



Brochure – January 2024

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BPS Capital Management, Inc. (BPS Capital) is a registered investment adviser (being registered as an investment adviser does not imply any level of skill or training). The oral and written communications of an adviser provide you with information that can be used in determining whether to hire or retain an adviser.

The contents of this brochure provide information about the qualifications and business practices of BPS Capital. If you have any questions about the contents of this brochure, please contact us at 952-893-0177. The contents of this brochure have not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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



Item 2 - Material Changes:

This brochure, dated January 2024, is a document prepared according to the SEC's requirements and rules which were put into place on July 28, 2010. On that date, the United States Securities and Exchange Commission published "Amendments to Form ADV," which amends the disclosure document that we provide to clients as required by SEC rules.

Moving forward, this item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. Our last update to old Form ADV, Part 2 was in January 2022.

Material changes:

- No Material changes

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes, as necessary.

Currently, our brochure may be requested from Patrick Dardis, Chief Compliance Officer, by emailing him at pdardis@bpscapital.com.

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Item 4 - Advisory Business:

BPS Capital was founded in 1983 and is an independent and privately-owned investment advisory firm. C. Mike McLaren (CEO/President) is the sole shareholder.

BPS Capital is registered with the Securities & Exchange Commission and currently manages over \$5 billion as of 12/1/23. BPS Capital provides discretionary and nondiscretionary investment advisory services to its clients.

For our discretionary clients, BPS Capital generally manages the clients' portfolios and makes investment decisions without consultation with the client. This includes deciding when to trade and changes to asset allocation within the constraints of the client's investment policy. In addition, BPS Capital votes proxies for discretionary clients' securities.

For our non-discretionary clients, services offered include the following:

- Liaison between clients and dealer community.
- Acting as buying/selling agent for clients (primarily financial institutions).
- Assistance with formulation of comprehensive investment strategies tailored to clients' unique circumstances.
- Assistance with formulation of comprehensive policies and structures to facilitate implementation.
- Assistance with collection of pertinent market and security information.
- Analysis of transactions executed or proposed for clients.

Our nondiscretionary customers will be mostly small- to medium-sized financial institutions, so the securities portfolio will be managed as an integral part of the total balance sheet. Within this framework, securities will be bought and sold in accordance with the following priority goals: 1) liquidity adequacy, 2) overall assessed quality, and 3) after-tax income maximization. Assets will be almost solely composed of fixed income securities chosen to reflect the above prioritized goals. Maturity lengths will normally be short to intermediate (i.e., 15 yrs or less). Security types will be primarily U.S. treasuries, government agencies, general obligation and revenue obligations of municipalities, and money market instruments. Securities will be sold before maturity as opportunities in the market arise to maximize the clients' after-tax income within the liquidity and quality parameters set forth by clients.

Implicit in recommended strategies will be the notion that investment strategy must be integrated to a very high degree into the strategy and constraints of the individual client.

Item 5 - Fees and Compensation:

Assets Under Management (AUM) Fee Structure: BPS Capital shall be compensated monthly at the end of each month of service, at the negotiated rate of one twelfth of current par value of all securities held on the previous month-end. The fee rate is negotiated with each Advisor, and they have discretion to include break point pricing, and will be not be more than 25 bps (max). BPS Capital may discount or waive certain transaction fees and charges.”

Capped Fee Structure: BPS Capital shall be compensated monthly at the end of each month of service, at the negotiated AUM calculation until agreed upon monthly fee cap is reached.

Fixed Fee Structure: BPS Capital shall be compensated monthly at the end of each month of service, at the negotiated fixed fee at account opening.

Fees are billed monthly or quarterly as outlined in each Advisory Agreement. Clients may incur transactional fees for trade away services depending on custodian. Advisors are not compensated for sales of certain securities or proprietary products.

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

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

Item 7 - Types of Clients:

BPS Capital provides portfolio management services to high-net-worth individuals (clients with at least \$1 million of investment assets), banking institutions, insurance companies, corporations, municipalities, colleges and universities, pension and profit-sharing plans, charitable institutions, foundations, endowments, and non-profit organizations.

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

Non-discretionary:

Our customers will be relatively small- to medium-sized financial institutions, the securities portfolio will be managed as a residual asset. Within this framework, securities will be bought and sold in accordance with the following priority goals:

- 1) Liquidity adequacy
- 2) Overall assessed quality
- 3) Capital considerations
- 4) Asset/Liability mix
- 5) After-tax income maximization

Assets will be almost solely composed of fixed income securities chosen to reflect above prioritized goals. Maturity lengths will normally be short to intermediate (i.e., 15 yrs or less) with overall durations in the 2- to 7-year area. Security types will be primarily U.S. treasuries, government agencies, general obligation and revenue obligations of municipalities, and money market instruments. Portfolios will be managed on a proactive basis which allows for taking advantage of opportunities in the market as they present themselves. This management style will always keep the stated objectives of the client, the investment policies, and the stated goals as the priorities. Although BPS Capital cannot insure against risk of loss of principal, the investment philosophy of BPS Capital is to minimize this risk to the greatest extent possible. Implicit in recommended strategies will be the notion that investment strategy must be integrated to a very high degree into the strategy and constraints of the individual client.

Discretionary:

Investing in securities involves risk of loss that clients should be prepared to bear. BPS Capital manages the risk inherent in the financial markets through asset allocation and security selection. Different asset classes perform well or poorly in varied market environments. Including a broad array of asset classes can reduce risk while producing more stable returns over time. BPS Capital's asset allocation approach includes domestic & international equities and taxable & non-taxable fixed income as well as alternatives such as commodities, precious metals, real estate and, where appropriate, hedge funds. Our fixed income style is centered around sector analysis as well as yield curve management.

The percentages invested in each asset class will vary from client to client. Each client's asset allocation is tailored to his/her stated risk tolerance as well as his/her investment time horizon and the goals for a particular portfolio. This information is documented in an investment policy (IP) designed specifically for each client. Each client's IP is reviewed with the client at each meeting and adjusted as client's needs change.

Item 9 - Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BPS Capital or the integrity of BPS Capital's management.

BPS Capital has no information applicable to this item.

Item 10 - Other Financial Industry Activities and Affiliations:

BPS Capital employees do not hold any active securities, insurance, or other licenses with or away from BPS Capital. We are not affiliated with any broker/dealer or with any custodian. Our employees have no relationships with any futures, commodity pool, commodity trading or anyone associated with such organizations.

As part of its fiduciary duties to clients, BPS Capital endeavors always to put the interest of its clients first. BPS Capital acknowledges its duty to seek best execution of trades for client accounts.

Item 11 - Code of Ethics:

BPS Capital has adopted a Code of Ethics which describes the standards of business, fiduciary and ethical conduct we require of our employees. Among other things, the Code of Ethics requires employees to comply with all applicable laws, prohibits misuse of material non-public information, and regulates personal securities trading by employees. The Code requires all employees to periodically submit, and the Chief Compliance Officer to review, their securities holdings and transactions. Employees are required to report any violations of the Code to the Chief Compliance Officer.

BPS Capital's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Patrick Dardis.

Individuals associated with BPS Capital may buy or sell securities, specifically mutual funds or ETFs, identical to those recommended to clients. Individuals associated with BPS Capital may hold interest or positions in mutual fund families which may also be recommended.

BPS Capital, as a firm, does not engage in securities transactions for its own account. However, our officers, employees and members of their families will, at times, purchase or sell the same securities for their own accounts which we purchase and sell for our clients. If an employee desires to purchase or sell a security that is owned by BPS Capital clients, he/she cannot do so without written authorization from a BPS Capital officer prior to execution of any trades for his/her account. All questions arising in connection with personal securities trading are resolved in favor of the client even at the expense of the interests of employees.

The Chief Compliance Officer may grant exceptions to certain provisions contained in the Code only in those situations when it is clear beyond dispute that the interests of our clients will not be adversely affected or compromised.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons at BPS Capital must acknowledge the terms of the Code of Ethics upon accepting employment and annually, or as amended, thereafter.

Item 12 - Brokerage Practices:

For non-discretionary accounts, the applicant places orders for client accounts within the guidelines established at the time the Investment Advisory Agreement is negotiated. Commissions are not paid, and dealers are selected based on the lowest net cost to the client. Exceptions occur only when a client specifically directs the applicant to or from specific broker/dealers. For this exception, we may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money.

BPS Capital manages accounts on a discretionary basis subject to certain client-imposed limitations and client-established goals. The firm usually determines which securities are to be bought or sold and the number of securities to bought or sold.

BPS Capital will determine the broker/dealer to be used and the commission rates paid. In all cases, primary consideration is given to a broker/dealer's ability to execute an order on a timely and advantageous basis.

BPS Capital does not participate in any "soft dollar" arrangements or contracts.

Item 13 - Review of Accounts:

For our discretionary accounts, we typically review at least every 4 months, and, in most cases, accounts are reviewed more frequently. Account reviews would be triggered by date, excess cash, overdrawn status, client reviews, changes in client circumstances, and significant changes in market conditions and/or our investment strategies. Reviews are performed by a portfolio manager, and each portfolio manager handles as many clients as they can while continuing to maintain a high level of personal attention. For nondiscretionary accounts, no more than 100 clients will be assigned to any single manager.

For our discretionary accounts, reports are typically furnished on an as-needed basis. The reports generally include performance, portfolio holdings, transaction summary, realized gains and losses, and financial statement (net worth).

For nondiscretionary accounts, the following information is provided monthly: executive summary, security inventory, maturity distribution, asset allocation, accounting reports, and asset/liability reports. Asset/liability reports and call report data are also supplied quarterly. Additionally, miscellaneous portfolio analysis reports are furnished on an as-needed basis.

Item 14 - Client Referrals and Other Compensation:

If a BPS Capital client, employee or affiliate refers a new customer, that client, employee or affiliate may be compensated with a referral fee.

Item 15 - Custody:

Discretionary clients should receive, at a minimum, quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains the clients' investment assets. BPS Capital urges you to carefully review such statements and compare such official custodial records to the account statements that we provide to you on at least a quarterly basis. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

BPS Capital reconciles your accounts with your custodial statements on a periodic basis - at a minimum, quarterly. Clients should carefully review both the custodial statements and the BPS Capital appraisals provided quarterly with your billing statement.

Item 16 - Investment Discretion:

BPS Capital receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. A client may limit such discretion by informing BPS Capital in writing of any securities that it does/does not want to purchase or sell. Such limitations will be documented in the client's personalized investment policy, which is usually reviewed at each client meeting. Clients may also direct that their accounts be held away from BPS Capital-recommended custodians or brokers. The client will advise BPS Capital in writing as to their wishes.

When selecting securities and determining amounts, BPS Capital observes the investment policy, limitations, and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to BPS Capital in writing, and they are reviewed, at a minimum, on an annual basis with the client.

Item 17 - Voting Client Securities:

BPS Capital forwards proxies to clients for their execution.

Item 18 - Financial Information:

BPS Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Item 19 - Requirements for State-Registered Advisers:

BPS Capital is registered with the Securities & Exchange Commission.

