



## **MPM Wealth Advisors**

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FORM ADV PART 2A

### **MODEL PORTFOLIO SERVICE BROCHURE**

**March 31, 2023**

This is the brochure (the "Model Brochure" or "Brochure") for the "Model Portfolio Service" (or the "Service") of MPM Wealth Advisors ("MPM"). This Model Brochure provides information about MPM's advisory services, qualifications, and business practices. MPM has issued another brochure (the "General Brochure") which describes its advisory services, business practices, and related information regarding its remaining advisory services, including investment management, financial planning, and consulting services.

If you have any questions about the contents of this Model Brochure, or would like a copy of the General Brochure, please contact us at 800-814-1706 or [compliance@mpmwealth.com](mailto:compliance@mpmwealth.com), or at the street address above. The information in this Model Brochure and the General Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about MPM is available on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), and searching our IARD/CRD number: 104926. MPM is an investment adviser registered with the SEC; registration does not imply a certain level of skill or training.

The Service involves hypothetical performance of model portfolios which, in some cases, will be presented in MPM's advertisements. Under SEC rules, MPM has adopted policies and procedures reasonably designed to ensure the hypothetical performance information is relevant to the likely financial situation and investment objectives of the intended audience of the advertisements; provides sufficient information to enable the intended audience to understand the criteria used and assumptions made in calculating such hypothetical performance; and provides sufficient information to enable the intended audience to understand the risks and limitations of using such hypothetical performance information in making investment decisions.

Our procedures require that we have a reasonable belief such information is provided to prospective investors who have sufficient sophistication, financial expertise, access to analytical tools, and ability to analyze and understand such hypothetical investment information without being misled or becoming confused. This Model Brochure will be provided to a prospective investor only once MPM's Chief Compliance Officer, CEO, or a Co-President determines the requirements of the company's policies and procedures have been satisfied.

## **Item 2 Summary of Material Changes**

This Item 2 reports material changes made to this Brochure since the filing of the last annual updating amendment.

Because this is the initial version of this Brochure, there wasn't a prior annual updating amendment to report. In the future, this Item 2 will report material changes to this Brochure occurring after the filing of the annual updating amendment.

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## Item 4 Advisory Business

### Our Company

MPM Wealth Advisors ("MPM", "Advisor," or the "Firm") is a privately-held Ohio corporation that began providing investment advisory services in 1995.

This Model Brochure is limited to providing information about MPM and its "Model Portfolio Service" (or the "Service") and the "Model Portfolios" described in this Brochure, as well as other important information, such as the compensation MPM charges for the Services, and situations where its interests conflict with the interests of its clients. Clients should pay particular attention to the discussions about its conflicts of interest because these can affect MPM's (including its Portfolio Manager's) judgment in providing the Services.

If you have questions about the information in this Brochure, you can reach our Portfolio Manager responsible for the Model Portfolios through the email address, telephone number, or street address shown on the cover. You can reach our senior management, including our Chief Compliance Officer, by telephone at (800) 814-1706, by email at [compliance@mpmwealth.com](mailto:compliance@mpmwealth.com), or by mail at the street address shown on the front of this Brochure.

Please note the information in this Brochure is necessarily general and does not address all details of the Service. The terms of the client's Advisory Agreement are negotiable, clients should always refer to their specific Advisory Agreement for terms that apply specifically to them.

### Model Portfolio Service

MPM offers the Model Portfolio Service, in which our Portfolio Manager (the "Model Manager") develops and maintains hypothetical model investment portfolios (each a "Model Portfolio" or "Model," collectively, the "Model Portfolios" or "Models"). Although subject to change from time to time, the current Model Portfolios include weightings of equity and fixed income mutual funds, as follows: 80%/20%, 70%/30%, 60%/40%, 50%/50%, 40%/60%, and 20%/80%.

Each Model's relative weightings of equity and fixed income investments reflects both the Model's investment objectives (i.e., a Model Portfolio with an 80% equity/20% fixed income portfolio will strongly emphasize growth, with much less emphasis on current income), as well as the level of risk an investor should generally expect with respect to that Model. Although MPM does not attempt to predict the risk of any Model Portfolio, in general, as the equity percentage of a Model Portfolio increases, investors should expect greater volatility, and the risk the value of the Portfolio will decline, in some cases substantially. Although equity investments generally offer the potential for higher returns than fixed income investments, there is no guarantee this will be the case over any particular time frame or with any particular portfolio.

In the Service, the Model Manager calculates and prepares reports on the performance of the Model Portfolios; all of the performance represents hypothetical performance (since it does not represent actual trading in any investor's account). The performance results are also considered to be "backtested" under SEC rules because the performance results represent the application of the Model Manager's investment strategy to data from prior time periods during the Performance Period, when the strategy was not actually being used.

### The Model Manager

The Model Manager serves as portfolio manager for the Model Portfolios, selects the hypothetical portfolios of mutual funds that comprise each Model's fictitious portfolio, initiates and monitors the periodic rebalancing and fee deductions according to the Models' common investment policies, and determines whether any changes should be made to the Model Portfolio holdings. The Model Manager works with MPM personnel to prepare and provide periodic reports to the Institutions, most of which include the Model Portfolios' hypothetical results.

### **Model Portfolios Are Not Related Portfolios**

Although the Model Portfolios invest in substantially similar investments and maintain generally common investment policies, they have separate investment objectives and tolerance for risk. The differences in investment objectives and risk tolerance among the Model Portfolios affect the nature and weightings of each Model Portfolio's equity and fixed income investments. These differences result in material differences in the hypothetical results experienced by the Model Portfolios over time. Consequently, MPM has determined it is not appropriate to treat the Model Portfolios as "related portfolios," as such term is defined in the SEC's Marketing Rule. None of MPM's other portfolios are related portfolios with respect to the Model Portfolios.

As required by the Security and Exchange Commission's Marketing Rule, MPM has adopted policies and procedures to ensure hypothetical performance information is received only by investors who meet minimum requirements for sophistication, financial expertise, access to analytical tools, and ability to analyze and understand such hypothetical investment information without being misled or becoming confused. MPM's procedures limit participation in the Service, and access to the hypothetical information related to the Model Portfolios, to institutional investors who demonstrate satisfactory qualifications to the satisfaction of our Chief Compliance Officer, Chief Executive Officer, or a Co-President. Investors who participate in the Service will receive this Brochure which is separate from the firm's General Form ADV Part 2A.

### **Model Portfolios Are Hypothetical; Results Are Backtested**

Through the Service, MPM offers eligible investors (currently limited to institutions, each referred to as an "Institution") access to the composition and performance results of the Model Portfolios. As disclosed above, the Models are each hypothetical model portfolios that do not represent any actual client accounts or hold any actual client securities, cash or other assets. Each Model is allocated by the Model Manager among theoretical purchases of mutual funds representing target asset classes, in such weightings intended to achieve each Model's intended characteristics with respect to investment objectives, volatility, income, and risk, among other characteristics. The Model Portfolios are solely theoretical portfolios intended to provide investors insight into how actual portfolios developed and managed by the Model Manager might have performed over the time periods portrayed.

Because the results depicted are not derived from actual holdings or trading in any actual client accounts, and do not reflect the results of actual client assets managed according to the Model Portfolio strategies, there are considerable risks from assuming performance of an actual portfolio will follow the results of any Model. The Model Portfolio results are considered to be "backtested" because the results are derived from application of the Model Portfolio strategies to market data over time periods (each a "Performance Period") when the Model Portfolios were not actually in use. The Model Portfolios were not in use anywhere prior to July 1, 2022.

Prior to joining MPM in 2022, the Model Manager worked with model portfolios at another investment adviser. Upon joining MPM, the Model Manager used financial modeling tools available through Morningstar Direct to develop the Model Portfolios. The Model Manager and MPM's Operations personnel also worked with Morningstar Direct (and other vendors) to prepare reports of the hypothetical results of the Model Portfolios for the Institutions. The MPM Models and their performance results are not intended to reflect the services offered by the Model Manager's former employer, and do not incorporate any prior performance history of the former employer's services into any performance results of the Model Portfolios.

In addition, the Model Manager and MPM's operations staff worked with the Morningstar Direct tool to produce standard periodic reports of the Model Portfolio hypothetical results beginning April 1, 2012 (the "Inception Date" for the MPM Model Portfolios).

### **Considerations Regarding Benchmarks and Indices**

The following benchmark indices have been provided for informational and comparative purposes. As explained below, these indices are well-known, broad-based market indices capable of providing clients useful information with respect to the broader direction and influences affecting the equity and fixed income markets, domestically and internationally. It is important to understand these benchmarks have different compositions, volatility, risk, holding times, and other investment characteristics than the Model Portfolios. Therefore, these indices should not be expected to perform consistently with any of the Model Portfolios. An investor's individual results will vary, sometimes significantly, in comparison with the benchmarks' performance. Index performance does not reflect deductions for any management fees or investment

expenses, which would decrease the returns. Investors cannot invest directly in an index. Index performance assumes reinvestment of dividends and other income.

**Equity Benchmark:** The benchmark for equity investments is the MSCI All Country World Index (Gross of Dividends) ("MSCI ACWI"), which is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of the full opportunity set of large and mid-cap stocks across 23 developed and 24 emerging markets. As of June 2022, MSCI ACWI covered 2,895 constituents across 11 sectors and approximately 85% of the global investable equity opportunity set. MSCI ACWI is published and maintained by MSCI, [www.msci.com](http://www.msci.com). As such, it can be a good fit as a benchmark to measure a portfolio of mid and large-cap global securities.

**Fixed Income Benchmark:** The initial fixed income benchmark was the Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index ("BofA 1-3"), which is a total return index, representing a capitalization-weighted basket of all outstanding U.S. Treasury Notes and Bonds having one or more years but less than three (2.99) years remaining term to maturity and a minimum amount outstanding of \$1 billion. In 2021, the Bank of America Merrill Lynch 1-10 Year U.S. Treasury Index ("BofA 1-10") was substituted as the new fixed income benchmark based on an expectation that it would provide a better measure for the portfolio. The BofA 1-10 Index is a capitalization-weighted basket of outstanding U.S. Treasury Notes and Bonds having one or more years but less than ten (9.99) years remaining term to maturity and a minimum amount outstanding of \$1 billion.

Investors should monitor the performance of the Indices and the Model Portfolios over time, along with other sources of market information, to determine how closely (and the differences between) the Indices' and investor's Model Portfolio performance and volatility under differing market and economic conditions.

#### **Important Differences Between the Model Portfolios and the Benchmarks**

Investors should note there are important differences between the Model Portfolios and the Benchmarks. The MSCI ACWI's underlying holdings are individual stocks of large and mid-cap companies in the US and internationally; the BofA 1-10 Index's underlying holdings are U.S. Treasury Notes and Bonds having one or more years but less than ten (9.99) years to maturity and a minimum amount outstanding of \$1 billion. In contrast, the Model Portfolios invest only in shares of mutual funds following the Model Portfolios' general asset allocation strategy.

There are significant differences between the investment strategies and mandate, objectives, and restrictions (among many other characteristics) of the MSCI ACWI equity index and the multi-billion dollar BofA 1-10 Index compared with Model Portfolios' mutual fund portfolios. Investors should understand these differences will result in the indices making investment decisions that differ materially, resulting in the indices performing differently from mutual funds that hold similar securities. Investors should monitor their investments and the indices over time to identify the nature and extent of any difference in characteristics.

#### **Model Portfolio Guidelines**

The Model Manager maintains Guidelines for the Model Portfolios that address the composition and structure of the Models, implementing transactions, subsequent rebalancing with asset allocation targets, and other matters as the Model Manager or the CCO deem appropriate. The Portfolio Guidelines do not contemplate additional rebalancing or other portfolio adjustments outside of the initial implementation, the periodic rebalancing transactions, and the final liquidation transactions, unless an exception is approved by the Model Manager or CCO, with a record maintain of the reason and date. The Model Manager is permitted to work to implement efficient trading and fee deduction policies, and to the extent possible, to reduce the hypothetical costs incurred by the Portfolios or the Institutions.

#### **Ensuring Hypothetical Performance is Relevant to Intended Audience**

MPM has adopted policies and procedures required by the SEC Marketing Rule to ensure hypothetical performance information is received only by those who are sophisticated, and have the financial expertise and access to analytical tools to be able to understand hypothetical information without being misled or becoming confused. To that end, MPM has limited access to the hypothetical results of the Model Portfolios to the Institutions participating in the Service who have demonstrated such qualifications, and to those prospective Institutions interested in the Service that demonstrate preliminary satisfaction of such qualifications.

The SEC recognized that an adviser's past experiences with particular groups or types of investors can lead the adviser to be able to distinguish investors and investor types who are sufficiently sophisticated and

financially experienced such that such person should be permitted access to hypothetical information, which should be documented on a person-by-person basis. In that regard, MPM (through the experience of the Model Manager) has concluded that institutions that satisfy the procedures it has established meet the expectations of the SEC for the delivery of hypothetical results.

### **Criteria Used and Assumptions Made in Calculating Model Portfolio Hypothetical Performance**

Below is a summary of information to enable the intended audience [Institutions] to understand the criteria used and assumptions made in calculating hypothetical performance.

- **Model Portfolio Name:** [refer to Model Portfolio information, pg. 1]
- **Portfolio Base currency:** USD
- **Period used to calculate model advisory fee:** quarterly
- **Portfolio Benchmarks:**
  - ◊ **Fixed Income**
    - Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index (“BofA 1-3”) [periods prior to 2021]
    - Bank of America Merrill Lynch 1-10 Year U.S. Treasury Index (“BofA 1-10”) [periods beginning Jan. 1, 2021, and after]
  - ◊ **Equity**
    - MSCI All Country World Index (Gross of Dividends)
      - **For Mutual Funds Selected for Model Portfolios**
        - **Asset classes of underlying holdings**
        - **Experience and strategies of fund manager**
        - **Available share class, sales load & expense ratios**
        - **Continuing availability of selected funds (or substantially similar without material increase in transaction costs or internal expenses)**
      - **Portfolio Rebalancing Guidelines:**
  - ◊ **Prior to 2021**

Guideline: annual rebalancing, subject to Model Manager’s discretion to waive (or increase) in response to market conditions

- ◊ **2021 and after**

Guideline: quarterly rebalancing, subject to Model Manager’s discretion to waive (or increase) in response to market conditions

- **Estimated Number of Model transactions**
  - Estimated by Model Manager, **based on policies limiting each Model Portfolio to** initial implementing transactions, no more than quarterly rebalancing transactions (and potentially fewer, in the Model Manager’s discretion), and final liquidating transactions
- **Model Transaction Cost Rate**
  - Estimated by Model Manager

Additional information regarding the criteria used and assumptions made will be made available upon request, subject to limitations for proprietary, confidential, or information protected by privacy regulations.

### **Criteria Used and Assumptions Made in Calculating Hypothetical Model Portfolio Performance**

The SEC has indicated advisers should provide their view of the likelihood of any targeted or projected returns or events actually occurring. In that respect, although MPM has not expressed any targeted or projected returns, it is optimistic that it will continue to provide the Model Portfolios and Service for the foreseeable future.

## **Assets**

The Services do not involve any assets under management or assets under advisement. However, as of December 31, 2022, MPM managed \$234,074,636 of client assets on a discretionary basis, and \$430,925,515 of client assets on a non-discretionary basis.

## Item 5 Fees and Compensation

### **Model Portfolio Fees and Expenses**

Results of the Model Portfolios assume the deduction of an annual model advisory fee of 0.28% payable quarterly based on the theoretical value of the Model (the highest fee anticipated to be charged to the relevant audience) and deduction of the Model Transaction Charge. The Model Transaction Charge is based on an estimate by the Model Manager of the likely highest number of hypothetical transactions in which a Model Portfolio would engage during a calendar year, as well as the Model Manager's reasonable estimate of the likely costs of those transactions.

Each Model Portfolio is treated as a single portfolio, which reduces the number of transactions in which each Model Portfolio is estimated to engage (as compared to a model portfolio in which a number of accounts participate). Additionally, except for transactions during the initial year required to implement each Model Portfolio, the periodic re-balancing transactions, and each Model Portfolio's final liquidating transactions, the Model Portfolios are generally not expected to engage in other investment transaction in any year. These factors will cause the amount of the Model Transaction Charge to be lower than (and cause the hypothetical performance results of a Model Portfolio to be higher than) the actual experience of a client whose account were to be managed according to one of the Model Portfolios. However, as yet, the Model Portfolios have not been implemented for management in any actual MPM client account, particularly, in any retail client account (ultimately, the anticipated intended audience). Consequently, MPM does not yet have sufficient experience with respect to the level of transactions to expect in the accounts of the intended retail client audience with respect to the Model Portfolios. As such, we rely on the estimates of the Model Manager based on the transaction levels in the Model Portfolios.

The amount of the Model Transaction Charges will be further reduced to the extent the Model Manager elects, in his discretion, to aggregate orders for multiple Model Portfolios into hypothetical aggregated trades to achieve a theoretical reduction in transaction charges. Model Portfolios participating in aggregated transactions share transaction costs pro-rata, based on the value of their respective assets participating in the trade.

Depending on mutual funds selected for the Models, the Models will also incur asset-based service fees imposed by the mutual funds (including without limitation 12b-1 Fees), and will also incur the internal fees and expenses mutual funds impose as indirect expenses on their shareholders. The hypothetical mutual funds currently selected for the Models generally impose low levels of internal fees and expenses as indirect expenses to their shareholders, and generally do not carry 12b-1 Fees (although this will not always be the case). Institutions and prospective institutions should contact the Model Manager directly [through MPM's headquarters] to discuss the mutual funds used for the Model Portfolios and the related fees and expenses.

### **No Promise or Guaranty Against Loss; No Duty to Third-Parties**

There is no guarantee that if an investor implemented a Model Portfolio in an actual account, the account would achieve the hypothetical results shown or would otherwise be profitable or achieve the investor's objectives. MPM has not implemented the Model Portfolios in any actual accounts. MPM does not promise or guarantee the performance or results of the Model Portfolios or the Service will be profitable or meet the objectives of any person.

MPM owes a duty of care and loyalty to the Institutions with respect to the construction of the Model Portfolios, but does not guarantee them from or against losses. MPM specifically disclaims any fiduciary or other duty or obligation with respect to any third-party with whom an Institution may elect to use a Model Portfolio, but who is otherwise unknown to MPM and whom MPM has not accepted as a Model Portfolio client.

Neither diversification nor use of a Model Portfolio assures a profit or guarantees against a loss in a declining market. It is possible that the markets will perform better or worse than shown; the actual results of an investor could be better or worse than the example; and an investor may lose money by investing in the manner the projections suggest.



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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in Item 5 *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

Currently, we accept only Institutions as clients, although at some point, we will consider expanding the types of potential clients, provided they satisfy the eligibility requirements. There is no minimum account size.

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

### Our Methods of Analysis and Investment Strategies

Currently, we employ the following methods of analysis and investment strategies when developing and maintaining the Models:

#### Modern Portfolio Theory

Modern Portfolio Theory is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets. The Model Manager's process of referring to the assets classes of which the mutual funds are composed and attempting to create portfolios with target allocations of specific asset classes draws much of its theoretical basis from Modern Portfolio Theory.

**Risk:** Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

#### Fundamental Analysis

The Model Manager will not perform quantitative or qualitative analysis of individual securities. Instead, he will develop and maintain the Models based on choices of how to best allocate Model theoretical assets among various classes of securities to achieve the desired investment characteristics.

#### Strategies Reflecting Individual Circumstances

The strategies and results of the Models are not adjusted to take into account any client's specific financial situation, objectives, risk tolerance, time horizon, financial information, liquidity needs or other suitability factors, nor have any specific accountholder's investment restrictions or guidelines been taken into account or permitted. In the case of actual client accounts, these are all important factors that an adviser should consider and that will have a material impact on the results of the portfolio.

#### Tax Considerations

The Model Maker's strategies do not consider tax efficiency as a consideration. We strongly recommend that all prospective participants for the Services consult with a tax professional regarding investing of their assets.

## **Risk of Loss**

Although the Model are hypothetical portfolios, participants in the Service should be aware that Investing in securities involves risk of loss that the investor should be prepared to bear. MPM does not represent or guarantee that the Service or our methods of analysis can or will predict or provide future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that a participant's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks are not all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worthless and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline. The Model's investment strategies do not

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn from your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. The final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tend to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Mutual Funds:** Mutual funds are professionally managed collective investment funds that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds will generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs of managing the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

## Item 9 Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. Our firm or a management person has been involved in the event(s) described below.

On October 23, 2013 the US Securities and Exchange Commission ("SEC") entered administrative and cease-and-desist proceedings against Advisor, G. Thomas Damasco II, and Bryan F Ohm. Advisor, Mr. Damasco and Mr. Ohm agreed to settle the proceedings without admitting or denying the SEC's findings.

The SEC determined that Advisor failed to correct violations that had first been noted by the SEC in a 2008 examination and, despite Advisor's assurances that they would be corrected, were not sufficiently corrected at the time of another examination in 2011.

Specifically, the SEC maintained that at the time of the 2008 review Advisor failed to conduct a required annual compliance program review in 2006, failed to correct statements on its website claiming exclusive access to the mutual funds offered by Dimensional Fund Advisors ("DFA"), and provided performance advertisements that failed to follow Advisor's own policies and procedures and that provided model results that did not deduct advisory fees.

Upon examining Advisor in 2011, the SEC determined that Advisor did not complete an annual compliance program review in 2009 and continued to make misleading statements regarding access to the DFA funds. In addition, the SEC determined that Advisor had reported on its website that it had over \$600 million "in assets" when Advisor directly managed less than \$325 million in client assets.

The SEC determined that Mr. Damasco and Mr. Ohm aided and abetted these violations.

To settle these proceedings, Mr. Damasco and Mr. Ohm each agreed to take 30 hours of compliance training before November 2014. Mr. Damasco and Mr. Ohm were ordered to cease and desist from committing or causing future violations, were censured, and were fined \$50,000 each. Advisor agreed to designate someone other than Mr. Damasco or Mr. Ohm as Chief Compliance Officer and to continue to work with an independent compliance consulting firm for three years. Advisor was ordered to cease and desist from committing or causing future violations, was censured, and was fined \$75,000.

## Item 10 Other Financial Industry Activities and Affiliations

### Registered Representatives and Insurance Agents

One of MPM's investment adviser representatives (a "Representative") is also a broker-dealer registered representative of PKS. This Representative and other MPM Representatives are also appointed as agents by various life insurance companies and licensed to sell life, health, and annuity products. As a registered representative of PKS and as independent insurance agents, the Representatives will continue to sell separate securities and insurance products for which the Representative will receive customary compensation. However, the Representatives will not sell securities or insurance products to an advisory client that will be managed by MPM in an advisory account.

Representatives may recommend that a Client (in his or her separate capacity as a brokerage or insurance customer) buy or sell securities or insurance products which are entirely separate from investments made for the Client's advisory account. For these separate brokerage or insurance recommendations, PKS and Representative will receive customary brokerage or insurance compensation. In many cases, the compensation from mutual funds will include an initial commission or sales charge, plus on-going "12b-1 fees" or similar types of compensation that will continue for as long as the customer owns the investment, as described in the prospectuses for those products; not all mutual funds pay 12b-1 fees. For certain types of investments, a portion of the compensation may be deferred until the investment is sold (this is generally limited to particular classes of mutual fund shares).

Management employees of MPM, in their individual capacities, are also appointed as agents by various life insurance companies and licensed to sell life, health, and annuity products. As such, these employees may

recommend that a Client (in his or her separate capacity as an insurance customer) buy insurance products which are entirely separate from investments made for the Client's advisory account. For these separate insurance recommendations, the employees will receive customary insurance compensation. Clients, however, are not under any obligation to engage these employees when considering implementation of insurance recommendations.

Customers have the right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, whether to purchase such products or services through PKS or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products or services.

The possibility of receiving additional compensation from selling securities or insurance products to a customer provides an economic incentive for a Representative or employee to recommend these products based on the compensation to be received rather than on a customer's investment needs. This is a conflict of interest that customers should consider.

MPM has adopted the following steps to address this conflict of interest in this situation:

- we disclose the existence of the conflict of interest that arises from the incentive Representative or employee has to earn additional compensation from recommending the purchase of securities and insurance products over and above the Advisory Fees MPM receives, and we endeavor to act consistent with our fiduciary duty;
- we disclose to Clients they have the right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, whether to purchase such products through PKS and Representative (or employee) or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products;
- we request Clients to provide and update material information regarding their personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the advisory account that will be managed by us, and we conduct regular reviews of account investments;
- we require that our employees seek prior approval of outside employment activity so that we may detect conflicts of interests and ensure such conflicts are properly addressed;
- we periodically ask employees to certify information regarding their disclosed outside employment activities; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

## **Accountants**

Certain of our related persons are also accountants (the "Accountants") with one of the following "Accounting Firms": (i) Tucker, Kissling and Associates, (ii), Beene Garter, a Doeren Mayhew Firm or (iii) AlphaTax Accounting and Tax Service. Each of the Accounting Firms typically recommends MPM to accounting clients in need of advisory services. Conversely, MPM typically recommends the Accounting Firms to advisory clients in need of accounting services. The accounting services provided by the Accounting Firms are separate and distinct from MPM's advisory services, and are provided for separate and typical compensation. No advisory client is obligated to use the Accounting Firms for any accounting services and conversely, no accounting client is obligated to use the advisory services provided by MPM. These individuals will spend the majority of their time on their accounting practice.

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

### **A. Code of Ethics**

MPM has adopted a Code of Ethics expressing its commitment to ethical conduct. The Code of Ethics describes MPM's fiduciary responsibilities to its Clients, and its procedures in supervising the personal

securities transactions of its supervised persons who have access to information regarding Client recommendations or transactions ("access persons").

A copy of the Code of Ethics is available to Clients and prospective Clients. You may request the Code of Ethics by email at [compliance@mpmwealth.com](mailto:compliance@mpmwealth.com) or by calling MPM at (800) 814-1706.

MPM owes a duty of loyalty, fairness, and good faith towards Clients and an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

The Code of Ethics includes policies and procedures for the review of access persons' quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by access persons. Among other things, the 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. The Code also provides for oversight, enforcement, and record keeping provisions.

The Code of Ethics prohibits the misuse of material non-public information. While MPM does not believe that it has any particular access to material non-public information regarding publicly traded companies that would be subject to misuse, all employees are reminded that any such information may not be used in a personal or professional capacity.

MPM and its officers, and employees may act as investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with the Code of Ethics. In doing so, MPM or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular Client.

Neither MPM nor any Representative has any obligation to purchase or sell, or to recommend for purchase or sale, any security which MPM or any principal, officer, or employee purchases or sells for his own account or for the accounts of other Clients, unless such conduct is a fiduciary obligation.

## **B. Recommendations Involving Financial Interests**

Certain of MPM's management persons maintain their own real estate development and rental businesses. From time to time, Clients have invested in promissory notes issued by companies controlled by one or the other of these management persons, which are secured by mortgages or similar security instruments. Although these transactions are not conducted directly by MPM, in view of these individuals' positions in the company, and the fact they are engaging in transactions with Clients (although with assets not being managed by MPM), MPM is sensitive to the treatment of these Clients, and encourages them to contact our Chief Compliance Officer if they have any questions or concerns regarding their transactions with the management persons of our company. Our CCO can be reached at: Christine Ohm, [compliance@mpmwealth.com](mailto:compliance@mpmwealth.com), (800) 814-1706.

These management persons have (and will) invest with Clients in other secured or unsecured business ventures. These business ventures will not be associated with, or conducted by, MPM. However, in view of these management persons' positions in the company, and the fact they are engaging in transactions with Clients (although with assets that will not be managed by MPM), MPM is sensitive to the treatment of the Clients involved. Clients are encouraged to contact our Chief Compliance Officer if they have any questions or concerns regarding their transactions with our management persons. Our CCO can be reached at: Christine Ohm, [compliance@mpmwealth.com](mailto:compliance@mpmwealth.com), (800) 814-1706.

Recommendation of the promissory notes provided financing for the management persons' real estate projects instead of obtaining financing from commercial lenders; and participating in business ventures with MPM's management persons will result in such ventures raising greater amounts of capital. MPM's management persons will benefit economically from the Client participating in these investments. These economic benefits create a conflict of interest because they provide an incentive to recommend the investments based on the economic benefits to be received by the management person rather than based on the investment needs of the Client.

### **C. Investments in Securities Recommended to Clients**

Individuals associated with MPM may buy or sell securities for their personal accounts identical to or different from those recommended to Clients. It is the policy of MPM that no person employed by it shall prefer his or her own interest to that of an advisory Client or make personal investment decisions based on the investment decisions of Clients. Subject to the Code of Ethics, MPM and its employees are permitted to trade side-by-side for their own accounts side-by-side and in block transactions with MPM's Clients in the same securities, and at the same time. We have adopted the procedures described in Item 11.D to address the actual and conflicts of interest raised by our policies.

### **D. Investments around Time of Client Transactions**

Subject to the procedures in this section 11.D, MPM and its employees are permitted to trade for their own accounts side-by-side with Clients in the same securities at or around the same time as Clients on the same trading day, and are permitted to aggregate trades for their proprietary accounts with trades for Client accounts. MPM and its employees may buy or sell securities for their personal accounts identical to the securities recommended to Clients. We have adopted the procedures described below to address the conflicts of interest arising from our policies described in Items 11.C and 11.D:

- MPM prohibits employees from purchasing or selling securities (other than mutual funds or other securities that are not treated as "reportable securities") immediately prior to Client transactions, in order to prevent employees from benefiting from transactions placed on behalf of advisory accounts;
- no director, officer, or employee shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry;
- no director, officer, or employee shall knowingly prefer his or her own interest to that of an advisory Client;
- MPM maintains records of securities held by it and its access persons. These holdings are reviewed on a regular basis by Representative;
- MPM emphasizes the unrestricted right of the Client to decline to implement any advice it has rendered (except where it has entered an order pursuant to exercise of discretionary authority);
- MPM requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices; and
- any individual not in observance of the above may be subject to discipline, including termination.

## **Item 12 Brokerage Practices**

Because the Model Portfolios do not engage in any trading of securities for client accounts, and do not require a qualified custodian to hold and maintain any client assets, no custodian or broker-dealer is selected for the Model Portfolios. Refer to Item 5 for discussion of the Model Transaction Charge which is applied to the performance results of the Models to reflect a reasonable estimate of the transaction costs the Models would incur.

The results of the Models do not reflect the receipt of any "soft dollar" economic benefits. MPM does not receive any such benefits in connection with the Model Portfolios.

### **Aggregated Trades**

Refer to the discussion in Item 5 for a discussion of the Model Portfolios policies with respect to aggregated trading. In general, if a theoretical benefit in connection with each Model's transaction fees can be realized by aggregating the mutual fund transactions, the Model Manager intends to calculate the results assuming aggregated trades. However, if the Model Maker cannot identify specific benefits of aggregated trades, they will usually be entered separately.

## Item 13 Review of Accounts

### A. Account Reviews

MPM's CEO and Chief Compliance Officer monitor the activities of the Model Maker with respect to the Model Portfolios and the Services, on an ongoing basis, and conduct at least semi-annual reviews for the first 2 years of the Service.

### B. Client Reports

Institutions participating in the Services receive periodic reports presenting the hypothetical results obtained from application of the Model Manager's strategies and internal models with respect to the Model Portfolios. The Model Maker has discretion to revise the reports. The available reports are the same for all Institutions; the Service does not provide for custom or unique reports for a particular Institution.

## Item 14 Client Referrals and Other Compensation

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with Purshe Kaplan Sterling Investments, Inc., a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. The sales of securities and insurance products will not be related to the Services. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the Item 5 and 10 of the General Brochure.

Dimensional Fund Advisors LP ("DFA"): DFA provides MPM with investment research at no cost. DFA provides marketing support, such as sponsorship of the costs of the 2022 meeting of MPM's Advisory Board. MPM also receives from DFA free attendance to conferences.

MPM's receipt of investment research, marketing support, and free attendance to conferences from DFA creates a conflict of interest for MPM because the receipt of these benefits reduces MPM's operating costs, which, in turn, creates an incentive for MPM to recommend and use DFA Funds in the investment management of client accounts.

MPM addresses these conflicts of interest by (1) providing disclosure of the relationship and the associated conflicts of interest to clients in this Disclosure Brochure and (2) reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and use of DFA Funds.

## Item 15 Custody

MPM is deemed to have "custody" of the assets of Client accounts as a result of MPM's ability to deduct fees from the Client's custodial account. Where the Agreement with an Institution provides MPM the authority to have its fees deducted automatically from a client's account, MPM will be deemed to have custody; otherwise, it will not have custody with respect to client accounts.

## Item 16 Investment Discretion

Discretion is not required in order for the Model Maker to maintain the Models because no client assets are involved. MPM does not have discretion with respect to any account or assets of any Institution participating in the Services.

## Item 17 Voting Client Securities

Because there are no actual client assets with respect to the Model Portfolios, there are no proxies to be voted.

## Item 18 Financial Information

### *Prepayment of Fees Six Months or More in Advance*

Advisers who solicit or accept fees of more than \$1,200 per client, six months or more in advance are required to provide their clients an audited balance sheet.

Because we do not accept pre-paid fees exceeding \$1,200 per client, six months or more in advance, we have not provided a balance sheet.

### *Bankruptcy within Past Ten Years*

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

We have never been the subject of a bankruptcy petition.