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# MPI

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## INVESTMENT MANAGEMENT, INC.

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**FORM ADV**  
**PART 2A & PART 2B**

15 Salt Creek Lane, Suite 404

Hinsdale, IL 60521

June 30, 2011

(800) 237-0930

[www.mpi-invest.com](http://www.mpi-invest.com)

This brochure, most recently updated on June 30, 2011, provides information about the qualifications and business practices of MPI Investment Management, Inc. ("MPI") for the use of clients and prospective clients. Please contact David W. Pequet, President/CEO or Bradley C. Smith, Senior Vice President/CCO of MPI, if you have any questions about the contents of this brochure they may be contacted at: ph 630-325-6900 or email: [info@mpi-invest.com](mailto:info@mpi-invest.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.

MPI is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about MPI Investment Management is available at <http://www.advisorinfo.sec.gov/IARD/>. You can search this site by a unique identifying number, known as the CRD number. The CRD number for MPI Investment Management is 105181. MPI's address and telephone number is 15 Salt Creek Lane, Suite 404, Hinsdale, IL 60521 800-237-0930.

## 2. Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated June 30, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure (December 31, 2010).

In the past we have offered or delivered information about our qualification and business practices to clients on at least an annual basis. Pursuant to new 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 (December 31<sup>st</sup>). We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Bradley C. Smith, Senior Vice President/CCO of MPI, at 800-237-0930 or brad@mpi-invest.com. Our Brochure is also available on our web site [www.mpi-invest.com](http://www.mpi-invest.com), also free of charge.

Additional information about MPI Investment Management, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with MPI who are registered, or are required to be registered, as investment adviser representative of MPI.

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#### **4. Advisory Business**

MPI is an independent investment management firm founded in 1986, which furnishes "investment supervisory services" to its clients. Such investment advisory services consist of giving periodic advice to clients as to the investment of assets on the basis of the individual needs of each client. Investment advisory services are provided on a discretionary basis, although MPI may consider a nondiscretionary arrangement under certain circumstances. MPI also serves as a sub-advisor to various domestic and non-domestic entities. MPI participates in wrap fee programs and receive a portion of the wrap fee.

MPI's principal business is that of an investment advisor. MPI is not engaged in any other business or profession, nor does MPI offer or sell any type of product to clients other than investment advice concerning securities and other investments.

As of June 30, 2011 MPI had approximately \$298.4 million in discretionary assets under management. MPI's investment advisory services are based on investment analysis and research performed by MPI's investment managers. Investment services are offered in the following investment categories:

- Equity Securities
- Exchange Traded Funds (ETF's)
- Fixed Income Securities
- Municipal Fixed Income Securities
- Mutual Funds
- Customized Investment Services
- Sub Advisor to Investment & Trust Companies

Investment advice and portfolio decisions are based primarily upon using both a variety of quantitative techniques including both technical and fundamental data and Macro Economic analysis. Individual client portfolios are typically structured around client specified objectives which may be based, among other things, upon the desire to seek a specified risk adjusted rate of return or a specified level of performance in comparison to a published market index. In general, MPI's goal is to obtain comparable investment results for similarly situated clients.

Generally, MPI provides investment advice with respect to a wide variety of investments, such as equity securities (both exchange-listed and over-the-counter); mutual funds, closed end funds and exchange traded funds (ETF's); Fixed Income securities including corporate & U.S. Government debt securities; Government Agencies; Government Sponsored Enterprises; Government Mortgage Backed securities; money market instruments; municipal securities; securities of foreign (non-U.S.) issuers. MPI also advises on ETF's which are leveraged long and short mutual funds that are designed to perform in an inverse relationship to certain market indices. Due to the leverage component of the ETF's, there may be additional risk to such investments. MPI utilizes an investment questionnaire/profile and/or comprehensive client interviews to help determine client suitability.

MPI has portfolio managers identified below, analysts, traders, and certain other persons. The investment managers meet regularly and serve as a forum to share and discuss economic and investment ideas among investment professionals as well as to periodically communicate various business and compliance policies. Investment decisions for separate accounts are made by the portfolio manager for such accounts.

##### **A. Supervising Portfolio Managers**

Mr. Pequet and Mr. Smith, serve as Portfolio managers for both Fixed Income and Equity portfolios.

##### **B. Principal Executive Officers**

The principal executive officers of MPI are David W. Pequet; President/CEO, Bradley C. Smith; Senior Vice President, Compliance Officer, and Matthew D. Pequet; Vice President of Administration/Trading.

##### **C. Principal Owners**

The principal owners of MPI are the Delaware Pequet Family Trust, Bradley C. Smith, and Matthew D. Pequet.

#### **5. Fees and Compensation**

The compensation of MPI for services rendered to clients is calculated in accordance with one of the following schedules of fees. Fees are payable quarterly, in advance, based upon the asset value as of the last day of the

previous quarter. This value includes accrued interest, dividends and cash. From time to time the valuation date may vary from the standard valuation date at the direction of the client. New accounts are billed on a prorated basis based on the inception date. Transaction costs are not included in MPI's advisory fee. There may be a discrepancy between the value of assets under management as stated in the client's custodian statement and the value stated on the Adviser's bill. That is related to a discrepancy in value reporting between the Advisor's use of the Advent system of portfolio management and the custodian's value due to accrued interest and dividend reinvestment and the time posted. All fees shall be deducted from the account unless arrangements are made to pay the quarterly fees by separate check.

The fee schedules shown are MPI's current fee schedules for new accounts. MPI is also an adviser or sub adviser to separately managed accounts of clients who participate in programs established by other industry professionals, such as investment advisers or mutual funds. In these cases, where these professionals enter into, or recommend that their clients enter into, arrangements with MPI for MPI to advise their clients' accounts, advisory fees will be negotiated and charged directly or indirectly to those client accounts that may differ from the schedules of fees shown.

#### Separate Account Fee Schedule

Account Amount Fee (on total account value)

<b>EQUITY &amp; BALANCED ACCOUNTS</b>		<b>FIXED INCOME ACCOUNTS</b>	
\$0 to \$1,000,000	1.25%	\$0 to \$1,000,000	0.75%
\$1,000,001 to \$5,000,000	1.00%	\$1,000,001 to \$5,000,000	0.50%
\$5,000,001 and over	0.75%	\$5,000,001 and over	0.40%

Fees may vary from the schedule due to particular circumstances or if MPI and the client negotiate otherwise.

Since the inception of MPI's business, it has had numerous other fee schedules in effect, all of which provide fees and minimum annual fees lower or higher, as the case may be, than those shown above. As new fee schedules were put into effect, they were made applicable only to new clients, and fee schedules applicable to existing clients were not affected by the new fee schedules. Therefore, some of the clients of MPI are paying different fees than those shown above.

Fees are negotiated in certain limited circumstances due to the nature of the client's portfolio and investment objectives. Assets of accounts which have a family or business relationship to each other may be aggregated for the purpose of determining the percentage fee applicable to each account.

In the event that a client account is invested in ETF's or Mutual funds, that account will be subject to both MPI's management fees outlined above as well as fee and costs associated with an investment in the fund itself. Mutual fund and ETF shareholders pay an advisory fee to the advisor of the mutual fund along with transaction cost and custodial fees. These costs are in addition to the management fees already paid to the advisor.

See Item 7 below, "Types of Clients," for information regarding minimum account sizes.

Advisory agreements maybe terminated by either MPI or the client generally on prior written notice of at least 30 days, unless mutually agreed upon. Termination by a client will not affect transactions MPI has initiated on the client's behalf prior to the effectiveness of the termination. A pro rata refund will be made of fees charged to the account if the account is terminated. Upon a written request, MPI will promptly mail a refund check. Refunds are calculated by dividing the quarterly fee by ninety and multiplying by the number of days remaining in the quarter.

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

MPI 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).

## **7. Types of Clients**

Our clients consist of qualified pension and profit sharing plans, other qualified and non-qualified retirement plans, insurance companies, Investment Advisors (including acting as a sub advisor for separate accounts of

investment advisory companies and mutual funds), corporations, banks, partnerships, charitable foundations and other charitable organizations, and high net worth individuals, families, and trusts.

### **Conditions for Managing an Account**

MPI has a minimum account size of \$1 million. MPI, in its sole discretion, may negotiate to waive its stated account minimum based upon certain criteria ( i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.)

Where MPI has discretionary authority for an account, MPI will make all investment decisions for the account and, when it deems appropriate and without prior consultation with the client, buy, sell, exchange, convert, and otherwise trade in any stocks, bonds, other securities, and other financial instruments, subject to any written investment guidelines and/or restrictions as the client may from time to time deliver to MPI. In addition, such authority will allow MPI to exercise whatever powers the client may possess with respect to any of the assets in the account, as MPI deems necessary and appropriate in the management of the account.

MPI does not act as custodian for any client accounts. Rather, the client appoints a custodian to have possession of the assets of the account, to settle transactions for the account, and to accept instructions from MPI regarding the assets in the account. In addition, the custodian notifies MPI of additions to or withdrawals from the account. The client is responsible for the acts of the custodian and all direct expenses of the account, such as custodial fees, brokerage expenses, etc.

In opening an account, the client also authorizes and instructs MPI to take all actions necessary to open brokerage accounts and to give instructions to broker-dealers to effect transactions for the account and to bind and obligate the client to carry out such transactions. MPI's ability to achieve best execution may be partially or wholly limited by a directed brokerage arrangement because the advisor may not achieve executions of the nature, quality, speed, or price that it might otherwise achieve if it were not using a directed broker-dealer to execute transactions. MPI will not be able to negotiate or renegotiate commission rates with a client's directed broker-dealer or impact or improve the price or quality of the execution services provided. When using a directed broker-dealer the client may forgo other benefits from savings on execution costs that may otherwise be obtained. Where appropriate, and to the extent permitted by applicable law and regulations. MPI may, but shall be under no obligation to, aggregate multiple client orders to obtain the most favorable price and/or lower execution costs, except as may be required by law. MPI will treat all information, recommendations, and advice regarding an account as confidential and per MPI's privacy policy.

From time to time, MPI may make available to third parties current and historical information about the portfolio holdings of MPI's composites. Release may be made to entities such as fund rating entities, industry trade groups, and financial publications.

Generally, MPI will release this type of information only where it is otherwise publicly available or where the Advisor reasonably believes that the release will not be to the detriment of the best interests of its client.

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

### **A. Investment Analysis and Strategies**

Generally investment analysis is conducted and strategies are implemented by the Portfolio Managers assigned within each of the investment categories identified under "Advisory Business," above. The methods and strategies employed by the portfolio management team within each investment category may differ and are described separately below.

#### **(1) Equity Portfolios**

General Description:

Equity portfolios are actively managed according to the specific product's objectives, guidelines, and risk parameters.

Investment Process:

The investment decision-making process of MPI's equity portfolio management team is driven by Macro-Economic, Industry, Sector and individual Issue research derived from both internal and external sources. These sources include, but are not limited to, internally generated analysis, business and trade publications, as well as research provided by institutions and the brokerage community.

Key factors that are analyzed in the investment decision-making process include the following:

- technical indicators
- security fundamentals
- trading patterns (price, volume, etc.)
- sector & geographic concentration
- global markets exposure
- relative performance
- correlation, diversification
- liquidity in domestic markets
- industry fundamentals
- earnings acceleration, momentum and growth
- revenue growth
- return on equity
- dividend yield
- free cash flow
- stability of earnings
- price/earnings ratios
- price/sales ratios

MPI's portfolio management team may use additional information if they deem it appropriate.

## **(2) Fixed Income Portfolios**

General Description:

Fixed income portfolios are actively managed to client specified objectives, guidelines, and risk parameters. The portfolios will be primarily invested in either taxable U.S. Government debt obligations, Government Sponsored Enterprises, tax-exempt bonds (i.e. those issued by or on behalf of states, territories, and possessions of the United States and the District of Columbia and their potential subdivisions, agencies, and instrumentalities); other high quality corporate bonds, commercial paper, and foreign issuers and preferreds.

Investment Process:

The investment decision-making process of MPI's fixed income portfolio management team is driven by fundamental research derived from both internal and external sources. These sources include, but are not limited to; research provided by institutions and the brokerage community private vendors, and internally generated analysis, business and trade publications,

Key factors that are analyzed in the investment decision-making process include the following:

- quality analysis
- duration and/or maturity of securities
- yield spreads between various sectors, qualities and issues
- shapes of yield curves and interest rate levels
- Convexity
- Option At Spread(OAS)
- Issuer
- Ratings
- Credit Outlook

The amount of emphasis placed on the foregoing factors is substantially dependent upon client objectives and the strategies employed by the portfolio management team. MPI's investment team may use additional information if they deem it appropriate.

## **(3) Municipal Fixed Income Portfolios**

General Description:

Municipal fixed income portfolios are actively managed to client specified objectives, guidelines, and risk parameters. Municipal fixed income portfolios generally consist of securities issued by state or local

governmental authorities that are exempt from federal income taxes although other securities may also be purchased from time to time depending on market conditions and client objectives.

#### Investment Process:

The investment decision-making process of MPI's municipal fixed income management team is driven by fundamental research derived from both internal and external sources. These sources include, but are not limited to, research provided by institutions and the brokerage community, private vendors, and internally generated analysis, business and trade publications.

Key factors that are analyzed in the investment decision-making process typically include the following:

- liquidity in capital markets
- yield spreads between various sectors, qualities, and issues
- shapes of yield curves and interest rate levels
- credit ratings of issuers and the likelihood of upgrades or downgrades
- sources of revenue of issuers with respect to their ability to service debt
- duration and/or maturity of securities
- economic conditions and specifics that may affect an issuer or the price of a security
- state or local municipality ratings
- sector/industry

MPI's investment team may use additional information if they deem it appropriate.

#### **(4) Balanced Portfolios**

##### General Description:

Balanced portfolios are actively managed and contain the full spectrum of asset classes which include equity, fixed income, and money market securities.

##### Investment Process:

The investment decision-making process for both equity and fixed income securities utilized in balanced portfolios is generally similar to that described in the immediately preceding sections. Taxable and tax-free fixed income securities are used in certain balanced portfolios where appropriate and consistent with client objectives and guidelines. Asset allocation decisions are made by the portfolio management team responsible for the management of a particular client's account in accordance with that client's objectives, guidelines, and risk parameters.

#### **(5) Total Return**

##### General Description:

MPI's Total Return portfolio's objective is long-term capital appreciation through investing primarily in equity securities, mutual funds, and Exchange Traded Funds (ETF's). The portfolio invests in securities from a variety of global asset classes and industry sectors.

##### Investment Process:

Portfolio managers create an asset allocation using a top down, Macro Economic approach with an international component. The allocation model is then populated utilizing pre approved individual securities, ETF's and Mutual Fund issues. The result is a highly diversified, fund of fund portfolio. The portfolio is monitored and rebalanced in accordance with MPI's ongoing research analysis or individual client mandates.

#### **B. Principal Sources of Information**

In addition to the sources of information used by MPI's portfolio managers in their management of client portfolios identified above, they use and review among other things, Bloomberg Financial, annual reports, prospectuses, and publicly available filings with the Securities and Exchange Commission, such as Forms 10-K and 10-Q. Other sources of information include financial newspapers and magazines, research materials prepared by other corporate rating services, annual reports to shareholders, on-line services, press releases, publicly available research reports, and publicly available filings with other governmental and regulatory agencies.

Review of these items is considered a central part of MPI's information gathering effort.

### **C. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. MPI does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisors, market indices or investment products.

## **9. Disciplinary Information**

In February of 2000, MPI Investment Management Inc., entered into a settlement agreement with the SEC regarding an Administrative Proceeding against the firm and its two principals; David Pequet and Ashok Shende. The Administrative proceeding resulted from a routine advisor audit in 1996, which disclosed directed commission payments ("Soft Dollars") to two former partners as part of their buyout agreements in 1993. These directed commissions in 1993 and 1994 were a violation of Sections 206(1), 206(2) and 207 of the Investment Advisor Act of 1940. These sections of the code specify that soft dollar commissions can only be used for services directly related to the Investment process. The soft dollar commissions subject to review were from institutional business already being directed to Wall Street brokerage houses prior to the partner buyout agreements.

In the settlement agreement MPI, Pequet and Shende agreed to pay the SEC a disgorgement fee initially based upon the amount of 1993 and 1994 directed commissions to former partners.

MPI Investment Management no longer participates in any "soft dollar" contracts. Mr. Shende retired from MPI in 1999.

## **10. Other Financial Industry Activities or Affiliations**

MPI has no other financial industry activities or affiliations.

## **11. Code of Ethics**

MPI Investment Management employees must maintain at all times high standards of professional conduct. Implicit in this requirement is compliance with the laws of the United States and the laws of state and local governments, which have jurisdiction over the employee's business activities. The employees shall also obey the regulations of the stock exchanges and the Financial Industry Regulatory Authority if such employee is, or is employed by, a member of these organizations.

The employee shall offer undivided fidelity and loyalty to the legitimate interest of their clients. The MPI employee shall keep in complete confidence knowledge concerning the lawful private affairs of its clients. An employee shall not disseminate inside information if to do so would violate the laws and regulations relating to the use of inside information. In its relationships with the press or any legislative body, the employee shall maintain the same standards of integrity and accuracy as in the other phases of its business. An employee shall not give any information to the press or any legislative body, which the employee has reason, to believe is inaccurate or misleading. If any publication attributes statements to an employee, which the employee did not make, and, if such published statements can be expected to induce readers of the statements to buy or sell a security, the employee is expected to inform the publication promptly of its error.

A MPI employee shall not accept compensation or gifts if the acceptance of such compensation or gifts could be construed as being specifically intended as a special inducement or reward for taking a particular action in the financial markets on behalf of an employee's employer or client. All of MPI's employees must adhere to MPI's gift and entertainment Policy, requiring prior approval by the Chief Compliance Officer for the acceptance of any gift.

MPI Investment Management, Inc.'s policy allows employees to maintain personal securities accounts provided any personal investing by an employee in any accounts in which the employee has a beneficial interest, including any accounts for any immediate family or household members, is consistent with MPI Investment Management, Inc.'s fiduciary duty to its clients and consistent with regulatory requirements.

Each employee must identify any personal investment accounts on an annual basis. All reportable transactions and investment activity must be reported within ten days of the end of each calendar quarter to the firm's designated officer.

All personal securities transactions are covered except transactions in direct obligations of the Government of the United States, bankers acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, or shares issued by registered affiliated or unaffiliated open-end investment companies.

The designated officer will review all employees' reports of personal securities transactions for compliance with the firm's policies, including the Insider Trading Policy, regulatory requirements and the firm's fiduciary duty to its clients, which may all be found in the firm's Policies and Procedures Manual.

MPI's complete Code of Ethics is available upon request.

## **12. Brokerage Practices**

In selecting a broker to execute securities transactions, MPI considers a variety of factors including best price and execution as well as the full range of brokerage services provided by the broker. It is MPI's policy and practice seeks best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

### **A. Brokerage for Client Referrals**

From time to time, MPI may obtain clients from referrals from securities brokers. If the services and brokerage fees provided by the referring broker meet or exceed MPI's best execution standards MPI may suggest that the client use, or continue to use the broker. MPI may also refer other clients to the broker. In these rare instances, MPI could possibly benefit from future referrals from the broker.

### **B. Directed Brokerage**

MPI will accept direction from clients as to which broker(s) is/are to be used. Any such direction must be in writing. MPI's ability to achieve best execution may be partially or wholly limited by a directed brokerage arrangement because the advisor may not achieve executions of the nature, quality, speed, or price that it might otherwise achieve if it were not using a directed broker-dealer to execute transactions. MPI may not be able to negotiate or renegotiate commission rates with a client's directed broker-dealer or impact or improve the price or quality of the execution services provided. When using a directed broker-dealer the client may forgo other benefits from savings on execution costs that may otherwise be obtained.

### **C. Trade Aggregation**

However, it has been MPI's experience that some clients, in certain instances, prefer that MPI determine the broker or dealer through whom securities transactions for their accounts are executed. In such cases, MPI seeks, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts where MPI deems this to be appropriate, in the best interests of the client accounts, and consistent with applicable regulatory requirements. When purchasing debt securities MPI's portfolio managers considering the following criteria when allocating block purchases for bond portfolios: cash availability, cash flow restrictions, duration restrictions, duration gaps, investment policy restrictions, client limits per issuer, client limits per issue, geographic diversification, sector diversification (tax-free: G.O's, pre refunded, essential service, water sewer; taxable: treasuries, mortgage backs, GSE's, agencies etc.), investment statute restrictions, portfolio convexity analysis, portfolio quality analysis, asset allocation mandate, prime broker restrictions, and odd lot considerations. When a bunched order is filled in its entirety, each participating client account will participate at the average share price for the bunched order on the same business day, and transaction costs shall be shared pro rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated on a pro rata basis to each account participating in the bunched order based upon the initial amount requested for the account, subject to certain exceptions, and each participating account will participate at the average share price for the bunched order on the same business day.

### **D. Soft Dollar**

MPI's does not engage in Soft Dollar Practices.

### **E. Trade Errors**

MPI corrects all trade errors through its Trade Error Account. MPI shall be responsible for any losses in the accounts and likewise shall receive any gains resulting from the correction of any trade errors cause by or was the responsibility of MPI.

### **13. Review of Accounts**

#### **A. Periodic Review**

MPI has a policy whereby portfolio accounts are periodically reviewed. The portfolio management team periodically reviews each account's portfolio based on, among other factors, the account's investment objective, client guidelines, market conditions, and changes in the client's financial status, as communicated by the client. Portfolio managers, analysts, and traders all may contribute to this process. In addition, portfolio managers periodically may meet with the client to discuss the account.

Any adjustments made to a portfolio are subject to various levels of internal review, as appropriate. In addition, all transactions for client accounts are subject to the following oversight: (1) the portfolio managers review each account's portfolio transactions to ensure that they are consistent with the account's investment objectives and guidelines; (2) the securities traders review portfolio transactions to ensure the accurate input of securities transactions into the trading system; with an emphasis on accurate processing, pricing and compliance with investment objectives and guidelines; and (4) the Chief Compliance Officer periodically reviews portfolio transactions with an emphasis on compliance with both legal and internal standards. There are no fixed limits on the number of accounts assigned to one person.

#### **B. Reports to Clients**

MPI furnishes detailed reports to its clients quarterly (or at the client's request). Portfolio reports disclose the nature and type of the security, its cost, and current market value. Clients are responsible for comparing MPI reports with account statements received from the account custodian. Account custodians are not responsible for verifying the accuracy of the advisory fee calculation.

### **14. Client Referral and Other Compensation**

- A.) MPI does not have any existing soft dollar arrangements.
- B.) MPI does not directly compensate person(s) for client referrals.

### **15. Custody**

MPI does not act as custodian for any client accounts. Rather, the client appoints a custodian to have possession of the assets of the account, to settle transactions for the account, and to accept instructions from MPI regarding the assets in the account. In addition, the custodian notifies MPI of additions to or withdrawals from the account. The client is responsible for the acts of the custodian and all direct expenses of the account, such as custodial fees, brokerage expenses, etc.

### **16. Investment Discretion**

MPI determines which securities are to be bought or sold, the total amount of securities to be bought or sold, the broker or dealer ("broker") through which the securities are to be bought or sold, and the commission rates, if any, at which transactions are affected. In making the decision as to which securities are to be bought or sold and the amounts thereof the product type and asset allocation and other general guidelines, which are set up at the inception of the MPI-client relationship in cooperation with the client, guide MPI. These general guidelines cover matters such as the relative proportion of equity securities and debt securities, the degree of risk which the client wishes to assume, and the types and amounts of securities to constitute the portfolio.

#### **PARTIAL FILLS:**

All accounts in a specific investment strategy will be treated equally, to the best of MPI's ability, when buying a predetermined, universal percentage of shares, or selling a predetermined, universal percentage of shares. With each account to be managed with a similar trading objective, the same percentage of shares to be bought or sold relative to account size, partial fills will present no adverse or beneficial effect to one account without an equal adverse or beneficial effect on all other accounts involved in specific buy or sell order decisions. Partial fills will be handled by the following steps: Each account participating in this order decision will purchase or sell their original number of shares multiplied by the percentage of total shares filled to the total shares given to

floor trader. Summary reports will be adjusted for account shares, brokerage firm shares, and total shares. All accounts will still receive the same average price received for the shares filled by the floor trader. All adjusted summary buy and/or sell reports will be forwarded to the brokerage firm managed accounts trading desk. Shares remaining, (shares not bought/sold in original order), will be re-evaluated by the portfolio manager. If market conditions warrant, the above steps and procedures will be repeated until all shares of a particular buy or sell order decision are filled.

MPI may in some cases execute trades for clients in over-the-counter securities through broker-dealers on an agency basis, and conversely MPI may execute trades for clients in exchange-traded securities through dealers in the over-the-counter market. In both situations, MPI may not be obtaining best price and execution for clients. When MPI executes OTC trades through brokers, the clients will be charged a brokerage commission, which is ordinarily not charged in an OTC transaction. When MPI buys or sells an exchange-traded security through a dealer, the client will be charged a dealer spread, which is ordinarily not paid in exchange transactions. MPI intends to engage in these practices only when the practice is in the client's best interests, but MPI cannot ensure that clients will in fact receive best price and execution.

MPI typically aggregates ("bunches") its execution orders for clients' accounts MPI directs the bunched order to the brokerage firm where the clients' accounts are custodied. MPI does not negotiate a volume commission discount with the broker with which it places the bunched order. Clients who participate in bunched orders receive the average execution price, and do not receive a potentially lower commission rate if a discount was negotiated.

MPI's Procedure for buy or sell orders and partial fills of bunched orders is as follows:

Once decided upon, a buy or sell order will be produced by MPI's computer portfolio management system. The program produces a buy or sell report for each account based on the total number of shares to buy or sell on any given stock. Buy or sell tickets shall contain the following information and grouped by brokerage firm: Date, MPI trader, Trade recommended by trades status as discretionary or non-discretionary, brokerage firm, account number, account title, number of shares, commission discount (pre-determined by client and broker), total shares for brokerage firm, limit price or market order designation, security name, security symbol, fill price.

## **WRAP ACCOUNT FEES**

Clients may pay more or less in total fees when participating in a wrap fee program than clients not participating in a like program pay.

MPI receives a portion of the wrap fee that a wrap program client pays to the program sponsor.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

In dealing with clients; MPI does not:

- A. Act As principal, sell securities to, or buy securities from, any investment advisory client.
- B. Effect securities transactions for compensation as broker or agent for any investment advisory client.

MPI will not knowingly cause one client to sell a security to, or purchase a security from, another client (i.e. MPI does not cause clients to engage in cross trades).

MPI and/or its employees may buy or sell securities it also recommends to clients subject to the requirements of its Codes of Ethics summarized above.

MPI has adopted a Code of Ethics that governs all "Access Persons" of MPI (as defined below). The Code of Ethics is based upon the principle that directors, officers, and employees of MPI have a fiduciary duty to place the interests of clients ahead of their own.

MPI also requires Access Persons to report all securities transactions to MPI's Compliance Department. Moreover, Access Persons (other than Access Persons who are independent directors of the investment companies advised by MPI) are required, on a quarterly basis, to disclose all securities holdings. With respect to the personal securities transactions of Access Persons, the Code of Ethics allows Access Persons of MPI to invest in the same securities of its clients simultaneously, providing that the client receives priority and there is no adverse price or fill executions.

Certain types of securities are exempt from these prohibitions, including (1) shares of open end investment companies, (2) banker's acceptances, (3) bank certificates of deposit, (4) commercial paper, (5) repurchase

agreements, (6) direct obligations of the U.S. government, (7) equity securities held in dividend reinvestment plans ("DRIPs"), (8) securities of the employer of a member of the Access Person's Immediate Family if such securities are beneficially owned through participation by the Immediate Family member in a profit sharing plan, 401(k) plan, ESOP, or other similar plan, and (9) other Securities as may from time to time be designated in writing by the firm on the grounds that the risk of abuse is minimal.

## **17. Voting Client Securities**

MPI does not vote client proxies. Proxies are sent by the custodian directly to each client for their review and vote. Proxy voting is the responsibility of the client.

## **18. Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MPI Investment Management's financial condition. MPI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been subject of a bankruptcy proceeding.

## **SUPPLEMENTAL INFORMATION:**

**This supplemental information provides information about David W. Pequet and Bradley C. Smith that supplements MPI Investment Management, Inc's brochure above. Please contact Bradley C. Smith, CCO at [brad@mpi-invest.com](mailto:brad@mpi-invest.com) if you have any questions about the contents of this supplement.**

**Additional information about David W. Pequet and Bradley C. Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **19. David W. Pequet, *President, MPI Founder, Equity & Fixed Income Portfolio Manager.***

### **A. Educational Information and Business Experience**

Born June 2, 1952. Formed MPI Investment Management in 1986 while at Moseley Securities. MPI Investment Management was an investment advisory service of Moseley Securities and subsequently Gruntal & Co., Inc. (Gruntal purchased Moseley in March of 1988) until January 1990 when MPI became an independent registered investment advisor. Prior to Moseley Securities in 1986, Mr. Pequet was a registered representative with Prudential Bache Securities for five years. Mr. Pequet entered the securities industry in 1975 after serving as an Officer in the United States Naval Flight Program. Mr. Pequet holds a B.S. degree in Engineering from Michigan State University in 1974. Mr. Pequet holds a Series 65 license.

### **B. Disciplinary Information**

In February of 2000, MPI Investment Management Inc., entered into a settlement agreement with the SEC regarding an Administrative Proceeding against the firm and its two principles; David Pequet and Ashok Shende. The Administrative proceeding resulted from a routine advisor audit in 1996, which disclosed directed commission payments ("Soft Dollars") to two former partners as part of their buyout agreements in 1993. These directed commissions in 1993 and 1994 were a violation of Sections 206(1), 206(2) and 207 of the Investment Advisor Act of 1940. These sections of the code specify that soft dollar commissions can only be used for services directly related to the Investment process. The soft dollar commissions subject to review were from institutional business already being directed to Wall Street brokerage houses prior to the partner buyout agreements.

In the settlement agreement MPI, Pequet and Shende agreed to pay the SEC a disgorgement fee initially based upon the amount of 1993 and 1994 directed commissions to former partners.

MPI Investment Management no longer participates in any "soft dollar" contracts. Mr. Shende retired from MPI in 1999.

### **C. Other Business Activities**

David W. Pequet does not participate in any other business activities.

### **D. Additional Compensation**

David W. Pequet receives no additional compensation for providing advisory services to someone who is not a client.

### **E. Supervision**

MPI monitors and supervises all investment professionals utilizing both internal and external resources. Bradley C. Smith is responsible for direct day to day supervision of Mr. Pequet. MPI conducts an annual review, conducted by outside counsel, to ensure the firm and all employees responsible for providing investment advice adhere to SEC regulations, Illinois State regulations and MPI's Ethics, Privacy and Investment policies.

Supervisor: Bradley C. Smith  
Chief Compliance Officer  
630-325-6900

## **20. Bradley C. Smith, Senior Vice President, Equity & Fixed Income Portfolio Manager, Chief Compliance Officer.**

### **A. Educational Information and Business Experience**

Born September 10, 1966. Mr. Smith joined MPI in 1992 from Merrill Lynch Pierce Fenner & Smith. Graduated from the University of Iowa with a B.A. degree in 1991 and earned his MBA in Finance with distinction from DePaul University in 2005. Mr. Smith is an active member in the Delta Mu Delta Honor Society. Mr. Smith holds a Series 65 license.

### **B. Disciplinary Information**

Bradley C. Smith has not been involved in any legal or disciplinary events.

### **C. Other Business Activities**

Bradley C. Smith does not participate in any other business activities.

### **D. Additional Compensation**

Bradley C. Smith receives no additional compensation for providing advisory services to someone who is not a client.

### **E. Supervision**

MPI monitors and supervises all investment professionals utilizing both internal and external resources. David W. Pequet is responsible for direct day to day supervision of Mr. Smith. MPI conducts an annual review, conducted by outside counsel, to ensure the firm and all employees responsible for providing investment advice adhere to SEC regulations, Illinois State regulations and MPI's Ethics, Privacy and Investment policies.

Supervisor: David W. Pequet  
President/ CEO  
630-325-6900

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INVESTMENT MANAGEMENT, INC.

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