



M1 CAPITAL MANAGEMENT

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Part 2A of Form ADV: Firm Brochure

This brochure provides information about the qualifications and business practices of M1 Capital Management. If you have any questions about the contents of this brochure, please contact us at (248) 647-3474 and/or info@m1capitalmanagement.com. Our website address is www.m1capitalmanagement.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. M1 Capital Management is a registered investment adviser with the United States Securities and Exchange Commission. Registration as an investment adviser does not imply any level of skill or training.

Additional information about M1 Capital Management also is available on the SEC's website at www.adviserinform.sec.gov.

Item 2. Material Changes

This section will discuss the material changes that we have made to our Brochure and will give you a summary of those changes.

- Item 4 has been amended to reflect our fixed income strategy.
- Item 7 has been amended to increase our account minimum.
- Item 10 has been amended to reflect the fact that certain representatives of M1 are also associated with a broker-dealer.
- Item 12 has been updated to remove benefit programs through custodians that we no longer engage in.
- Item 14 has been updated to remove referral arrangements that we no longer engage.
- Item 16 has been updated to include our discretionary authority to allocate client assets among sub-advisors.

Pursuant to SEC rules, we will make sure that you receive a summary of any material changes to this Brochure and/or our subsequent Brochures within 120 days of the end of our fiscal year, which is December 31. We may also provide to you other ongoing disclosure information about material changes affecting our business and the information previously provided to you, as required by SEC rules and regulations. All updated information will be provided to you without charge.

You may request a copy of our Brochure at any time by contacting Kristy Reynolds at (248) 647-3474 or info@m1capitalmanagement.com. A Brochure will be sent to you without charge.

Additional information about M1 Capital Management also is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's website provides information on M1 Capital and on persons who are registered as investment adviser representatives of M1 Capital.

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One of the two Brochure supplements designated below is applicable to our business. Consequently, we have included that supplement in the M1 Capital Management Brochure.

Form ADV, Part 2A, Appendix 1: The Wrap Brochure. M1 Capital Management does not sponsor a wrap fee program. Consequently, we do not need to prepare the supplement required by Form ADV, Part 2A, Appendix 1.

Form ADV, Part 2B, Brochure Supplement: This is a Brochure Supplement related to supervised personnel (“Supervised Persons”). Supervised Persons are any of our officers, partners, directors (or other *persons* occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on our behalf and is subject to our supervision or control.

Item 4. Advisory Business

M1 Capital has been in business as an investment advisor registered with the SEC since 2011. M1 Capital is an LLC owned by partners Malloch Capital Management Inc. (owned by Ryan Malloch) and Paul Dunbar. We provide investment advice to our clients and manage their portfolios. We also provide financial planning services. Our investment strategies include general asset allocation and tactical asset allocation as well as a more actively traded total return program. Our strategies are geared toward specific client financial objectives, as explained in more detail below. We tailor our advisory services to the individual needs and goals of our clients. Clients may impose restrictions on the investments we make for their accounts. Such restrictions may include limitations on the types of investments or restrictions on investments in specific securities.

M1 Capital manages approximately \$276,867,841 of assets, all of which are managed on a discretionary basis.

Tactical Asset Allocation (“TAA”)

Our Tactical Asset Allocation strategy is a portfolio management strategy designed to develop solutions for clients with varied financial goals. Our process utilizes active asset allocation strategies that seek to balance a client’s risk/return parameters to meet that client’s specific needs. We diversify the fixed income portion of the portfolio by maturity and sector. For those clients who have an equity allocation, we create the core equity exposure of the portfolio, which may include a blend of any of the following ETFs based on growth and value, and international and emerging markets exposure. We expect the benefit of our approach to be reduced volatility of our clients’ portfolios.

Each client completes a questionnaire that we use to determine the appropriate portfolio recommendations for that client. Our recommendations are based on the client’s tolerance for risk, expected rate of return, and investment objectives. For our TAA strategy, we use ETFs (exchange traded funds) to obtain the desired market exposure. We use a proprietary model to determine entry and exit points for each of the ETFs in a portfolio.

Tactical Dividend Income (“TDI”)

The Tactical Dividend Income program is a portfolio management strategy that seeks high dividend yield while attempting to reduce volatility by moving to cash when in our opinion market conditions warrant a more conservative position. The portfolio is comprised of diversified ETFs that have as their objective high dividend yield. Each ETF has an independent signal that is used to determine when to purchase or sell. The signals are received daily, but the objective is to maintain positions during stable or upward trending moves for the specific ETF. This strategy is intended to be for those clients seeking high dividend yield while still desiring a sell discipline when warranted. Consideration of the client’s long term investment objectives, tolerance for risk, expectation for returns, and income needs are some of the factors used when recommending this strategy.

Liquidity/Fixed Income Portfolios

M1 Capital manages fixed income portfolios designed to meet the needs of high-net-worth individuals and institutional investors. The fixed income obligations include but are not limited to: Obligations of the U.S. Government, Direct and Indirect Agencies of the United States Government, Corporations, Municipals, Money Market Funds, CMO's, REMIC's backed by collateral either directly or indirectly backed by the U.S. Government or its direct or implied Agencies. Market conditions are the primary driver for which of the above-mentioned debt obligations may be used in client portfolios in any given market cycle. The primary objective of this strategy is preservation of capital while earning a commensurate risk adjusted return subject to market conditions. The Fixed Income strategy can be a stand-alone strategy or used with equity portfolios to achieve the clients desired risk/reward objectives. Each portfolio is tailored to the circumstances, risk tolerance, time horizon, and other variables of each client. Services provided include:

- Portfolio Positioning;
- Discretionary Trade Execution and Settlement;
- Drafting reports.

Financial and Tax Planning

M1 seeks to provide uniquely personalized services based upon information you furnish, which includes but is not limited to information about your current circumstances, your financial situation, goals and objectives, account statements and any other information you may provide for review and analysis. Services may be comprehensive in nature (such as the development of a financial plan) or focus only on your stated area of interest.

Our team of experienced advisors works with you in clearly defining your goals, properly analyzing your current financial assets, then building an actionable long-term plan to help you achieve your desired outcome. Every financial plan has three important parts - a tax plan, an income plan, and an investment plan. Financial planning services may be provided as a one-time financial plan (Limited Financial Planning Services) or as ongoing financial and tax planning advice (Continuous Financial Planning Services) along with our investment management services.

We will work with each client to choose the areas of interest in financial planning and to help select limited or continuous services according to their stated objectives. Areas of financial planning that for which we offer services include: Asset Allocation, Business Planning, Education Planning, Estate Planning, Cash Flow or Budget planning, Charitable Giving Solutions, General Analysis and Planning, Compensation Strategy, Insurance Needs Analysis, Protection Planning and Family Security, Retirement Accumulation/ Income Strategy, Financial Statement and Portfolio Reports, Wealth Accumulation and Preservation Strategy, Participant Advice on your employer sponsored ERISA or non-ERISA plans.

General Investment Advice

Our general investment advice service involves making asset allocation recommendations for you and selecting ETFs, individual stocks, bonds, CMOs and mutual funds to meet the recommended asset classes, based upon your individualized risk and return parameters and tolerance. We

generally charge an annual fee of up to 200 basis points of the assets under management for this service, depending upon the size of your account and the complexity of the recommendations you request. Fees are charged quarterly in advance.

Other Services

Sub-Advisor Services

In some instances, M1 Capital client accounts may be managed by independent Sub-Advisors that have Sub-Advisory agreements with M1 Capital. In such circumstances, the Sub-Advisor will have discretionary power and trading authority for the investment of the Account. M1 Capital shall be responsible for making the suitability determination in what investment strategy will be implemented in the management of Client's Account by Sub-Advisor. Sub-Advisor may also provide administrative services which may include the calculating and processing for payment of advisory fees on behalf of M1 Capital. Sub-Advisor may perform other administrative duties on behalf of M1 Capital.

Retirement Plan and Account Services

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- *Meet a professional standard of care when making investment recommendations (give prudent advice);*
- *Never put our financial interests ahead of yours when making recommendations (give loyal advice);*
- *Avoid misleading statements about conflicts of interest, fees, and investments;*
- *Follow policies and procedures designed to ensure that we give advice that is in your best interest;*
- *Charge no more than is reasonable for our services; and*
- *Give you basic information about conflicts of interest.*

Item 5. Fees and Compensation

Investment Management Fees

M1's Investment Management fees are calculated as a percentage of assets under management and range from .10% to 2.0% for all investment management strategies including Tactical Asset Allocation, Tactical Dividend Income, Fixed Income, and the CMO strategy as well as general investment management. We will negotiate our fees based upon the size of a client's portfolio and the strategies requested by the client. Fees are negotiated by individual representatives of M1. Particular fees paid by the client will be outlined in the advisory agreement.

Fees are charged quarterly in advance based on the value of the account on the last day of the previous quarter. No fee adjustments will be made for changes in the value of your portfolio, including the depreciation or appreciation of assets in your account during the quarter. If you terminate your investment management contract with us prior to the end of a quarter, we will return the unearned portion of your quarterly investment management fee, which will be calculated on a pro-rated basis. For example, if you terminate your investment management contract with us after two months of a three-month quarter, we will return to you one-third of your investment management fee for that quarter.

Generally, our fees are automatically deducted from our clients' assets and our clients are not given a choice on the method of payment. However, some of our clients request that we bill them instead of automatically deducting our fees from their accounts and we generally will agree to do so.

Our clients whose assets are invested in ETFs, mutual funds, CMOs and REITs pay both a direct management fee to us and an indirect management fee through such funds and mutual funds to the funds' advisors. We recommend ETFs, CMOs and REITs. On occasion, we do recommend mutual funds to achieve specific investment objectives for our clients. In such cases, we purchase mutual funds for our clients' portfolios. We make efforts to purchase investor class shares and generally use only no-load funds. All our clients also pay brokerage fees, which include brokerage commissions, wire transfer fees and fees for other services a client may request. Clients who choose custodians other than their brokerage firms will pay separate custodian fees. Clients that are trusts or ERISA accounts may also pay trustee and other service fees.

Our firm generally does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds to advisory clients. However, several of our employees are also employees of Cetera Advisors, and they may receive commissions for sales and purchases in non-advisory, brokerage-only client accounts.

Financial Planning Fees

Fees for our financial planning services may be charged as a one-time flat fee for the financial plan or on an ongoing basis for continuous planning advice. Clients may combine both financial planning services and investment management services or use M1 Capital solely for financial planning services or solely for investment management services.

Our most common one-time fee for a financial plan is \$2500, however in certain circumstances for a very limited plan we may charge as little as \$150. Depending on the type of plan requested and the scope of the work involved in plan preparation, we may charge as much as \$10,000 for a financial plan. When charging a one-time flat fee, we require that a deposit be paid in advance and the remainder of the fee is due upon completion of the service. We will negotiate our financial planning fees based on the complexity of a client's portfolio and the services requested. Clients who want continuous financial planning services but do not require investment management, will generally be charged a yearly flat fee that will be billed quarterly in advance.

The total amount for the yearly fee will be divided by four and charged at the beginning of each quarter for services to be provided in that quarter. Due to the nature of the work we perform for an ongoing financial plan, we are not able to prorate our flat fee for continuous financial planning services.

Combined Continuous Financial Planning and Investment Management Fees

For clients who want to combine continuous financial planning with investment management services, the financial planning fees will range from .10% to 2.0% for the combined financial planning and investment management services and will be charged quarterly in advance at the same time as fee for investment management.

No fee adjustments will be made for changes in the value of your portfolio, including the depreciation or appreciation of assets in your account during the quarter. If you terminate your investment management contract with us prior to the end of a quarter, we will return the unused portion of your quarterly investment management fee, which will be calculated on a pro-rated basis. For example, if you terminate your investment management contract with us after two months of a three-month quarter, we will return to you one-third of your combined investment management and financial planning fee for that quarter.

Generally, our fees are automatically deducted from our clients' assets and our clients are not given a choice on the method of payment. However, some of our clients request that we bill them instead of automatically deducting our fees from their accounts and we generally will agree to do so.

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

Neither our firm nor our registered or supervised personnel accept performance-based fees, nor do any subadvisors we may use charge performance-based fees on any of our client accounts. Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. Performance based fees are typically charged for hedged funds and other pooled investments.

Item 7. Types of Clients

We provide our investment advisory services primarily to individuals, most of whom are high net worth individuals. We also provide investment advisory services to pension and profit-sharing plans.

Our stated minimum relationship size for generalized investment supervisory services and management of investment advisory accounts is \$500,000. On an individualized basis and under special circumstances, we may negotiate our minimum account sizes and fees.

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

We use various methods of analysis, sources of information, and investment strategies to deliver investment management, advice, and guidance to clients. Our primary investment strategy involves asset allocation. We believe in tactical asset allocation and invest client funds in diversified investment vehicles such as CMOs and other fixed income instruments, ETFs, mutual funds, and individual stocks.

Our TAA strategy is a diversified ETF strategy based on a tactical asset allocation model. In our TAA strategy, clients either hold long positions or cash. For this strategy we do not hold short positions in our clients' accounts. As an addition to an all-ETF portfolio, we may purchase collateralized mortgage obligations ("CMOs") for clients whose accounts are managed using our TAA and TDI strategies. We also may purchase CMOs for standalone accounts with fixed income as an objective. The goals of our TAA and TDI asset allocation strategies are to reduce volatility and investment risk by diversifying investments while retaining the ability to achieve a desired rate of return based on our clients' individual risk tolerance and investment objectives. We may also add strategies to these investment programs to achieve increased tax efficiency.

The securities we use include without limitation: ETFs, mutual funds, individual equities, including growth, value and yield based stocks, fixed income securities, including corporate bonds, municipal bonds, and government bonds, and money market instruments. We also purchase CMOs for our clients' portfolios. Our strategies are focused on controlling risk and realizing a satisfactory rate of return over the long term. It is generally not our intent to engage in short-term trading of our client accounts. However, the tactical discipline of the TAA and TDI strategies may on occasion result in shorter-term trading.

Investing in securities involves substantial risk and there can be no guarantee that our investment strategies will permit you to achieve your investment objectives, your desired rate of return or any tax benefits. There is no guarantee our investments strategies will generate positive returns. That means that you can lose your capital.

Our clients' portfolios and the investment products in those portfolios are subject to market risk, liquidity risk, credit risk, business risk, general economic risk, and political risk. Market risk is the risk that the value of a portfolio will decrease due to the change in value of the market risk factors. Liquidity risk is the risk that a sufficiently liquid market does not exist for a given security or asset and as a result the security or other asset cannot be traded quickly enough in the market to prevent a loss or to be able to sell at a satisfactory price.

Credit risk, also called *default risk*, is the risk associated with a borrower defaulting on an obligation (not making payments as promised). You could include lost principal and interest, receive decreased cash flow, and have increased collection cost as a result of a default. Business risk is the risk arising from execution of a company's business plan and the success of its operations.

Business risks encompass broad categories of risks, including those arising from the people, systems, and processes through which a company operates. It also includes other categories such as fraud risks, legal risk, physical, or environmental risks.

Economic risk includes the impact of general economic conditions and industry specific conditions on an issuer or a sector of issuers. Political risks are the problems and issues businesses, and governments may face because of political decisions and the political climate.

Mutual funds and ETFs have additional risks. Mutual fund and ETF investment values will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Some funds invest in international securities, which can involve different risks than U.S. investments. These risks include political and economic instability, changing currency exchange rates, foreign taxes, and differences in financial accounting standards. ETFs traded funds are subject to risks like those of mutual funds and stocks. However, an additional risk with ETFs is that unlike mutual funds, shares of ETFs are not bought from and sold to the ETF fund company. ETFs are bought from and sold to other investors and traders. Therefore, the value of the ETF may fluctuate not only based on the value of the underlying securities but based on supply and demand for the actual ETF.

CMOs have special risks. Although CMOs entitle investors to payments of principal and interest, CMOs differ from CDs, corporate bonds, and Treasury securities in significant ways. CDs, corporate bonds, and Treasuries are issued with stated maturities and fixed interest rates. When a CD or bond matures or is called, the issuer returns the face value to the investor in a single principal payment. In contrast, while CMOs have stated final maturity dates at which all principal must be returned, they can make principal payments throughout the life of the security. In addition, the timing of these payments may vary significantly depending on interest rate changes and other factors, including speed of default.

Principal payments on CMOs arise from both the regular amortization of the underlying mortgages and from prepayments of those mortgages due to sales, defaults, or refinancing. When interest rates decline substantially, many homeowners choose to refinance their mortgages. This activity can result in CMOs paying off principal more rapidly than had been anticipated. Thus, a CMO investor may be faced with reinvesting his or her principal at a current lower rate. In a rising interest rate environment, homeowners may not refinance or sell their houses as quickly; thus, CMO investors may face holding their investment for longer than anticipated. While principal payments may be quite predictable for certain tranches or classes of a given CMO, other tranches of the same issue may be significantly less predictable. The prices and yields and other factors of CMOs are influenced by the prepayment assumptions of the particular CMO.

Different tranches of CMOs are structured differently. Certain tranches may be structured in such a way that, depending on interest rates and prepayments, investors are at substantial risk and may lose all or a substantial portion of their principal. Further, while there is a sizable secondary market for CMOs generally, there is less of a market for the more risky and complex tranches. CMOs are less uniform than traditional mortgage-backed securities and more expensive to trade. It is also harder to obtain current pricing information. We will evaluate the suitability of such

high-risk tranches for each client portfolios based upon such client's individual risk tolerance and investment objectives.

CMOs may be purchased at a premium or discount. However, any guarantees on those securities will only apply to the par value of the security and not to any premium paid.

Item 9. Disciplinary Information

No. We have never been disciplined. None of our management personnel or supervised persons has been involved in a legal or disciplinary event that is required to be disclosed to you or that would be material to your evaluation of our firm or the integrity of our management personnel.

Item 10. Other Financial Industry Activities and Affiliations

Malloch Capital Management Inc. is a part owner of M1 Capital Management.

M1 has a contractual agreement with Sawtooth Asset Management to provide M1 with back-office administration (non-advisory) services such as assistance with reporting, technology, and administrative efforts). Sawtooth Asset Management will only have access to M1's client data and operations as is necessary to provide back-office support services to M1 and its clients. Sawtooth Asset Management will not maintain nonpublic personal information about M1's clients other than their name, address, account data, advisory fees, executed transactions, portfolio holdings and related data as needed to provide back-office services. Sawtooth Asset Management is required to securely maintain the confidentiality of client and former client information. M1 supervises our Sawtooth Asset Management, its personnel, and the services provided. Sawtooth Asset Management's personnel members have signed policies and procedures relating to, among other topics, confidentiality and privacy policies and procedures. These coordinated service efforts allow M1 to focus on its core business – taking care of our clients and providing investment management services.

We generally recommend TD Ameritrade Institutional as a broker-dealer to our clients. We place orders with TD Ameritrade Institutional for our clients' accounts. For some clients we have discretionary authority to choose the broker-dealer and for other clients the decision whether the client will become a customer of TD Ameritrade is made by the client, not us.

We have chosen TD Ameritrade Institutional because of the quality executions we receive at a competitive price. We believe our recommendation of TD Ameritrade is consistent with our obligation to receive "best execution" for our clients. For more information about our use of TD Ameritrade, see our response to Item 12 below.

We have a strategic relationship with Sawtooth Asset Management whereby they provide administrative services related to portfolio management and performance reporting. We pay a fee to Sawtooth for the accounts they administer. We may also from time to time, use Sawtooth Asset Management as a subadvisor for certain investment management strategies. We pay a proportion of a client's management fees to Sawtooth for this service.

Certain representatives are separately engaged as independently licensed insurance agents and, in this capacity these representatives earn normal commissions paid by insurance companies when clients purchase insurance. This is a conflict of interest because these individuals receive additional compensation outside of the compensation they receive as advisors. Clients are under no obligation to purchase insurance through representatives of M1 Capital. Certain associated persons at M1 are registered representatives with Cetera, a registered investment advisor with the SEC and a securities broker-dealer, a member of the Financial Industry Regulatory Authority. See the Fees and Compensation section in this brochure for more information on the compensation received by registered representatives who are affiliated with our Firm.

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

We have adopted a Code of Ethics that governs the conduct of our personnel. Our Code of Ethics requires that all of our personnel observe the highest ethical standards and resolve any situation involving the potential for a conflict of interest in favor of our clients. Our Code of Ethics requires all of our management and other personnel that have access to our client portfolio recommendations or that are involved in portfolio management to place the interests of our clients first, to avoid taking inappropriate advantage of their positions and to conduct all personal securities transactions in full compliance with the Code of Ethics. Although we generally do not restrict the securities our personnel may purchase and sell, we may restrict our personnel from purchasing or selling certain securities. We generally do not require pre-clearance of the personal securities transactions of our personnel, however, we may in our discretion require pre-clearance of most of the personal securities transactions of a specific person or persons. Our Code of Ethics prohibits trading on inside information and requires all personnel to report all personal securities transactions to us on a quarterly basis. Our Code of Ethics includes our firm policies on gifts, confidentiality, company opportunities and the reporting of violations of the Code of Ethics. A copy of our Code of Ethics will be provided to any client or prospective client upon request.

At times, our management and advisory personnel may invest in the same securities (or related securities such as options or warrants) that we or our advisory personnel recommend to our clients. Similarly, our management and advisory personnel may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that our management or advisory personnel buys or sells the same securities for their own account accounts. We understand that these situations involve conflicts of interest and have policies designed to protect our clients' interests. We review the securities transactions of our personnel. That review would flag any situations in which our personnel are consistently taking the opposite position in a security that is being recommended for our clients' portfolios. We would check to make sure such actions were consistent with the investment strategies of both parties. None of our management or advisory personnel are permitted to trade ahead of our clients. When our management personnel buy or sell securities at the same time as our clients, the trades are entered as bunched orders and all participants, including our management and advisory personnel, receive the same average price. If the trades occur at different times, the prices are

different. However, as stated above, we review the personal securities transactions of our management and advisory personnel to check for conflicts of interest and to make sure that none of them is taking advantage of our clients in any way.

Item 12. Brokerage Practices

We generally recommend that our clients open brokerage accounts at TD Ameritrade. In this respect we may be deemed to routinely direct our clients to execute transactions through a specified broker-dealer. In making this decision, we consider, commission rates, execution quality, service, and other factors regarding TD Ameritrade. Not all advisors require or recommend that their clients direct brokerage to specified broker-dealers. By directing brokerage to TD Ameritrade, we may be unable to achieve the most favorable execution for our clients' transactions. We take these conflicts of interest into consideration when we recommend TD Ameritrade, and we believe our recommendation of think or swim by TD Ameritrade is consistent with our best execution obligations.

TD Ameritrade may send your orders to another broker-dealer for execution. TD Ameritrade accepts payment for order flow from executing broker-dealers and may receive payment for order flow on your orders.

We permit our clients to direct brokerage to firms other than TD Ameritrade. If clients direct brokerage to a firm other than TD Ameritrade, we may be unable to achieve most favorable execution of such clients' transactions. Directing brokerage may cost clients more money for executions. In a directed brokerage account, the clients may pay higher commissions because we may not be able to aggregate orders to reduce transaction costs, and we may not be able to negotiate favorable or competitive commission rates, all of which means those clients who choose to direct brokerage may receive less favorable prices.

Ryan Malloch, Partner of M1 Capital is a registered representative and investment adviser representative of Cetera Advisors (Cetera). Cetera is not involved in the investment management aspects of M1 Capital and M1 Capital and Cetera are not affiliated companies.

We may aggregate the purchase and sale of securities for various client accounts on a regular basis when beneficial to the client. We often purchase and sell the same securities for the accounts of multiple clients at the same time. In such event we enter aggregated orders. Each client pays or receives the average price for the purchase or sale his securities. If we did not aggregate these orders, some clients would receive more favorable prices and other clients would be disadvantaged. Our procedures are designed to treat all clients fairly. In order to execute these large orders at a more favorable price to our clients, we may occasionally make use of a third-party liquidity provider to execute block trades. Such a provider would charge a per share commission which would slightly increase the average purchase price and decrease the average sale price.

We also aggregate the purchase and sale of Collateralized Mortgage Obligations. Aggregating these purchases may benefit our clients due to more favorable purchase prices and availability

of small lot trades. Due to the many variables involved in allocating these securities, we have developed the following CMO Allocation Guidelines:

Liquidity/Fixed Income Guidelines

As discussed in Item 4, M1 Capital Managements Liquidity/ Fixed income Strategy is an investment program that invests primarily in fixed income obligations. The fixed income obligations include but are not limited to: Obligations of the U.S. Government, Direct and Indirect Agencies of the United States Government, Corporations, Municipals, Money Market Funds, CMO's, REMICs backed by collateral either directly or indirectly backed by the U.S. Government or its direct or implied Agencies. Market conditions are the primary driver for which of the above-mentioned debt obligations may be used in client portfolios in any given market cycle. The primary objective of this strategy is preservation of capital while earning a commensurate risk adjusted return subject to market conditions. The Fixed Income strategy can be a stand-alone strategy or used with equity portfolios to achieve the clients desired risk/reward objectives.

Given the different nature of the purchase and allocation process, general guidelines are used when allocating to client accounts. Certain factors create the need for allocation guidelines that provide a process to ensure as equitable a distribution as reasonably possible over the course of a month of purchases for fixed income portfolios. It must be clearly understood that regardless of the allocation processes used there will always be differences in the securities purchased, the timing of the purchases relative to interest rates, and the timing of the known cash flow. Therefore, the following considerations must be considered when determining the allocation of each purchase. (Please note that this list is not intended to be in order of priority):

1. Security diversification (GNMA, FNMA, FNR, FHR): When possible if there is a large enough dollar amount to invest, an attempt will be made to diversify by underlying collateral and or CUSIP number.
2. Duration: The expected duration will be considered in light of the client's investment objectives, risk tolerance, potential future cash needs, and existing holdings.
3. Coupon (for taxable vs tax exempt accounts): In some circumstances a higher coupon CMO will be considered favorably over a lower coupon CMO in tax deferred accounts to optimize the tax ramifications, for accounts allocated in CMOs.
4. Amount requested: An attempt will be made to fill the entire amount of cash targeted for CMO's. This may not always be possible given availability of desirable CMOs, or the size of the amount being requested.
5. Liquidity: Generally, CMO's will not be allocated for less than \$10,000 due to liquidity issues if the position ever had to be sold in the future. Exceptions to this rule are permissible if the perceived probability of a future need to sell the position is remote. Liquidity differences among fixed income investments will be considered similarly in conjunction with a particular client's liquidity needs.

6. **Interest Rates:** The amount of a security purchased as a percentage of cash identified for the particular investment class purchases may vary based on interest rate outlook at the judgment of the portfolio manager.
7. **Clients Investment Objective:** Each client has investment objectives specific to their own risk/return tolerance. Consideration will be given to the individual's specific short term/long term outlook when determination is made regarding a given allocation.
8. **Commissions Charged:** Commissions may vary depending on the broker from whom each security is purchased. Larger commissions will have a larger impact on the return possibilities for smaller accounts making smaller purchases so this factor may be considered when determining allocations.

When possible, an attempt will be made to average the prices of multiple purchases of identical securities. When this cannot be done, or if there are multiple collateral issues, the above criteria will be used during the allocation process. In some instances, the allocation may be based solely on a proportion of the identified need verses the available amount of a particular security.

Item 13. Review of Accounts

We review some of our client accounts daily and others on a weekly basis. All accounts are reviewed at least on a quarterly basis. Our Managing Partner and our Chief Compliance Officer conduct our client account reviews. Additional reviews may be triggered by client requests for information or review of their account.

We also make available to our clients written reports on a quarterly basis, as well as additional oral or written reports as our clients' request. These reports may include profit and loss, annualized return, account holdings, and other information pertaining to the account that the client may request. In addition, clients have online access to performance reports through our performance reporting website. Clients also have online access through the brokerage firm to view account status.

Item 14. Client Referrals and Other Compensation

M1 will not receive any economic benefit from another person or entity for soliciting or referring clients.

M1 will not pay another person or entity for referring or soliciting clients for M1.

We receive an economic benefit from our custodian in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at such custodian. In addition, our custodian has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at the custodian reaches a certain size. You do not pay more

for assets maintained at the custodian because of these arrangements. However, we benefit from the arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by our custodian, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices).

Item 15. Custody

We are deemed to have custody of our clients' funds because we deduct our advisory fees directly from our clients' accounts.

You will receive account statements not less than quarterly as of the end of each calendar quarter from the brokerage firm that maintains your funds and securities. That brokerage firm is deemed to be your qualified custodian. We do not send separate account statements to our clients.

You should review account statements you receive from your brokerage firm carefully.

Item 16. Investment Discretion

We have investment discretion over all our clients' accounts under management. Investment discretion means that we have the authority to purchase and sell securities for your account without obtaining your authorization to make the trade. We also have discretion to allocate your assets among sub-advisors.

We enter into advisory agreements with all our clients that specify the types of advisory services the clients desire to receive from us and the clients' investment objectives. The advisory agreements specify that we have discretionary authority to manage our clients' accounts. Our clients may place restrictions on our investment discretion. Such restrictions may include limitations on the types of investments we may make for their accounts or restrictions on investments in specific securities. Any restrictions on our investment discretion must be set forth in writing, generally in the advisory agreement.

Our clients sign a limited power of attorney form that is given to the clients' brokerage firm. The limited power of attorney form gives us the authority to enter transactions for the clients' account.

Item 17. Voting Client Securities

Proxy Voting

M1 Capital will not vote or accept authority to vote proxies on behalf of its clients. Clients retain the responsibility for receiving and voting proxies for all securities maintained in client accounts. However, M1 Capital may, in their discretion, provide advice to clients regarding the voting of proxies.

Class Actions, Bankruptcies and Other Legal Proceedings

Clients should note that M1 Capital will not advise or act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

Item 18. Financial Information

Because we have discretionary authority over clients' funds, we are required in this section to disclose to you any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. We are not aware of any financial conditions, nor do we have any financial commitments that are reasonably likely to impair our ability to meet our contractual commitments to our clients.