

# JHS Capital Advisors, LLC

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## **Form ADV Part 2A Brochure**

[www.jhscapital.com](http://www.jhscapital.com)

March 2, 2015

This Brochure provides information about the qualifications and business practices of JHS Capital Advisors, LLC. (JHS) If you have any questions about the contents of this Brochure, please contact us at 813-202-7960 and/or [info@jhscapital.com](mailto:info@jhscapital.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.

JHS Capital Advisors, LLC is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities & Exchange Commission – and with such other regulatory agencies that may have regulatory jurisdiction over our business practices. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about JHS Capital Advisors, LLC is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 – Material Changes**

Since the publication of the previous Brochure, dated January 15, 2014, there have been the following material changes:

Item 4 “Program Descriptions” has been updated to include a new sub-section describing our newest Program, Envestnet Programs.

Item 5 “Fees and Compensation” has been updated to include fee information for our newest Program, Envestnet Programs.

Item 7 “Types of Clients” has been updated to provide information regarding minimum initial account balance requirements for our newest program, Envestnet Programs.

JHS will provide you with a new Brochure free of charge, upon request by contacting your financial advisor or JHS Compliance at 813-202-7960. Additionally, our brochure is available on the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about persons affiliated with JHS who are registered, or are required to be registered, as investment advisor representatives of JHS.

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## **Item 4 – Advisory Business**

JHS has been an SEC-registered investment advisor since March 2010 and is owned by JHS Capital Holdings, Inc. JHS Capital Holdings, Inc. is owned by Hyde Park Equity Investments, which in turn is owned by Hyde Park Equity Holdings. Hyde Park Equity Holdings is owned by 1997 Revocable Trust of John H Sykes.

JHS offers non-discretionary investment advisory services through RBC sponsored wrap fee Programs (“RBC Programs”), Envestnet sponsored wrap fee programs (“Envestnet Programs”) and the Managed Account Program (“Managed Account”). A managed account may be managed directly by JHS or a qualified third party money manager. JHS offers discretionary advisory services for Managed Accounts. JHS obtains data from potential clients addressing financial objectives, needs, risk tolerance, investment horizon and other pertinent information. This information is gathered and reported on standard documents and is analyzed by JHS Investment Advisory Representatives (“IARs”). Once the analysis is completed, the IAR develops an investment strategy with the potential client that addresses specific investment styles and allocation of the client's assets. The IAR then recommends either an RBC Program, Envestnet Program or a Managed Account.

Clients’ assets in the RBC Program Accounts, Envestnet Program Accounts and Managed Accounts may be invested in various securities, including, equity securities, warrants, mutual funds, ETFs, closed-end funds, unit investment trusts, real estate investment trusts, common and preferred stock, American Depositary Receipts, corporate bonds, US Government and government agency bonds, variable life insurance products, variable annuities and options. Clients’ assets are invested in securities that are deemed to be consistent with the client’s stated investment objectives. JHS receives a portion of the RBC or Envestnet Program Account fees for its services.

JHS also offers financial planning and financial consulting services. Please refer to Fees and Compensation Section for costs associated with each advisory service.

### **RBC Programs**

JHS offers four RBC Programs: Advisor, Resource II, Resource II Specialty Portfolios, and Total Strategy Account (“TSA”). RBC conducts due diligence on the independent money managers (“RBC Program Managers”) that are included in the RBC Programs.

In the Advisor program the client appoints the IAR to provide advice with regards to stocks, fixed income, mutual funds, ETFs & eligible UITs on a non-discretionary basis. The client must authorize each transaction in advance.

Resource II uses equity and fixed income money managers to manage accounts on a discretionary basis. The JHS IAR makes recommendations to the client regarding which RBC Program Manager to select. The client retains the authority to hire and fire any of the participating RBC Program Managers.

Resource II Special Portfolios uses mutual funds, exchange-traded funds (“ETFs”), and alternative investment funds to seek to achieve client objectives. The accounts are managed on a discretionary basis by RBC Wealth Management.

TSA uses equity money managers, mutual funds and ETFs. This account is managed by Placemark Investments, on a discretionary basis, and Placemark Investments is responsible for rebalancing mutual funds, ETFs and RBC Program Managers.

### **Investnet Programs**

JHS offers two Investnet Programs: Separately Managed Account and Unified Managed Account. As your investment advisor, JHS assumes a “fiduciary” role and obligation to act in the client’s best interest when providing investment advice regarding management of their investments. In so doing, JHS Representatives provide personalized investment advice and recommends or selects investments based on the clients overall investment profile. Investnet conducts due diligence on the investment models, funds and sub-managers that are included in the Investnet Programs.

- a. Separately Managed Account (“SMA”). In the SMA Program the client is offered access to an actively managed investment portfolio chosen from a roster of independent asset managers (“sub-managers”) from a variety of disciplines. Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually owned securities. Clients may also select individual funds available through the SMA program. The JHS Representative identifies and recommends individual asset managers and funds to meet the client’s objectives on a non-discretionary basis. The sub-managers provide discretionary portfolio management services.
- b. Unified Managed Account (“UMA”). In the UMA Program client assets are invested in a single portfolio with access to multiple asset managers and funds. The JHS Representative makes recommendations regarding the appropriate asset allocation and the underlying investment vehicles or investment strategies to meet the client’s objectives on a non-discretionary basis. Investnet provides overlay management and implements trade orders on a discretionary basis based on the directions of the investment strategies contained in the UMA portfolio.

## **Managed Accounts**

JHS offers asset management services directly to clients through customized programs. In such customized programs, clients may authorize JHS IARs to purchase and sell mutual funds, exchange traded funds, equities, fixed income securities and other securities authorized by JHS on a discretionary or non-discretionary basis pursuant to investment objectives chosen by the client.

In opening a customized program account, the IAR obtains the necessary financial data from the client, assists the client in determining the suitability of asset management and assists the client in setting the appropriate investment objective.

The details of the account relationship will be stated in the client agreement for any customized program account, which may include the use of an investment policy statement or investment guidelines.

A customized program account may result in higher cost to the client than purchasing program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include: the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client related services provided.

## **Financial Planning and Consulting Services**

JHS Capital Advisors offers comprehensive financial planning and consulting services, including analysis and recommendations regarding investments, retirement planning, estate planning, college planning and business planning for appropriate clients. Implementation of plan recommendations is entirely at the client's discretion. Plan recommendations are developed using data collected from the client.

## **Services for Qualified Retirement Plans (QRP)**

Under the QRP program, the advisor may construct a model portfolio or customize a portfolio for each 401(k) plan account. The 401(k) plan is held at the custodian chosen by the 401(k) plan administrator. The portfolio will be constructed based on the investments or funds available within each individual client's 401(k) plan. The IAR shall provide investment management services by allocating and reallocating assets within the plan consistent with the model or portfolio allocation chosen by the client.

Additional 401(k), 403(b), and other retirement plan advisory services are offered. These plans will vary based upon the TPA, plan custodian, and investment selections available under each plan.

### Third Party Management Programs

In addition to the programs managed through JHS, other programs offered by JHS are sponsored and managed by various outside, unaffiliated Registered Investment Advisors. **Each of these programs will provide a copy of their disclosure documents (ADV Part 2A) which will further describe the program, account minimums, fees and risks.** These additional disclosure documents are available from your investment advisor representative.

Clients should be aware that by engaging in these services, they will pay a direct management fee to these program managers in addition to an indirect management fee to JHS.

### Client Imposed Restrictions

Advisory service programs can be tailored to the needs of individual clients. A risk tolerance profile is completed that includes the client's investment objectives, risk tolerance, time horizon, financial situation and other factors that is then used to construct a managed portfolio appropriate for that specific client.

Each client has the ability to impose reasonable restrictions on the management of the client's account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If the client's instructions are unreasonable or JHS believes the instructions are inappropriate for the client, JHS will notify the client that, unless the instructions are modified, it will not accept the client's account or may cancel a client's existing account. A client will not be able to provide instructions that prohibit or restrict the investment advisor of an open-end or closed-end mutual fund or exchange-traded funds, with respect to the purchase or sale of specific securities or types of securities within the mutual fund. Account restrictions must be made in writing by the client and provided to the investment advisor representative.

### Regulatory Assets Under Management

JHS, as of December 9, 2013, has \$316,619,788 in regulatory assets under management. Of this amount, \$88,959,385 represents assets managed on a discretionary basis and \$227,660,403 is managed on a non-discretionary basis.

### Item 5 – Fees and Compensation

All fees are charged on a quarterly basis in advance and are based upon an accounts opening value at inception and then on the last day of the preceding each subsequent calendar quarter. The account value used for the calculation of fees is the net equity value. This means the actual value of the account and does not include any equity value that may be enhanced by the usage of margin. Client may purchase securities that are deemed "ineligible" for billing purposes due to the nature of their inherent fee structure or per investment advisory agreement. The value



of any ineligible securities is not included in the value used for the calculation of investment advisory fees.

All fees are negotiable. As a result, some clients may pay higher or lower fees than the other clients or the schedules shown below. To the extent that JHS utilizes a higher fee schedule, such fees are fully disclosed to the client in their investment advisory agreement.

Generally, clients authorize JHS to deduct fees automatically from their brokerage accounts, but clients may request that JHS send quarterly invoices to be paid by check within 30 days. Invoices unpaid beyond thirty days shall have those amounts debited from the client account.

Accounts opened mid-calendar quarter will be billed based on the average daily fair market value of assets in the account during the first month, prorated for the days the account is open during the first calendar quarter.

If a client deposits assets (cash and/or securities) with a market value of ten-thousand dollars (\$10,000) or more in an account on any given day after the inception of a calendar quarter, the amount of such deposit shall immediately become subject to a pro-rated fee. Clients shall be entitled to a fee rebate calculated in the same manner if account assets are withdrawn in excess of this amount on any given day.

JHS is also registered as a broker/dealer registered with FINRA, the MSRB and the SEC. The broker/dealer business is JHS's principal business and JHS may receive commissions and fees from securities transactions that JHS recommends to advisory clients. Receipt of commissions provides JHS's primary compensation.

As part of its broker/dealer services, JHS provides advice on a commission basis as well as facilitates customer securities orders on a solicited and unsolicited basis. Any investment advice provided to customers not participating in an investment advisory service program is incidental to JHS's and its Registered Representative's activities as contemplated under specific regulatory license and approvals.

JHS IARs may also be broker/dealer Registered Representatives of JHS and may receive commission on securities transactions associated with advisory accounts. In addition, JHS and its IARs, in their separate capacities as Registered Representatives, may receive commission on the recommendation and sale of other financial products, such as insurance and variable insurance products, to investment advisory clients. Financial products such as securities, insurance and variable insurance products may be offered through a JHS IAR in their separate capacity as a Registered Representative. As a result, the IAR, JHS, or JHS's affiliate, JHS Insurance Group, will earn the usual and normal insurance commissions or referral fees. The receipt of commissions on the sale of securities and other financial products potentially could

represent a conflict of interest and give the IAR an incentive to recommend purchases of such products. However, the client has the option not to purchase the recommended products and can purchase products through other unaffiliated brokers or agents.

### **RBC Programs**

Fee charged for RBC programs may range from  $\frac{1}{2}$  (.50) of 1% up to 3% per year, based on a percentage of assets and paid quarterly in advance. The maximum annual fee for all RBC Programs (Advisor, Resource II, Resource II Specialty Portfolios, and TSA) accounts is 3.00% and may be discounted. The fee schedule is negotiable and is inclusive of all transaction fees. There is a minimum fee per account of \$125 annually. Fees are prorated for partial years.

Generally, any third party managers utilized by JHS accept customer accounts on a direct basis from customers. A third party manager's minimum account size may be the same, higher, or lower than JHS or another third party manager.

### **Investnet Programs**

The fee charged for Investnet programs may range from  $\frac{1}{2}$  (.50) of 1% up to 3% per year, based on a percentage of assets and paid quarterly in advance. The maximum annual fee for the Investnet Programs (SMA and UMA) accounts is 3.00% and may be discounted. The fee schedule is negotiable and is inclusive of all transaction fees. There is a minimum fee per SMA account of \$150 - \$250 annually depending on the portfolio. There is no minimum fee for UMA accounts. Fees are prorated for partial years.

The fee does not cover certain custodial fees including, but not limited to, IRA fees, early redemption fees, check writing, exchange fees or similar fees imposed in connection with mutual fund transactions and other related fees.

### **Managed Account**

Fees charged for a managed account program may range from  $\frac{1}{2}$  (.50) of 1% up to 3% per year, based on a percentage of assets and paid quarterly in advance. The maximum annual fee for a Managed Account program is 3.00% and is not inclusive of any management fees charged by non-affiliated third parties. The fee schedule is negotiable and may not be inclusive of all transaction costs. The final fee schedule will be attached to the client's investment advisory agreement. There is a minimum fee per account of \$300 annually. Fees are prorated for partial years. An IAR is compensated from the receipt of a portion of the program fee.

The fees described in the "Fee Schedule" do not include other fees related to maintaining an account including, but not limited to, IRA fees, early redemption fees, check writing, exchange fees or similar fees imposed in connection with mutual fund transactions and other related

fees. Managed Account clients may also incur trading ticket costs of up to \$15 a transaction and custodial fees as described in the customer fee schedule.

### **Fees for Qualified Retirement Plans**

Fees charged for the managed account program may range from ½ (.50) of 1% up to 3% per year, based on a percentage of assets and paid quarterly in advance. The maximum annual fee for the Managed Account program is 3.00% and is not inclusive of any management fees charged by non-affiliated third parties, if any. The fee schedule is negotiable and may not be inclusive of all transaction costs. The final fee schedule will be included with the investment advisory agreement. For accounts held as part of a 401(k), 403(b) or other employer sponsored plans, additional fees may be paid by the plan trustee, administrator or plan sponsor. For these types of accounts, the plan fees and expenses are described in the plan documents. Please refer to your plan administrator for information specific to these fees.

### **Third Party Programs**

Each of these programs will provide a copy of their disclosure documents (ADV Part 2A) which will further describe the program, account minimums, fees and risks. The fee will also be disclosed in the advisory agreement specific to the third party program. Clients should be aware that by engaging in these services, they will pay a direct management fee to these program managers in addition to an indirect management fee to JHS.

### **Financial Planning and Consulting Services**

Fees to be charged for financial planning or consulting services will be agreed upon by the client and documented in a financial planning or consulting agreement contract, and are based on the following:

- a negotiated hourly rate of up to \$200, depending on the services offered
- a negotiated flat fee depending on the complexity of the plan
- a percentage of the client's investable assets
- a combination of the above

The flat fee may be higher depending upon the complexity of the services. Specialized services may also be offered using similarly negotiated rates. Travel and other miscellaneous expenses may also be charged. All fees are negotiable, and may be paid prior to or upon completion of the plan as agreed. Plan reviews may be provided, normally on an annual basis, for similar, negotiated fees.

### **Other Fees and Expenses**

All fees paid to JHS for investment advisory services are separate and distinct from the fees and expenses charged by Mutual Funds, Exchange Traded Funds (ETFs), Variable Annuities, and

other Investment Managers, broker/dealers and custodians retained by clients, if any. Such fees and expenses are described in each Mutual Fund's and Variable Annuity's prospectus, each Manager's Form ADV Part 2A or Schedule H for Wrap accounts, or similar disclosure statement, and by any broker/dealer or custodian retained by a client. Mutual Fund, Variable Annuities, and manager fees generally will include a management fee, fund expenses, and related fees. If a Mutual Fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the Fund's prospectus. Refer to the Mutual Fund or Variable Annuity prospectus for a complete description of fees and services.

Certain ETF's pay advisory fees to their investment advisors, which reduces the net asset value of the fund. Some ETF's are organized as unit investment trusts and do not have an investment advisor. However, all ETF's do incur expenses related to their management and administration that are analogous to an investment advisor's management fee. These expenses affect the value of the investment.

### **Termination of Services**

A client may terminate their account at any point in time without prior notice. Such notification must be in writing and provided to the IAR or sent to JHS to the attention of the Director of Operations. Once received, the account will immediately cease being an advisory account and any fees paid in advance will be pro-rated and refunded via a credit to the account within 5 days of receipt of such notice. The calculation used to determine the amount of the refund shall be the total amount paid in advance, divided by 90 (representing the number of days in a quarter using the 30/360 method) times the number of days remaining in the quarter not including the date that the notice is received.

### **Item 6 – Performance-Based Fees and Side by Side Management**

JHS Capital Advisors, LLC does not engage in performance-based fee relationships (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

JHS Capital Advisors, LLC provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, and corporations or other business entities.

### **Minimum Conditions**

RBC Program Accounts require the following minimums in initial assets to open the account:

- Advisor - \$25,000

- Resource II - \$100,000 for equity, balance & tax fixed income managers; \$250,000 – tax-exempt fixed income managers;
- Resource II Specialty Portfolios - \$100,000; and
- TSA - \$250,000 if using a money manager, \$25,000 if using only mutual funds and/or ETFs.

In certain instances, the minimum account size may be negotiated.

Managed Accounts generally have an account minimum of \$25,000 in initial assets. However, minimums may be higher with certain third party managers. In certain instances, the minimum account size may be negotiated.

Investnet Program Accounts require the following minimums in initial assets to open an account:

- Separately Managed Account – The SMA Program account minimums vary depending on the requirements of the sub-manager but generally are \$100,000 for equity based strategies and \$250,000 for fixed-income based strategies.
- Unified Managed Account - \$150,000;

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

IARs affiliated with JHS utilize multiple methods of analysis and investment strategies. Methods of analysis and investment strategies include charting, fundamental, tactical, cyclical and technical analysis, independent research, and asset allocation implementation strategies. Quantitative analysis can also be used when analyzing securities. This analysis uses current and historical pricing information to help identify trends in both the domestic and foreign equity and fixed income markets. Technical indicators such as moving averages and trend lines may be further used to identify entry and exit points. Various fundamental data such as overall economic conditions, industry outlook, interest rates and political climate are also considered.

The method and strategy, in general, is determined by the individual IAR. The investment strategy for a specific client is based upon the objectives, income needs, and tax situation stated by the client during consultations. The client may change these objectives at any time. The client's goals and objectives are recorded during meetings and via correspondence with the client. Each client portfolio is constructed based on the information provided by the client.

**Investing in securities is inherently risky.** An investment in individual securities or in a portfolio of securities could lose money. All investment strategies involve risk. There is no assurance that a positive return will be obtained in any managed investment account program. Neither JHS investment advisory representatives nor portfolio managers guarantee the performance of

the account, or promise any specific level of performance, or promise that investment decisions, strategies or overall management of the account will be successful. Any investment decisions are subject to various market, currency, economic, political, interest rate and business risks, will not necessarily be profitable, and are subject to investment risk, including possible loss of principal.

JHS cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment.

## **Item 9 – Disciplinary Information**

The following material events have been disclosed regarding the Firm and/or management.

1. On October 26, 2010, the Connecticut Banking Commissioner entered a consent order (No. Co-10-7780-s) with respect to JHS Capital Advisors, LLC F/k/a Pointe Capital, Inc., a Connecticut-registered broker-dealer. The consent order alleged that from at least January 1, 2008 through March 31, 2010, the Firm charged its Connecticut customers a "postage and handling" fee which it failed to itemize and disclose on trade confirmations supplied to those customers. The consent order also alleged that such conduct would support proceedings under section 36b-15(a)(2)(h) of the Connecticut Uniform Securities Act to suspend or revoke the Firm's Connecticut registration or to restrict the Firm's Connecticut securities activities.

The consent order fined the Firm \$10,000. With respect to transactions effected between January 1, 2008 and March 31, 2010, the consent order also directed JHS to reimburse affected Connecticut customers the difference between the "postage and handling" fee paid for each transaction and the actual amount of the Firm's ticket and clearing charge and the postage fee assessed by the clearing firm. The consent order also required that the Firm cease and desist from regulatory violations.

Without admitting or denying any of the commissioner's allegations or findings, JHS consented to the entry of a consent order finding that, during the review period of January 1, 2008 through March 31, 2010, JHS, by failing to itemize and disclose to its Connecticut clients the fee classified as "postage and handling" on the trade confirmations, which fee ranged from \$7.50 to \$100.00 per transaction, engaged in conduct which would support proceedings under section 36b-15(a)(2)(h) of the Connecticut uniform securities act.

2. On December 19, 2007, JHS, as broker-dealer, was fined \$5,000.00 by FINRA for failure to report debt securities transactions on a timely basis. (NASD rules 2110, 6230(a) - failure to timely report debt securities transactions to the trade reporting and compliance engine (trace) system).

3. On April 28, 2010, the State of Nevada, Office of the Secretary of State Securities Division found that JHS operated a branch office in Nevada without obtaining a license for the branch office from the Division since the end of the year of 2005. Prior to entry of this consent order, JHS closed the branch office. Without admitting or denying the statement of facts and conclusions of law contained in the order, JHS consented to the entry of the order.
4. On September 6, 2011, JHS (f/k/a Pointe Capital, Inc.), as broker/dealer was sanctioned (Securities Exchange Act Rule 10b-10, FINRA Rule 2010, NASD Rules 2110, 2430, 2440, 3010, 3070, Interpretative Material 2440-1) and fined \$300,000 by FINRA for routinely charging its customers a "handling fee," in addition to a commission, on equity security trades; the charge varied from trade to trade, in some cases reaching as high as \$95 per trade. The particular dollar amount charged was not attributable to any specific cost or expense incurred by JHS in executing the trade, or determined by any formula applicable to all customers; it was determined by the individual registered representative executing the order, who had discretion to set the dollar amount of the fee within a particular range set by JHS. The range authorized by JHS varied from branch to branch so that customers of different branches might be assessed substantially different amounts for handling on otherwise identical trades. Although reflected on customer trade confirmations as a charge for "handling," the fee served as a source of additional transaction-based remuneration or revenue to JHS, the same manner as a commission and was not directly related to any handling services or handling-related expenses incurred by JHS. JHS' characterization of the charge as being for "handling" was improper and by designating the charge as a handling fee on customer trade confirmations, JHS understated the amount of the total commissions charged and misstated the purpose of the handling fee. JHS failed to establish, maintain and enforce a supervisory system, including written procedures, reasonably designed to achieve compliance with NASD rules 2440 and interpretative material 2440-1 with respect to the fairness of commission charges.

FINRA also found that JHS failed to file summary and statistical information for customer complaints by the 15th day of the month following the calendar quarter in which the complaints were received by JHS. JHS also inaccurately reported some customer complaints, providing a descriptive problem code for each that was less egregious than the misconduct actually alleged by the customer.

JHS also failed to establish, maintain and enforce an adequate supervisory system, including written procedures, for the conduct of due diligence in connection with private placement offerings.

Without admitting or denying the findings; JHS consented to described sanctions and to the entry of findings; therefore, JHS is censured, fined \$300,000 and required to certify, within 90 days of FINRA's acceptance of this AWC, that it has implemented corrective actions to remedy the handling fee-related violations to include, but not limited to: (1)

identifying as commissions or markups (markdowns), as the case may be, and not as postage, handling or any other miscellaneous fee, all transaction-based remuneration, and any other fees which do not constitute reasonable fees under NASD rule 2430 and do not comply with subsection (2) of this undertaking: (2) for any charges or fees for services (such as postage costs and clearing firm charges), other than commissions or markups (markdowns), fully and accurately disclosing on confirmations, as well as any communication with a customer or the public where fees are discussed (including fee schedules, in any or new account documentation that contains fee information), the specific service performed or to be performed or the specific use, and the amount of the fee paid or to be paid in connection with each service or use, and the amount of the fee paid or to be paid in connection with each service or use, and retaining detailed records to substantiate such services and uses and fee amounts; and (3) revising JHS' written supervisory procedures and providing training to the JHS' registered representatives and associated persons to address this undertaking related to transaction-based remuneration, reasonable fees, their appropriate disclosure to customers, and retention of related records. Without admitting or denying the findings and in the interest of legacy Firm closure, JHS consented to the above noted sanctions.

5. In April 2013 JHS signed a letter of Acceptance, Waiver and Consent (AWC) in regards to equity trades from 2010 being reported in an incorrect capacity. Transactions that occurred between January 2010 and December 2010 were mistakenly reported as agency, rather than principal trades. These trading capacity reports have since been corrected. JHS was fined \$22,500 (\$12,500 for incorrect reporting and \$10,000 for supervision of the trade reporting.)
6. In May 2008, a member of JHS's management, acting on behalf of a previous firm, signed a letter of Acceptance, Waiver and Consent (AWC) in regards to failing to reasonably supervise an individual in connection with a violative trade allocation scheme. A \$25,000 fine was assessed and six month suspension imposed.
7. In May 2013 JHS signed a letter of Acceptance, Waiver and Consent (AWC) in regards to accounts that were liquidated when the Firm changed clearing firms. In 2010, in connection with terminating its relationship with Clearing Firm A, JHS transferred accounts from Clearing Firm A to another clearing firm. Clearing Firm A charged a fee of \$50 to transfer a non-qualified account and \$90 to transfer a qualified account to another clearing firm. Predominantly in connection with this transfer of accounts, JHS sent one, two, or in approximately 25 instances, three letters to customers, wherein the Firm advised them that it would liquidate the securities in their accounts, send the account proceeds to them, and close their accounts, if they did not transfer their accounts to another firm within a certain period of time, typically 30 days. In accounts from which it did not receive a response to the letter(s), JHS liquidated the securities in the accounts, sent the account proceeds to the customers, and closed the accounts, JHS did not have the requisite oral or written authority to execute such sales in non-discretionary accounts. In total, in connection with liquidating accounts as described in



this paragraph, between January 2010 and January 2011, JHS exercised discretion in 882 transactions in 843 non-discretionary accounts, including at least 33 qualified accounts, without written authorization from the customers. The sales total approximately \$1.1 million. As a result of the foregoing, JHS violated NASD Rule 2510(b) and FINRA Rule 2010. JHS was censured and fined \$75,000.

## **Item 10 – Other Financial Industry Activities and Affiliations**

JHS is also registered as a broker-dealer registered with FINRA, the MSRB and the SEC. The broker/dealer business is JHS's principal business and JHS may receive commissions and fees from securities transactions that JHS recommends to clients. Certain officers of the firm may direct their attention during any given business day primarily to broker-dealer activities.

As part of its broker-dealer services, JHS provides advice on a commission basis as well as facilitates customer securities orders on a solicited and unsolicited basis. Any investment advice provided to customers not participating in an investment advisory service program is incidental to the JHS's and its Registered Representative's activities as contemplated under specific regulatory license and approvals.

JHS also sells other financial products such as insurance and variable insurance products, which may be offered through an affiliate company, JHS Capital Insurance Services. Should a client decide to implement a decision through a JHS RR/Agent, the IAR or JHS's affiliate JHS Capital Insurance Services, LLC, the representative/agent and the affiliate will earn the usual and normal insurance commission.

## **Item 11 – Code of Ethics**

JHS, its principals and employees are permitted to trade for their own accounts, and from time to time may buy or sell securities that JHS trades for clients. To avoid any potential conflicts of interest resulting from the personal trading of JHS's principals and employees, and to avoid the misuse of material non-public information, JHS has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest, as required under Rule 204A-1 of the Advisers Act.

JHS's Code of Ethics requires, among other things, that its principals and employees:

- Must comply with the spirit and the letter of the Federal Securities Laws and the rules governing the capital markets;
- Act with competence, dignity, integrity, and in an ethical manner when dealing with clients, the public, prospective clients, third-party service providers, and fellow employees;

- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, trading, promoting JHS's services, and engaging in other professional activities;
- Avoid and/or disclose any actual or potential conflict of interest; and
- Conduct all personal securities transactions in a manner consistent with the policy;

JHS's Code of Ethics also requires principals and employees to: (1) pre-clear personal securities transactions in initial public offerings and limited partnerships; (2) report personal securities transactions on at least a quarterly basis; and (3) provide JHS with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code of Ethics.

A copy of JHS's Code of Ethics will be provided to any client or prospective client upon request. To request a copy of the Code, please contact your IAR directly.

JHS may, as a principal, buy securities from or sell securities to, a client. JHS will only effect transactions on a principal basis after the advisory client has executed a written, revocable consent prospectively authorizing the investment advisor directly or indirectly to act as principal for its own account in selling any security to or purchasing any security from the advisory client, so long as such written consent is obtained after written disclosure to the advisory client explaining: (i) the circumstances under which the investment advisor directly or indirectly may engage in principal transactions; (ii) the nature and significance of conflicts with its client's interests as a result of transactions; and (iii) how the advisor addresses those conflicts. Prior to execution of each principal transaction, the advisor will inform the client, orally or in writing, of the capacity in which the advisor may act with respect to the transaction and the advisor will obtain consent from the advisory client, orally or in writing, to act as principal for its own account with respect to such transaction. JHS will send a written confirmation at or before completion of each such transaction. Principal transactions involving fixed income securities may include a mark-up; therefore, the client will be paying additional fees for the purchase of such securities. JHS does not affect principal transactions in advisory accounts.

IARs may buy or sell for themselves securities they also recommend to clients. These investment products will be bought and sold on the same basis as the clients', according to the clients' stated goals and investment objectives. In all instances, it is presumed that the positions would be so small as to not impact the pricing or performance of the security.

JHS does not affect cross transactions (transactions in which one client's securities are sold to another client).

## **Item 12 – Brokerage Practices**

In making its decisions regarding the allocation of brokerage transactions for clients, JHS seeks to obtain the best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the opportunity for price improvement, speed of execution and speed of order limit display; (iii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iv) the financial strength, integrity and stability of the broker-dealer; (v) the value of brokerage services over and above trade execution provided to JHS and its clients; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying JHS's other selection criteria. On occasion, JHS may place over-the-counter equity transactions on an agency basis. Although JHS generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

While JHS generally executes and clears its transactions through RBC Correspondent Services, it has an agreement with RBC and RBC is under a regulatory requirement to seek best executions for clients.

### **Order Entry**

Security orders will generally be entered for execution on a first-in-first-out basis. In the event trades in the same security will be executed for multiple accounts (due to exercise of discretionary authority or simultaneous orders from customers), the trades may be aggregated and allocated in order to obtain best execution for all similarly situated customers. When trades are aggregated, allocation to each account will be determined and allocated on a pro rata basis. Orders executed at different prices will be price averaged when allocating to accounts.

JHS does not engage in "soft dollar" practices (The term "soft dollars" refers to the receipt by JHS of products and services provided by brokers without any cash payment by JHS, based on the volume of revenues generated from brokerage commissions for transactions executed for clients.)

JHS does not consider referrals from a broker-dealer or third party in selecting its use of broker-dealers.

In the event that trading errors should occur, the errors will be corrected at no cost to the JHS clients. However, JHS may retain any gain resulting from a trading error. JHS will not use "soft dollars" to correct trading errors, nor will JHS use future brokerage to compensate a broker

either directly or indirectly for absorbing the cost of correcting an error in an earlier transaction.

### **Item 13 – Review of Accounts**

Each account under JHS’s management is assigned to an IAR. Clients’ accounts will be continuously reviewed on an ongoing basis, and will be formally reviewed at least annually. In addition, each account shall be reviewed if there are changes in a client’s investment objectives or restrictions. Representatives also may conduct more thorough reviews annually or quarterly, depending on the program. JHS supervisory personnel conduct periodic reviews to evaluate consistency of management compared to the client’s investment objectives. The Compliance Department additionally conducts reviews through an annual internal audit program.

Each client shall receive transaction confirmations and monthly account statements detailing all activity in the client’s account directly from RBC. Upon request, JHS will send clients quarterly performance reports that are generated by RBC. JHS does not generate its own account reports.

### **Item 14 – Client Referrals and Other Compensation**

JHS does not receive an economic benefit from non-clients in connection with the provision of investment advice to clients.

In addition to the above programs and services, JHS may also act as a solicitor for other registered investment advisors when suitable. JHS receives a portion of investment advisory fees paid by a client to those advisors but a client’s fees shall not increase due to such solicitor relationship. Terms of referral fee arrangements are disclosed in a solicitor’s disclosure statement provided to each client in advance.

IARs affiliated with JHS may, from time to time, receive referrals from clients. The Firm is prohibited from and does not pay for such referrals.

### **Item 15 - Custody**

JHS does not custody client assets and uses independent third party custodians to hold all client securities and assets. All assets are held at a qualified custodian, RBC, who provides account statements directly to clients no less often than quarterly. JHS urges you to carefully review custodial statements.

In selecting custodial brokers for execution or recommendation to customers, JHS considers the full range and quality of services, including the value of research provided, execution capability,

commission rate, financial responsibility and responsiveness to JHS in order to obtain the best execution for the client. JHS periodically evaluates the custodial broker/dealers it selects or recommends for clients.

### **Item 16 – Investment Discretion**

JHS accepts discretionary authority to manage securities accounts on behalf of clients. JHS has the authority to determine, without obtaining specific client consent, the executing broker or dealer for any transaction and the commission rates or commission equivalents charged for transactions. In addition, for discretionary Managed Accounts, JHS is also authorized to determine, without obtaining specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, if discretionary authority or a limited power of attorney has not been given, JHS shall consult with the client prior to each trade to obtain concurrence. Discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that we may promptly implement the investment policy that they have approved. In most cases, clients are provided with an opportunity for review and discussion prior to implementation of recommendations.

Third party investment managers may have full discretion over trades and do not consult with JHS, or with clients before placing trades. Please refer to the third party managers ADV Part 2A disclosure document.

Clients must sign JHS's Agreement for Investment Management Services and specify/indicate that they authorize discretion in order to grant the IAR discretionary authority. This authorization is contained in the Firm's Agreement for Investment Management Services.

### **Item 17 – Voting Clients Securities**

JHS does not retain proxy voting authority over client securities. In addition, JHS does not participate in class actions on behalf of clients. All such materials are sent directly to each client by the custodian or by the custodian's third party service provider on behalf of the custodian. Should JHS inadvertently receive any proxy materials or documents regarding class actions relating clients' securities, JHS will promptly forward such materials or documents to the respective client(s). JHS advisors may offer educational guidance on the various issues subject to voting, but will not recommend a certain vote, or offer to vote on behalf of the client.

### **Item 18 – Financial Information**

JHS has not attached a balance sheet for its most recent fiscal year because it does not have custody of client funds or securities, or require prepayment of more than \$1200 per client six or more months in advance. JHS does not have any financial conditions that are likely to impair

our ability to meet our contractual obligations. JHS does employ an independent public accounting firm to annually audit its financial books and records.

## ADV Part 2a & 2b - Acknowledgement of Receipt

Fee-Based Account Number(s)	Advisor Name	Advisor Rep Code	Date
Account Registration			
<b>Client Acknowledgement</b>			
<p>I acknowledge that, prior to or at the time of entering into an investment advisory contract, I have received a copy of JHS Capital Advisors, LLC ("JHS") Form ADV Part2A dated March 2, 2015 and ADV Part 2B dated _____.</p> <p>If the disclosure documents were not delivered to me at least 48 hours prior to entering into an investment advisory contract with JHS, I may terminate the contract without penalty within 5 business days after entering into the contract.</p>			
<b>SIGNATURES</b>			
Client Signature	Client Name	Date	
Client Signature	Client Name	Date	

**END OF DOCUMENT**