

MSR CAPITAL MANAGEMENT

555 Montgomery Street, Suite 603
San Francisco, CA 94111

January 2012

This Brochure provides information about the qualifications and business practices of MSR Capital Management (the “Adviser”). If you have any questions about the contents of this Brochure, please contact the Adviser at the telephone number listed below. The information in this Brochure has not been approved by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

MSR Capital Management is registered as an investment adviser with the Department of Corporations of the State of California. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provides you with information with which you can determine whether to hire or retain an adviser.

Additional information about the Adviser is available on the SEC’s website at www.adviserinfo.sec.gov.

(415) 433-0900

Item 2 – Material Changes

On July 28, 2010, the U.S. Securities and Exchange Commission published “Amendments to Form ADV” which changes the form of the disclosure document that registered advisers are required to provide to clients. This Brochure, dated February 1, 2012, has been prepared according to the SEC’s new requirements and rules.

In the future, this Item 2 will discuss only specific material changes that are made to this Brochure and provide you with a summary of the changes. We will also reference the date of our last annual update of our Brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days after the close of our fiscal year.

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 Martin Roher at the telephone number on the cover page or msrcap@hotmail.com.

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Item 4 – Advisory Business

A. Description of the Company

MSR Capital Management was founded in 1986 by Martin S. Roher to exclusively manage equity-oriented securities investments for a limited number of individuals.

B. Types of Investment and Advisory Services Offered

We offer two programs through which we manage client assets:

- Individual Accounts: We manage portfolios for a small number of individual clients.
- MSR Capital Partners, LP. MSR Capital Partners, LP (the “Fund”) is a private investment company designed for growth-oriented taxable investors principally seeking long-term capital gains.

Each of the foregoing programs is described below.

| |
|----------------------------|
| Individual Accounts |
|----------------------------|

This is our most personalized service. It is designed to assist clients in meeting their unique financial goals through the use of financial investments. Our minimum individual account size is \$1,000,000 (although we may waive the account minimum in some instances).

| |
|---------------------------------|
| MSR Capital Partners, LP |
|---------------------------------|

MSR Capital Management is the general partner of the Fund. The Fund is a value-oriented private investment fund that seeks to achieve long-term capital appreciation by investing the bulk of its assets in what Mr. Roher terms “dollar bills trading at fifty to sixty cents.” Over time, the value of that “dollar” is expected to grow.

Frequently, as that growth occurs, we have found the discount from underlying asset value either narrows or often goes to a premium as other investors or investment companies discover the situation. The single most important factor influencing our investment decisions is our belief that we are purchasing a lot more for our money than we are paying for—and not “Wall Street’s” future outlook for the economy, stock market, or even necessarily the near-term earnings for that particular company.

The Fund primarily utilizes U.S. and foreign equity securities.

Interests in the Fund are only suitable for “qualified clients” – generally, investors with a net worth of at least \$2,000,000.

An investment in the Fund is speculative and involves substantial risks. Prospective investors should satisfy themselves that an investment in the Fund is suitable for them before making an investment decision.

We manage the assets of the Fund in accordance with investment guidelines set forth in the Fund’s partnership agreement under the powers conferred upon us by a subscription agreement. Each prospective subscriber in a partnership receives a complete copy of the partnership agreement prior to investing.

C. Assets Under Management

As of December 31, 2011, we had approximately \$77,000,000 in assets under management, substantially all of which are discretionary assets.

Item 5 – Fees and Compensation

A. Types of Compensation

Individual Accounts

Clients pay a management fee calculated as a percentage of their invested assets in the account. The management fee is calculated based on a percentage of assets as determined from the following schedule:

| <u>Account Size</u> | <u>Annual Fee (%)</u> |
|---------------------|-----------------------|
| Up to \$1,000,000 | 1.50% |
| Over \$1,000,000 | 1.00% |

Exceptions may be made to the published fee schedule under certain circumstances pursuant to a negotiated fee agreement with the client.

MSR Capital Partners, LP

In contrast to most private investment funds, the Fund's partners pay no management fee to MSR Capital Management (the "General Partner"). Rather, our compensation is entirely based on performance. Specifically, we receive a performance fee equal to twenty percent (20%) of the net "new" profits allocated to the limited partners quarterly ("new" profits are those net profits exceed net losses previously allocated to the limited partner that have not been recovered). In periods when there is no increase in the Fund's net worth, we receive no compensation.

B. Method of billing

Individual Accounts

Fees are calculated quarterly based on the market value of the account. If a client withdraws funds or terminates the account, any fees, commissions or other expenses associated with rebalancing or liquidating the account's holdings may be assessed to the account.

Fees are automatically deducted from the account. We follow the following process for our clients' protection:

- The custodian sends statements no less frequently than quarterly showing all disbursements from the account, including the amount of the advisory fee; and
- Each client provides written authorization for us to be directly paid on these terms.

Either the client or MSR Capital Management may terminate the investment advisory agreement at any time by providing written notice to the other party.

The Fund

The general partner's performance fee, if any, is allocated to the general partner quarterly (or upon the date of a permitted or required withdrawal) in accordance with the terms of the partnership agreement.

C. Other Fees and Costs

In addition to the fee set forth above, clients may pay some or all of the following costs and expenses:

Account Costs: All fees charged by MSR Capital Management are separate and distinct from any fees and expenses charged by any mutual funds or exchange-traded funds to their shareholders. These fees and expenses are described in each such fund's prospectus.

Custodial Fees: Clients pay all custody costs and expenses.

Trading Costs: Clients pay transaction fees (ticket charges) which are generally charged by the custodian on a transaction-by-transaction basis.

Transaction costs: Clients pay all commissions, bid-ask spreads, mark-up's and similar transaction costs which may be incurred in connection with the purchase and sale of individual securities.

E. Compensation From the Sale of Investment Products

We do not accept compensation or commissions for the sale of securities or other investment products.

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

Our Individual Account clients do not incur performance-based fees. As set forth above however, clients who invest in the Fund may pay a performance fee of twenty (20) percent of the Fund's net "new" profits.

Item 5A discusses our performance-based fee in detail. Performance-based fees will only be charged in accordance with CCR Section 260.234. Generally speaking, under CCR Section 260.234, each person who is charged a performance fee must meet the definition of a "qualified client." To be a "qualified client" you must meet one of the following criteria:

- You have a net worth (or together with your spouse have a net worth) of at least \$2.0 million (excluding the equity in your principal residence).

- You have at least \$750,000 invested with us.

Performance based fee arrangements may create an incentive for us to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement.

Item 7 – Types of Clients

We provide investment services primarily to high net worth individuals and certain of their related trust accounts.

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

We primarily use fundamental analysis when choosing individual securities for investment in client accounts. However, we also may consider other factors and employ other methods of analysis—for example, fundamental analysis of stocks with cyclical characteristics.

Our approach to developing and managing investment portfolios is predicated on certain fundamental assumptions with regard to the factors that most influence investment success—chief among them being valuation. By applying this strategy on a consistent, disciplined basis, we have found that you can successfully produce superior investment results while at the same time reduce risks of meaningful declines in the value of the investor’s capital.

It is important to note that the short-term performance of any investment is subject to numerous factors which are not within our control. These factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or within specific industries or companies.

Item 9 – Disciplinary Information

In this Item, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of MSR Capital Management or the integrity of our management. We have no legal or disciplinary events to report involving MSR or Mr. Roher.

Item 10 – Other Financial Industry Activities and Affiliations

Investment management is our only business. Mr. Roher has no other financial industry affiliations.

Item 11 – Code of Ethics

We have adopted a code of ethics (“Code of Ethics”) describing our high standard of business conduct and fiduciary duties to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information and a prohibition on insider trading and personal securities trading procedures, among other things.

Summarized, the Code prohibits us from

- placing our interests ahead of yours;
- using non-public information gathered when providing services to you for our gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation or a government agency.

We are permitted to trade in the same securities with the Partnership’s account on an aggregated basis when consistent with our duty of best execution. In such circumstances, the affiliated and Partnership accounts will share commission costs on a pro rata basis and receive securities at a total average price.

Subject to satisfying this policy and applicable laws, Mr. Roher may trade for his own account in securities which are also recommended to and/or purchased for our clients. Among other things, our Code of Ethics is designed to assure that such personal securities transactions will not interfere with (i) making decisions in the best interest of an advisory client and (ii) implementing such decisions while, at the same time, allowing Mr. Roher to invest for his own accounts.

It is our policy that we will not enter into any principal or agency cross transactions for client accounts.

You may request a copy of the firm's Code of Ethics by contacting us at the telephone number on the cover page.

Item 12 – Brokerage Practices

Directed Brokerage Arrangements

We may recommend certain broker-dealers to individual account clients. However, individual account clients may select the particular broker-dealer to which all of that client's brokerage business will be directed. If you choose to direct your brokerage to a particular broker, you should understand that generally we will not negotiate commission rates with the broker executing transactions on your behalf unless you direct us to do so and therefore you may not obtain the lowest commission rates or best net price as it might otherwise obtain if we had discretion to select the broker.

"Best Execution" and "Soft Dollars"

Federal law requires us to deal fairly and honestly with clients. This means that, among many other things, we have a fiduciary obligation to seek "best execution" for transactions executed on behalf of our client accounts. When determining whether we have obtained best execution, we are guided by Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Safe Harbor"). Under certain circumstances, the Safe Harbor presumptively reduces or eliminates our liability to clients when we use client brokerage to pay for research and other services that we might otherwise have to pay for ourselves.

Investment advisers who use soft dollars are said to be "paying up." In effect, they are agreeing to pay a broker or dealer more than the lowest available commission rate to compensate the broker for the broker's research products and services. The difference between the "unbundled" commission rate (i.e., the lowest available commission that would be paid solely for basic execution services) and the "bundled" commission rate (i.e., the slightly higher commission rate paid by advisers that are also receiving research services) is referred to as a "soft dollar" credit. To rely on the Safe Harbor provision, the adviser must determine in good faith that the extent to which it is "paying up" for securities trades is reasonable in relation to the value of the research services it is receiving from the executing broker. When making this evaluation, the adviser must take into account not only the costs for a specific transaction but also its overall responsibility to its clients.

The practice of using soft dollars to pay for research presents an apparent conflict of interest. Investment advisers generally have a duty to act only in the interests of clients and not to derive economic benefits at client expense. Under a typical soft dollar

arrangement, a money manager avoids having to pay hard dollars (i.e., its own money) to obtain brokerage research. All of the broker's compensation—i.e., both execution and research, is paid by the adviser's clients from its client accounts. This saves the investment adviser money for research expenses that it would otherwise be forced to bear.

The availability and use of soft dollars also could have some or all of the following consequences: (1) clients might pay higher transaction costs (including mark-ups and mark-downs on principle transactions with market makers) than the transaction costs charged by other brokers or dealers who do not provide additional services or products, (2) we may have an incentive to direct the investment partnership's brokerage to brokers or dealers that do not provide the best possible price, and (3) we may have an incentive to effect more transactions in our client accounts than might otherwise be optimal. The extent of any of the foregoing conflicts of interest between Belden and Associates and our clients depends in large part on the nature and uses of the services and products acquired with soft dollars. These conflicts of interest are particularly influential to the extent that we use soft dollars to pay expenses that we consider essential to our investment advisory activities and that we would otherwise be required to pay ourselves.

Item 13– Review of Accounts

Individual Accounts - Portfolio Reviews

Portfolio Reviews and Rebalancing of the client's portfolio are undertaken: (1) periodically, (2) upon request, and (3) upon a substantial change in assets.

Additional Portfolio Reviews are undertaken upon request by the client, such as when additional cash or securities are added to the investment portfolio.

MSR Capital Partners, LP

Mr. Roher reviews the Fund's securities positions continuously.

Portfolio Reports Provided to Clients

We provide quarterly reports to each client which include a performance report and a consolidated inventory of the investments upon which we exercise investment discretion. Monthly or quarterly statements from the account custodian(s) are sent to each client directly from the corresponding brokers, banks, mutual funds, partnership

sponsors etc., which hold the client's investments. These statements disclose the assets in the custodian's custody.

We strongly encourage you to review the monthly or quarterly account statements you receive from custodians.

Item 14 – Client Referrals and Other Compensation

We do not use independent solicitors to provide client referrals.

Item 15 – Custody

Custody means holding, directly or indirectly, client funds or securities or having any authority to obtain possession of them. The State of California has rules and regulations which are designed to safeguard client assets. They require us to follow the following procedures:

Custody: Individual Accounts

Maintain Accounts with Qualified Custodians: We have all client funds and securities, except shares of mutual funds, maintained by a “qualified custodian” (i.e., a bank, registered broker-dealer) in separate accounts for each client. Although we may recommend a custodian, and generally do, the client may choose its own. Shares of mutual funds and exchange traded funds are held by the fund's transfer agent.

Periodic Account Statements: We require each custodian to furnish account statements to our clients no less frequently than quarterly. We also require that this statement, at a minimum, identifies the amount of funds and of each security in the account at the end of the quarter and all transactions in the account during the quarter.

Custody: MSR Capital Partners, LP

As the General Partner of the Fund, we are deemed to have custody of its assets. The State of California has rules and regulations which are designed to safeguard investor assets. These rules require us to follow the following procedures:

The Fund must enter into a custody disbursements agreement with one or more qualified independent banks or brokerage firms.

We cannot handle money or other client assets. Funds received from subscribers for investment must be sent *by you* directly to the custodian.

We must engage an independent representative to review all fees, expenses and distributions before they are withdrawn from the Fund.

Each time we make a payment or withdrawal request, we must simultaneously send to the independent representative and the custodian a statement showing how the fee or withdrawal was calculated, and certain other specific information. This information will be sufficient to permit the independent representative to determine that the payments comply with the Fund's constitutional documents.

The custodian can only transfer funds from the Fund's account to our account with the written authorization of the independent party, and only if the custodian receives a written request from us.

Item 16 – Investment Discretion

We manage individual account assets on a discretionary basis and generally allow for reasonable limitations to be placed on our investment authority provided they are contained in the signed investment advisory agreement.

As the Fund's sole general partner, MSR Capital Management manages the Fund's portfolio on an exclusive basis. We do not allow for any limitations to be placed on our investment authority except as contained in the Fund's constitutional documents (generally, the Partnership Agreement). Our investment strategies are summarized in Item 8 above, and more completely described in the Fund's offering materials. In order to invest in the Fund, you must sign a copy of its Partnership Agreement.

Item 17 – Voting Client Securities

We vote proxies related to securities held by any client in a manner solely in the interest of the client. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders; proxy votes generally will be cast against proposals having the opposite effect. You may

request a copy of our Proxy Policies and Procedures and/or information about how a proxy was voted at any time by contacting us at the telephone number on the cover page.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about its financial condition, including statements as to whether we take custody of our clients' assets (funds and securities) and/or require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. We do not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. However, as more fully described in Item 15 above, as the Partnership's general partner we are deemed to have custody of the Partnership's assets (funds and securities). We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients, and we have not been the subject of a bankruptcy proceeding.

Form ADV – Part 2B

Item 1 – Cover Page

Martin S. Roher
General Partner

MSR CAPITAL MANAGEMENT

555 Montgomery Street, Suite 603
San Francisco, CA 94111

January 2012

This Brochure Supplement provides information about Martin S. Roher that supplements the MSR Capital Management Brochure. You should have received a copy of that Brochure. Please contact us at the above telephone number or msrcap@hotmail.com if you did not receive our Disclosure Brochure or if you have any questions about the content of this supplement.

Additional information about Mr. Roher is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Educational Background and Business Experience

Mr. Roher was born in 1950.

Educational Background

| <u>School Name</u> | <u>Degree</u> | <u>Year</u> | <u>Major(s)</u> |
|---|---------------|-------------|-------------------------|
| New York University, School of Commerce | B.A. | 1972 | Economics |
| CUNY, Bernard Baruch College | MBA | 1974 | Investments and Finance |

Business Experience

Employment Dates: 1986 to *present*
Employer Name: MSR Capital Management, LLC
Type of Business: Investment advisory firm
Job Title and Duties: Founder and General Partner – Portfolio management, client service, day to day management and supervision

Employment Dates: 1982-1986
Employer Name: Montgomery Securities
Type of Business: Securities broker-dealer
Job Title and Duties: Special Limited Partner, Research Analyst – Portfolio management, client service and development

Employment Dates: 1979-1982
Employer Name: Neuberger, Berman and Company
Type of Business: Investment advisory firm
Job Title and Duties: Senior Securities Analyst – Portfolio management, client service and development

Employment Dates: 1974-1978
Employer Name: Goldman, Sachs and Company
Type of Business: Securities broker-dealer
Job Title and Duties: Vice President – Investment research

Item 3 – Disciplinary Information

Registered investment advisers are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. Mr. Roher has no information of this type to report.

Item 4 – Other Business Activities

Mr. Roher serves on the Board of Directors of Mission West Properties (NYSE—MSW), an office REIT based in Cupertino, California.

Item 5 – Additional Compensation

Mr. Roher does not receive any economic benefit from any non-client for providing advisory services.

Item 6 – Supervision

Mr. Roher is the sole officer of MSR Capital Management and is self-supervised.

Item 7 – Requirements for State-Registered Advisers

Mr. Roher has never been found liable in arbitration an arbitration claim alleging damages in excess of \$2,500 involving any of the following:

- (a) an investment or investment-related business or business activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Mr. Roher has never been found liable in a civil, self-regulatory organization or administrative proceeding involving any of the following:

- (a) an investment or investment-related business or business activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Mr. Roher has never made a bankruptcy filing.