$1 million	0.75%

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Investment Management Agreement.

A minimum of \$250,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. We may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

**Limited Negotiability of Advisory Fees:** Although MDH has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to MDH for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Wrap Fee Programs Fees:** In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Clients should refer to the MDH Wrap Fee Program Brochure for more detailed information regarding the fees associated with the MDH Managed Portfolio Program.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements and Advisory Fees:** Pre-existing advisory clients are subject to MDH's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements may differ among clients.

We retain the discretion to reduce or waive account minimums and/or advisory fees. MDH may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

**Legacy Holdings:** From time to time, advisory clients may have pre-existing investments that they do not want actively managed by MDH. These clients may request that we monitor such assets and incorporate these holdings into our periodic review of the client's account(s). The nature and frequency of such reviews will be determined on an individual basis with each client. These assets will not be actively managed by MDH in accordance with the client-imposed restrictions although they will be incorporated into our overall assessment of asset allocation and performance. These assets will typically be included in our calculation of advisory fees unless otherwise agreed upon.

**ERISA Accounts:** MDH is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income Security Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. However, as neither MDH nor its related persons are separately engaged in other business activities, no additional forms of compensation will be received by the firm or any related person.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

MDH does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's assets).

## **Item 7 Types of Clients**

MDH provides advisory services to the following types of clients:

- Individuals
- High net worth individuals
- 
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial and ongoing minimum account requirements. MDH retains the discretionary authority to reduce or waive these minimums.

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

MDH Investment Management's selection process begins with a macro view of world trends: social, political, economic and technological events which will impact future investment markets. We look for changes in lifestyle, demographics, and technology that can help us identify industries or investments that are creating opportunities. And we look for government actions and economic trends that are affecting the strength of national markets. By combining a knowledge of which markets are expanding with an understanding of the most progressive industries or investments within those markets, we are better able to select those investments which have the greatest long-term potential.

### **METHODS OF ANALYSIS**

We combine a macro view of world trends with a fundamental and technical analysis of specific investment prospects. First we review political, economic, social, and technological trends to find markets and industries that have the best long-term potential. Then we find the best investments within those markets and industries through a detailed review of fundamental value criteria.

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). To further our understanding of individual companies we seek out information from suppliers, customers, and competitors, as well as industry analysts. We also look for superior management, superior cost controls, and new product capability. The companies we prefer are those who understand their place in the market and who either dominate that market already or are moving to do so.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Cyclical Analysis.*** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

***Charting.*** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.



## INVESTMENT STRATEGIES

MDH's selected strategy is international in scope. MDH principally seeks out two types of industries, those whose expected good earnings performance indicate that they will have superior long-term market growth, and those which have had major setbacks and are entering a recovery period where over the next three years or more they will return to normal trade growth and therefore have excellent potential for large earnings increases.

Within the identified industries, we then look for companies that we feel are leaders; typically those having a rate at or above the industry rate. We attempt to find companies that are undervalued versus their peers, or valued lower than their growth rate would warrant. We select specific buy and sell points in advance and decide how much of a particular stock to hold based on its illiquidity and existing portfolio mix. The sell point is based on a percentage of the purchase price or highest market value. For volatile stocks the decline we tolerate may be as much as 30 percent. For a low volatility stocks it may be only 10 percent. We rarely purchase all of our holding of a stock at one time, but average up, and watch the stock's movements closely once we hold a position.

To achieve our principal objective of producing a consistently high return for clients above the rate of inflation while minimizing risk, MDH may utilize one or more of the following strategies based on geopolitical, economic, and technological trends, among other considerations.

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

***Trading.*** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** *Investing in securities involves risk of loss that clients should be prepared to bear.*

While MDH seeks to reduce risk of loss by diversifying clients' investment portfolios across various asset classes consistent with their particular investment objectives, risk tolerance and time horizons,

all investments present the risk of loss of principal; the risk that the value of securities, when sold or otherwise disposed of, may be less than the acquisition price. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

## **Item 9     Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 10    Other Financial Industry Activities and Affiliations**

MDH is not registered, nor does it have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor, nor is it engaged in any other business activity. Furthermore, MDH does not have a related person that is:

- a broker-dealer, municipal securities dealer, or government securities dealer or broker;
- another investment adviser;
- a registered municipal advisor;
- a registered security-based swap dealer or major security-based swap participant;
- a commodity pool operator, commodity trading advisor or futures commission merchant;
- a banking or thrift institution or trust company;
- an accountant or accounting firm;
- a lawyer or law firm;
- an insurance company or agency;
- a pension consultant;
- a real estate broker or dealer; or
- a sponsor or syndicator of any form of pooled investment vehicles

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

MDH and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons.

Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [contact@mdhinv.com](mailto:contact@mdhinv.com), or by calling us at 330-386-4452.

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

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
- We have established procedures for the maintenance of all required books and records.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

MDH does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Except in those instances where a client wishes to retain discretion over broker selection and commission rates, MDH accepts discretionary authority to determine the brokers used and the commissions paid.

In the absence of any client direction to utilize a particular broker or dealer for the execution of transactions in any client accounts, MDH's overriding objective in effecting portfolio transactions is to obtain the best combination of price and execution. We seek to effect each transaction at a price and commission that provides the most favorable total cost or proceeds reasonably attainable under the circumstances.

MDH may consider various factors when selecting a broker or dealer, including, but not limited to, the nature of the portfolio transaction, the size of the transaction, the execution, clearing and settlement capabilities of the broker or dealer; the desired timing of the transactions; confidentiality, and, under appropriate circumstances, the availability of research, research-related services, and execution-related services provided through such broker or dealer. Research and execution-related services may be provided in the form of written reports, telephonic communications, software, including software providing securities analysis functions, analyst earnings revisions, etc., and may contain information concerning securities markets, the economy, individual companies, pricing information and services, performance studies and other information providing assistance in the performance of our investment decision-making responsibilities.

Clients may request that brokerage transactions be directed to a particular broker or dealer. However, if MDH believes that the use of that broker-dealer would hinder us in meeting its fiduciary obligations, we will not be able to accept the account.

Our firm will block trade where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. MDH will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Our block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with MDH or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable MDH to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, an order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

- 9) Funds and securities for aggregated orders are clearly identified on MDH's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

## **Item 13    Review of Accounts**

### **PORTFOLIO MANAGEMENT SERVICES**

*Reviews:* While the underlying securities within the client's accounts are continually monitored, these accounts are reviewed at least weekly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Account reviews are conducted by Marc D. Hoffrichter, President, and/or David R. Bickerton, Vice President of MDH.

At least annually, we meet with the client (either in person or over the phone) to review and update, as necessary, the client's investment profile. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's investment profile is warranted.

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

It is MDH's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is also our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15    Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16 Investment Discretion**

MDH only provides discretionary asset management services. Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

MDH offers to vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm retains all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies.

If our firm has a conflict of interest in voting a particular action, we inform the client of the conflict and request that the client instruct MDH on the vote to cast on the client's behalf. Under certain circumstances, we may retain an independent third-party to cast a vote.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). You can also instruct us on how to cast your vote in a particular proxy contest. These directives must be provided to MDH in writing.

Clients may request a copy of our complete proxy voting policies and procedures. Clients may also request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Clients should direct proxy-related communications to Marc Hoffrichter, President and CCO of MDH. Email communications should be addressed to [contact@mdhinv.com](mailto:contact@mdhinv.com); other written communications should be addressed to the firm and either mailed or faxed to his attention (see the cover page of this brochure for our address and fax information).



*Class Actions, Bankruptcies, and Other Legal Proceedings.* We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for client accounts we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. MDH has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Accordingly, we are not required to include a financial statement as part of this disclosure document.

MDH has never been the subject of a bankruptcy petition.

**Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure**

**MDH Investment Management, Inc.**

1216 Forsyth Place  
East Liverpool, OH 43920

Telephone: 330.386.4452  
Facsimile: 330.386.3434

Email: [contact@mdhinv.com](mailto:contact@mdhinv.com)  
Web Address: [www.mdhinv.com](http://www.mdhinv.com)

**MDH Managed Portfolio Program**

04/01/2015

This wrap fee program brochure provides information about the qualifications and business practices of MDH Investment Management, Inc. (hereinafter "MDH," the "firm," or "we"). If you have any questions about the contents of this brochure, please contact us at 330.386.4452 or via email at [contact@mdhinv.com](mailto:contact@mdhinv.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about MDH Investment Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 133127.

## Item 2    **Material Changes**

This Wrap Fee Program Brochure, dated 04/01/2015, provides you with a summary of MDH's wrap fee program, our investment professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. **Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Wrap Brochure within 120 days of our FYE or we will provide you with our revised Wrap Brochure that will include a summary of those changes in this Item.

However, MDH is not required to send such updated documents to our clients when there are no material changes to report since the filing of our most recent prior Brochure.

2. **Material Changes:** Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; or disciplinary proceedings. We may also advise you of other changes based on the nature of the updated information.

This brochure, dated April 1,, 2015 revises important information previously reported in our disclosure document dated March 17, 2014.

Effective April 1, 2015, MDH is wholly owned by its founder and President, Marc D. Hoffrichter, and David R. Bickerton, the firm's Vice President. While MDH is no longer affiliated with Tri-State 1<sup>st</sup> Banc, Inc. (thereby eliminating any inherent conflicts of interest), there will be no change in the advisory services and strategies utilized for the management of advisory client assets.

Because of the broad scope of these disclosures throughout this document, we urge clients to review this information and we welcome the opportunity to answer any questions you may have.

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## Item 4 Services Fees and Compensation

### ADVISORY SERVICES

MDH Investment Management, Inc. is a SEC-registered investment adviser with our principal place of business located in East Liverpool, OH. It should be noted that registration as an investment adviser does not require and should not be interpreted to imply any particular level of skill or training. MDH began conducting business in 1983.

MDH is the sponsor and portfolio manager of the MDH Managed Portfolio Program (the "Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions.

This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services and fees offered by our firm, clients should refer to our Form ADV Part 2: Firm Brochure.

You may obtain a copy of our Firm Brochure by contacting us at 330.386.4452 or via email sent to [contact@mdhinv.com](mailto:contact@mdhinv.com).

### MDH MANAGED PORTFOLIO PROGRAM

Clients participating in the MDH Managed Portfolio Program receive continual advice regarding the investment of their funds based on their individual needs. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy which serves as the basis for managing the client's portfolio. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

We typically create and manage a blended portfolio, allocating the client's assets among various investments taking into consideration the overall management style selected by the client. Portfolio weighting between funds and market sectors are determined on a per account basis pursuant to each client's individual needs and circumstances. Clients retain individual ownership of all securities.

As sponsor and investment manager of the MDH Managed Portfolio Program, we have designed this program to connect our firm's clients with professional in-house portfolio managers and investment vehicles suitable for their financial circumstances and investment objectives. Our firm actively solicits advisory clients for the Program. We are also responsible for the marketing of the Program.

We manage these advisory accounts on a discretionary basis. Consistent with the portfolio management services we provide to all our clients, including those not participating in this Program, account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

**Types of Securities:** Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. As appropriate to the needs of the client, the following types of securities may be utilized in the client's portfolio:

- Exchange-listed securities
- Warrants
- Municipal securities
- Foreign issuers
- Certificates of deposit
- Corporate debt securities (other than commercial paper)
- Mutual fund shares (money market funds only)
- Securities traded over-the-counter
- Commercial paper
- U.S. governmental securities
- Exchange-traded funds
- Options contracts on securities

Although recommendations for new investments will typically be limited to these types of securities, we may render investment advice on other types of investments held by a client at the start of the advisory relationship. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, restrictions (if any), tolerance for risk, liquidity and suitability.

## FEES

The annualized fee for this program is charged as a percentage of the value of the client's portfolio, according to the following schedule:

<u>Assets under Management</u>	<u>Annual Fee</u>
\$250,000 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.60%
Above \$1 million	1.25%

A minimum of \$250,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. We may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

***How are Fees Charged?*** Program fees are charged quarterly in advance. If management begins after the start of a month, Program fees will be prorated accordingly. When authorized by the client, fees will be debited from the account in accordance with the terms set forth in the Investment Management Agreement ("IMA").

***What services are covered by the Program fees?*** The Program fees pay for our firm's advisory services, administrative expenses of the Program, brokerage services and custodial charges for clients' assets custodied at Pershing.

***What services are not covered by the Program fees?*** The Program fees do not cover brokerage to the extent trades are conducted through brokers or dealers other than Pershing.

The Program fees also do not include expenses of mutual funds and electronically traded funds ("ETFs") such as fund management fees charged to each fund's investors:

***Mutual Fund Fees:*** Although MDH may include certain exchange-traded funds ("ETFs") in clients' portfolios, our use of mutual funds will be limited to certain money market mutual funds which will be utilized to 'sweep' unused cash balances until such funds can be appropriately invested. Clients should recognize that all fees paid to MDH for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Exchange-Traded Funds.*** Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

***Other Fees and Expenses.*** Clients may incur charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial and/or annual account fees.

***Additional Information about Wrap Program Fees.*** Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions and custody for a single specified Program Fee. While wrap fee programs can be beneficial for some clients, they are not necessarily appropriate for everyone. Some clients may pay higher overall costs in a wrap program than in a traditional program in which they pay separately for investment management services and brokerage costs.

When evaluating a wrap program, the client should consider the amount of the wrap fee, the number and frequency of trades, and the types of securities the account will trade. A wrap fee arrangement is likely to be more beneficial for accounts that expect relatively frequent trading, such as accounts that pursue an active trading strategy. In that event, the single wrap fee may cost less than the combined investment management fees and brokerage commissions that would be charged in a non-wrap arrangement. Conversely, an account that does not anticipate utilizing a high frequency trading strategy and has a relatively small number of trades each year may find a wrap fee arrangement to be more costly than paying the separate costs of investment management and brokerage commissions. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Grandfathering of Minimum Account Requirements and Advisory Fees:*** Pre-existing advisory clients are subject to MDH's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements may differ among clients.

We retain the discretion to reduce or waive account minimums and/or advisory fees. MDH may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

***Legacy Holdings:*** From time to time, advisory clients may have pre-existing investments that they do not want actively managed by MDH. These clients may request that we monitor such assets and incorporate these holdings into our periodic review of the client's account(s). The nature and frequency of such reviews will be determined on an individual basis with each client. These assets will not be actively managed by MDH in accordance with the client-imposed restrictions although they will be incorporated into our overall assessment of asset allocation and performance. These assets will typically be included in our calculation of advisory fees unless otherwise agreed upon.

***ERISA Accounts:*** MDH is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income Security Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. However, as neither MDH nor its related persons are separately engaged in other business activities, no additional forms of compensation will be received by the firm or any related person.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

#### **ADDITIONAL COMPENSATION**

It is MDH's policy not to engage solicitors or to pay related or non-related persons for referring potential wrap program clients to our firm.



## **Item 5 Account Requirements and Types of Clients**

### **MINIMUM ACCOUNT REQUIREMENTS**

Participation in this Program is subject to certain minimum account requirements. For a more detailed understanding of these requirements, please review the disclosures provided in the preceding section.

MDH Managed Portfolio Program clients must direct MDH as to the broker dealer/custodian to be used in managing their account. As a condition for Program participation, clients are required to direct us to custody their assets with and to place trades through Pershing, LLC ("Pershing"). Pershing is an unaffiliated FINRA-member broker dealer and the clearing firm and custodian for all participating Program clients.

MDH has negotiated an arrangement with Pershing to provide brokerage services as part of the MDH Managed Portfolio Program. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than Pershing. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

### **TYPES OF CLIENTS**

MDH provides advisory services in the MDH Managed Portfolio Program, where appropriate, to:

- Individuals
- High net worth individuals
- Pension & profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other business entities not listed above

## **Item 6 Portfolio Manager Selection and Evaluation**

### **PORTFOLIO MANAGER SELECTION**

As previously disclosed, all participating clients' assets are managed by advisory personnel of our firm. These individuals must possess, minimally, a college degree and/or appropriate business experience and all required licenses. Please refer to Item 4 for detailed disclosures regarding the portfolio management services we provide to Program clients.

### **PORTFOLIO PERFORMANCE REPORTING**

MDH does not generally provide portfolio performance reporting.

## AFFILIATED PORTFOLIO MANAGERS

As previously disclosed in Item 4, all client assets in this program are managed by our portfolio managers. We customize each portfolio and manage the client's assets continually based on the particular client's investment objectives, time horizons, and any imposed restrictions. MDH does not utilize any third-party portfolio managers to manage the assets of our clients.

## PERFORMANCE-BASED FEES

MDH does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's assets).

## METHODS OF ANALYSIS

MDH Investment Management's selection process begins with a macro view of world trends: social, political, economic and technological events which will impact future investment markets. We look for changes in lifestyle, demographics, and technology that can help us identify industries or investments that are creating opportunities. And we look for government actions and economic trends that are affecting the strength of national markets. By combining a knowledge of which markets are expanding with an understanding of the most progressive industries or investments within those markets, we are better able to select those investments which have the greatest long-term potential.

We combine a macro view of world trends with a fundamental and technical analysis of specific investment prospects. First we review political, economic, social, and technological trends to find markets and industries that have the best long-term potential. Then we find the best investments within those markets and industries through a detailed review of fundamental value criteria.

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Cyclical Analysis.*** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**ETF and Mutual Fund Analysis.** Typically, MDH's use of mutual funds will be limited to select exchange-traded funds (ETFs) and money market funds, when necessary and appropriate. We look at the experience and track record of the manager of the ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in such fund(s) in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of ETF and/or mutual fund analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an ETF or fund, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the ETF or fund, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

MDH's selected strategy is international in scope. MDH principally seeks out two types of industries, those whose expected good earnings performance indicate that they will have superior long-term market growth, and those which have had major setbacks and are entering a recovery period where over the next three years or more they will return to normal trade growth and therefore have excellent potential for large earnings increases.

Within the identified industries, we then look for companies that we feel are leaders; typically those having a rate at or above the industry rate. We attempt to find companies that are undervalued versus their peers, or valued lower than their growth rate would warrant. We select specific buy and sell points in advance and decide how much of a particular stock to hold based on its illiquidity and existing portfolio mix. The sell point is based on a percentage of the purchase price or highest market value. For volatile stocks the decline we tolerate may be as much as 30 percent. For a low volatility stocks it may be only 10 percent. We rarely purchase all of our holding of a stock at one time, but average up, and watch the stock's movements closely once we hold a position.

To achieve our principal objective of producing a consistently high return for clients above the rate of inflation while minimizing risk, MDH may utilize one or more of the following strategies based on geopolitical, economic, and technological trends, among other considerations.

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold.

On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** *Investing in securities involves risk of loss that clients should be prepared to bear.*

While MDH seeks to reduce risk of loss by diversifying clients' investment portfolios across various asset classes consistent with their particular investment objectives, risk tolerance and time horizons, all investments present the risk of loss of principal; the risk that the value of securities, when sold or otherwise disposed of, may be less than the acquisition price. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

## VOTING CLIENT SECURITIES

MDH offers to vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm retains all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies.

If our firm has a conflict of interest in voting a particular action, we inform the client of the conflict and request that the client instruct MDH on the vote to cast on the client's behalf. Under certain

circumstances, we may retain an independent third-party to cast a vote.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). You can also instruct us on how to cast your vote in a particular proxy contest. These directives must be provided to MDH in writing.

Clients may request a copy of our complete proxy voting policies and procedures. Clients may also request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Clients should direct proxy-related communications to Marc Hoffrichter, President and CCO of MDH. Email communications should be addressed to [contact@mdhinv.com](mailto:contact@mdhinv.com); other written communications should be addressed to the firm and either mailed or faxed to his attention (see the cover page of this brochure for our address and fax information).

***Class Actions, Bankruptcies, and Other Legal Proceedings.*** We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party or to relate requested claim form information to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 7 Client Information Provided to Portfolio Managers**

MDH is responsible for developing an initial financial profile of the prospective client. Prior to opening an account, we assist in determining the client's investment profile for the Program by obtaining from the client appropriate information (i.e., investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account).

While we provide the client with periodic reminders, it remains the client's responsibility to advise us of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy(ies) and/or objectives.

## **Item 8 Client Contact with Portfolio Managers**

MDH promotes open lines of communication between our Portfolio Manager(s) and our clients; we remain available to our clients to discuss investment philosophy, objectives and to answer client questions.

Clients are encouraged to contact us with questions they may have or with respect to any changes regarding their investment objectives, risk tolerance, financial circumstances or restrictions with respect to the management of their account(s).

## **Item 9 Additional Information**

### **DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

MDH is not registered, nor does it have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor, nor is it engaged in any other business activity. Furthermore, MDH does not have a related person that is:

- a broker-dealer, municipal securities dealer, or government securities dealer or broker;
- another investment adviser;
- a registered municipal advisor;
- a registered security-based swap dealer or major security-based swap participant;
- a commodity pool operator, commodity trading advisor or futures commission merchant;
- a banking or thrift institution or trust company;
- an accountant or accounting firm;
- a lawyer or law firm;
- an insurance company or agency;
- a pension consultant;
- a real estate broker or dealer; or
- a sponsor or syndicator of any form of pooled investment vehicles

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through Pershing as a condition for participation in the MDH Managed Portfolio Program. Pershing is an unaffiliated FINRA-member broker dealer and the clearing firm and custodian that we use for these program accounts. Our firm has evaluated Pershing and believes that it will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in meeting our fiduciary obligations to clients.

In evaluating such an arrangement, the client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by MDH on a trade-by-trade basis, and best execution may not be achieved. In addition, as noted above in Item 4, transactions in the client's account are effected "net" (i.e., without separate commission charge to the client) and a portion of the wrap fee is generally considered as being in lieu of commissions. Not all advisers require clients to direct it to use a particular broker dealer, though the sponsors of wrap fee programs typically do.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

MDH and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

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

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [contact@mdhinv.com](mailto:contact@mdhinv.com), or by calling us at 330.386.4452.

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

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.



3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
5. We have established procedures for the maintenance of all required books and records.
6. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
7. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
8. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
9. Any individual who violates any of the above restrictions may be subject to termination.

### **REVIEW OF ACCOUNTS**

While the underlying securities within the client's accounts are continually monitored, these accounts are reviewed at least weekly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Account reviews are conducted by Marc D. Hoffrichter, President, and/or David R. Bickerton, Vice President of MDH.

At least annually, we meet with the client (either in person or over the phone) to review and update, as necessary, the client's investment profile. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's investment profile is warranted.

All clients receive account statements from their custodian on at least a quarterly basis.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

It is MDH's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

Further, it is also our policy not to accept or allow related persons of MDH to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **FINANCIAL INFORMATION**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. MDH has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Accordingly, we are not required to include a financial statement as part of this disclosure document.

MDH has never been the subject of a bankruptcy petition.