

## **MHS Advisory Services, LLC**

11330 86<sup>th</sup> Avenue North  
Maple Grove, MN 55369

Phone: (952) 541-9201  
Fax: (952) 541-3619

**July 10, 2019**

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

MHS Advisory Services, LLC is a registered investment adviser. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of MHS Advisory Services, LLC. If you have any questions about the contents of this brochure, please contact us at (952) 541-9201. 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.

Additional information about MHS Advisory Services, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Material Changes - Item 2

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

On March 12, 2019, we submitted our annual updating amendment filing for fiscal year 2018 and have no material changes to report.

We review and update our brochure at least annually to make sure that it remains current.

**Full Brochure Available**

If you would like to receive a complete copy of our Form ADV Part 2 Brochure, please contact Thomas R. Hokr, CCO, at (952) 541-9201.

**Table of Contents - Item 3**

**Contents**

Advisory Business - Item 4 .....	4
Fees and Compensation - Item 5 .....	7
Performance-Based Fees and Side-By-Side Management - Item 6 .....	10
Types of Clients - Item 7.....	10
Methods of Analysis, Investment Strategies and Risk of Loss - Item 8.....	10
Disciplinary Information - Item 9 .....	12
Other Financial Industry Activities or Affiliations - Item 10.....	12
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Item 11.....	13
Brokerage Practices - Item 12 .....	13
Review of Accounts - Item 13 .....	15
Client Referrals and Other Compensation - Item 14 .....	15
Custody - Item 15 .....	15
Investment Discretion - Item 16 .....	16
Voting Client Securities - Item 17.....	16
Financial Information - Item 18 .....	16
Requirements of State-Registered Advisers - Item 19.....	17
Miscellaneous .....	17

#### Advisory Business - Item 4

MHS Advisory Services, LLC (hereinafter "MHS Advisory") is a registered investment advisor based in Maple Grove, Minnesota. We are a limited liability company under the laws of the State of Minnesota. We have been providing investment advisory services since 2015. MHS Advisory is wholly owned by MHS Advisory Group, LLC, Minnesota based limited liability company. Thomas R. Hokr, ChFC, CLU, MSFS, AIF, and John Christopher "Chris" Sherwin, CFP®, are the owners of MHS Advisory Group, LLC. Thomas R. Hokr is the Chief Compliance Officer.

You may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm. Such persons are properly registered as investment adviser representatives in all required jurisdictions.

Currently, we offer the following investment advisory services, personalized to each individual client:

- **Portfolio Management Services**
- **Financial Planning Services**
- **Selection of Third Party Investment Advisers**
- **Pension Consulting Services**

#### ***Portfolio Management Services***

Our firm offers discretionary and in limited circumstances, non-discretionary portfolio management services to our Clients. Discretionary portfolio management means we will make investment decisions and place buy or sell orders in your account without contacting you. These decisions would be made based upon your stated investment objectives. Non-discretionary portfolio management service means that we must obtain your approval prior to making any transactions in your account.

Our investment advice is tailored to meet our clients' needs and investment objectives. If you decide to hire our firm to manage your portfolio, we will meet with you to gather your financial information, determine your goals, and decide how much risk you should take in your investments. The information we gather will help us implement an asset allocation strategy that will be specific to your goals, whether we are actively investing for you or simply providing you with advice.

MHS Advisory mainly uses equity securities, exchange traded funds and investment company securities in its portfolio management programs. However, we reserve the right to invest in any other type of security including, but not limited to, U.S. government securities, corporate debt securities, commercial paper, municipal securities, certificates of deposit, covered options, and limited partnerships investing in real estate, oil and gas.

However we construct your investment portfolio, we will monitor your portfolio's performance on a continuous basis, and rebalance the portfolio whenever necessary, as changes occur in market conditions, your financial circumstances, or both.

#### ***Financial Planning Services***

We offer broad based financial planning which includes a variety of services, mainly advisory in nature, regarding the management of the client's financial resources. Such services are based upon an analysis of the client's individual needs and begin with an initial consultation, where we collect information and documentation about the client's financial situation. Once we have analyzed this documentation, we provide a written financial plan designed to achieve the client's financial goals and objectives. In this way, MHS Advisory assists the client in developing a strategy for the successful management of income, assets, and liabilities. In general, financial

planning services may include any one or all of the following:

- Cash Flow Analysis – Assessment of a client's present financial situation by collecting information regarding net worth and cash flow statements, tax returns, insurance policies, investment portfolios, pension plans, employee benefit statements etc. The Firm advises on ways to reduce risk, coordinate, and organize records, and estate information.
- Retirement Analysis – Identification of a client's long-term financial and personal goals and objectives includes advice for accumulating wealth for retirement income or appropriate distribution of assets following retirement. Tax consequences and implications are identified and evaluated.
- Insurance Analysis – Includes risk management associated with advisory recommendations based on a combination of insurance types to meet a client's needs, e.g., life, health, disability, and long-term care insurance. This will necessitate an analysis of cash needs of family at death, income needs of surviving dependents, and disability income analysis.
- Portfolio Analysis/Investment Planning – We provide investment alternatives, including asset allocation, and effect on a client's portfolio. We evaluate economic and tax characteristics of existing investments as well as their suitability for a client's objectives. We identify and evaluate tax consequences and their implications.
- Education Savings Analysis – Alternatives and strategies with respect to the complete or partial funding of college or other post-secondary education.
- Estate Analysis – We provide advice with respect to property ownership, distribution strategies, estate tax reduction, and tax payment techniques.

The recommendations and solutions are designed to achieve the client's desired goals, subject to a periodic evaluation of the financial plan which may require revisions to meet changing circumstances. Financial plans are based on a client's financial situation based on the information provided to the firm. We should be notified promptly of any change to a client's financial situation, goals, objectives, or needs.

We also provide financial planning services that cover a specific area, such as retirement or estate planning, asset allocation analysis, manager due diligence and 401(k) platform due diligence. We offer consultative services where we set an appointment to meet with you for financial planning advice for an hourly fee.

You may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may do so either through our investment advisory services or by using the advisory/brokerage firm of your choice.

#### ***Selection of Third Party Investment Advisers***

MHS Advisory has entered into agreements with various third party investment advisers for the provision of certain investment advisory services. Factors considered in the selection of a third party advisor include but may not be limited to: i) MHS Advisory's preference for a particular third party advisor; ii) the client's risk tolerance, goals and objectives, as well as investment experience; and, iii) the amount of client assets available for investment. In order to assist clients in the selection of a third party advisor, an Associated Person of MHS Advisory will typically gather information from the client about the client's financial situation, investment objectives, and reasonable restrictions the client wants imposed on the management of the account.

The third party advisor may customize the client's portfolio by blending traditional investment strategies with an allocation to asset classes. The investment strategy adopted by the third party advisor may embrace value, growth, or contrarian investing styles. Generally, securities transactions will be decided upon and executed by the third party advisor on a discretionary basis. This means that the manager selected will have the ability to buy and sell securities in your account without obtaining your approval. MHS Advisory and its Associated Persons will not manage, or obtain discretionary authority over the assets in accounts participating in these programs; however, clients may grant MHS Advisory the discretionary authority to hire and fire such third party managers. Generally,

clients may not impose restrictions on investing in certain securities or types of securities in accounts managed by a third party advisor.

Associated Persons of MHS Advisory will periodically review reports provided to the client. An Associated Person of MHS Advisory will contact the client at least annually, or more often as agreed upon with each client, to review the client's financial situation and objectives, communicate information to the third party advisor managing the account as necessary, and to assist the client in understanding and evaluating the services provided by the third party advisor. Clients will be expected to notify MHS Advisory of any changes in their financial situation, investment objectives, or account restrictions.

The third party advisor may offer wrapped or non-wrapped pricing options. Wrap pricing structures allow the client to pay an all-inclusive fee for management, brokerage, clearance, custody, and administrative services. In a non-wrap pricing structure, the third party advisor's fee may be separated from the advisory fee charged by MHS Advisory. Transaction costs may also be charged for the execution and clearance of advisory transactions directed by such Third Party Advisory Services. A complete description of the programs and services provided, the amount of total fees, the payment structure, termination provisions and other aspects of each program are detailed and disclosed in: i) the third party advisor's Form ADV Part 2A; ii) the program wrap brochure (if applicable) or other applicable disclosure documents; iii) the disclosure documents of the portfolio manager(s) selected; or, iv) the third party advisor's account opening documents. A copy of all relevant disclosure documents of the third party advisor and of the individual portfolio manager(s) will be provided to anyone interested in these programs/managers.

#### **Pension Consulting Services**

MHS Advisory provides several pension consulting related services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, MHS Advisory will also offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

#### **Investment Policy Statement Preparation**

MHS Advisory will meet with the client (in person or over the telephone) to determine the client's investment needs and goals. MHS Advisory will then prepare a written Investment Policy Statement ("IPS") stating those needs and goals and creating a policy to help achieve these goals. The IPS will also list the criteria for selection of investment vehicles and the procedures and timing interval for monitoring of investment performance.

#### **Selection of Investment Vehicles**

MHS Advisory will review various investments, consisting of one or all of the following: individual equities, bonds, other investment products, and mutual funds (both index and managed) to determine which of these investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the Investment Policy Statement.

#### **Monitoring of Investment Performance**

Client investments will be monitored continuously based on the procedures and timing intervals outlined in the Investment Policy Statement. Although MHS Advisory will not be involved in any way in the purchase or sale of these investments, MHS Advisory will supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

#### **Employee Communications**

For pension, profit sharing and 401(k) plans where the individual account participant exercises control over assets in his/her own account (hereinafter "self-directed plans"), MHS Advisory also provides educational support and investment workshops designed for the Plan participants. The nature of the topics to be covered will be determined by MHS Advisory and the client under the guidelines established in ERISA Section 404(c). The

educational support and investment workshops will NOT provide Plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

Other pension consulting services are available on request. All of our pension consulting services, whether general or customized, will be outlined in an Agreement that shows the services that will be provided and the fees that will be charged for those services.

#### **Assets Under Management**

As of December 31, 2018, we manage discretionary assets under management of approximately \$89,037,633 and non-discretionary assets under management of \$39,579,652.

#### **Fees and Compensation - Item 5**

MHS Advisory charges a percentage of assets under management, hourly charges, and fixed fees (not including subscription fees). We may also receive third party referral fees for our advisory services.

#### **Portfolio Management Services**

For portfolio management services, MHS Advisory charges an annual fee based upon a percentage of the market value of the assets being managed. On an annualized basis, we charge the following asset management fees:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$0	2.00%
\$100,001	1.50%
\$500,001	1.25%
\$1,000,001	1.00%
Over \$5,000,000	0.75%

Portfolio management fees may be negotiable depending on factors such as the amount of assets under management, range of investments, and complexity of the client's financial circumstances, among others. Since this fee is negotiable, the exact fee paid by the client will be clearly stated in the Portfolio Management Agreement signed by the client and the firm.

Portfolio management fees are billed monthly, in arrears and are based on the value of your portfolio at the end of the preceding month. The custodian holding the client's account will deduct the fees directly from the account provided the client has given written authorization. The qualified custodian will send an account statement at least quarterly. This statement will detail all account activity. The custodian will usually deduct from a designated account to facilitate billing. Other payment arrangement may be negotiated on a case by case basis. These arrangements will be clearly set forth in the Portfolio Management Agreement signed by the client and the firm.

Our annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. These additional charges are imposed by the broker dealer/custodian holding the account and are not paid to our firm. Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs.

At the inception of portfolio management services, the first pay period's fees will be calculated on a pro-rata basis. The Portfolio Management Agreement between MHS Advisory and the client will continue in effect until either party terminates it in accordance with the terms of the Agreement. MHS Advisory's annual fee will be pro-rated through the date of termination. Refunds are not applicable since all portfolio management fees are payable in

arrears.

### **Financial Planning Services**

MHS Advisory provides its clients financial planning and consulting services. MHS Advisory will charge a fixed fee and/or hourly fee for these services. We utilize the following financial planning fee schedules:

- *Fixed Fees:* MHS Advisory will charge a fixed fee of up to \$25,000.00, for broad based planning services. *In limited circumstances*, the total cost could potentially exceed \$25,000.00. In these cases, we will notify the client and may request that the client pay an additional fee.
- *Hourly Fees:* MHS Advisory charges an hourly fee of \$350 for clients who request specific services (such as a modular plan or hourly consulting services) and do not desire a broad based written financial plan.

Prior to engaging MHS Advisory to provide consulting services, the client will be required to enter into a written Agreement with our firm. The Agreement will set forth the terms and conditions of the engagement and describe the scope of the services to be provided and the portion of the fee that is due from the client. Generally, MHS Advisory requires a prepayment of 50% of the fee with the remaining balance due upon completion of the agreed upon services. Other fee payment arrangements may be negotiated with the client on a case by case basis. All such arrangements will be clearly set forth in the Financial Planning Agreement signed by the client and the firm.

Either party may terminate the Financial Planning Agreement by written notice to the other. In the event the client terminates MHS Advisory's services, the balance of MHS Advisory's unearned fees (if any) will be refunded to the client.

### **Third Party Adviser (TPAs) Fees**

MHS Advisory will perform management searches of various independent registered investment advisers for referral to MHS Advisory clients. MHS Advisory will share in the fee paid to the TPA. The management fee is disclosed in the TPA's disclosure documents. These fees may or may not be negotiable. MHS Advisory's compensation may differ depending upon the firm's individual agreement with each TPA. MHS Advisory or its Associated Persons may have an incentive to recommend one TPA over another TPA with whom it has less favorable compensation arrangements or other advisory programs offered by TPAs with which it has no compensation arrangements.

### **Pension Consulting Services Fees**

The compensation arrangement for these services will be based on hourly fees, fixed fees and fees based on a percentage of assets under advisement. Pension consulting services will be negotiated on a case by case basis and the exact fee paid by the client will be clearly stated in the Pension Consulting Agreement signed by the client and the firm.

If you choose to have MHS Advisory's fee deducted directly from your account, you must provide authorization. The qualified custodian holding your funds and securities will send you an account statement on at least a quarterly basis. This statement will detail account activity. Please review each statement for accuracy. MHS Advisory will also receive a copy of your account statements from the custodian.

### **Additional Fees and Expenses**

The fees MHS Advisory charges may be negotiable based on the amount of assets under management, complexity of client goals and objectives, and level of services rendered.

All fees paid to MHS Advisory for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a



possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without the services of MHS Advisory. In that case, the client would not receive the services provided by MHS Advisory which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by MHS Advisory to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Compensation for the Sale of Securities or Other Investment Products**

Associated Persons of our firm who provide investment advice on behalf of MHS, including principal owners of MHS, are also registered representatives and/or investment adviser representatives with Royal Alliance Associates, Inc. ("Royal Alliance"), a registered full services general securities broker-dealer and a registered investment adviser with the Securities Exchange Commission, and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Royal Alliance is a diversified financial services company engaged in the sale of specialized investment products. As a registered representative of Royal Alliance, such persons are eligible to receive commission-based compensation for buying and selling securities, including 12b-1 fees (trails) for the sale of mutual funds or annuity products. This commission compensation is separate and distinct to MHS Advisory's advisory fees. As investment adviser representatives of Royal Alliance, such persons are eligible to earn fee-based compensation for investment advisory services provided through Royal Alliance. The advisory fees charged by Royal Alliance are separate and distinct from advisory fees charged by MHS.

MHS Advisory's advisory clients are not obligated to purchase the products or services of Royal Alliance. You may purchase or sell securities apart from your advisory account at the brokerage firm of your choice. The sale of mutual funds, annuity contracts, insurance instruments and other commissionable products offered by Associated Persons of MHS Advisory through Royal Alliance are intended to compliment MHS Advisory's advisory services. However, a conflict of interest exists due to the potential receipt of dual forms of compensation.

Associated Persons of our firm may recommend that you purchase variable annuities for your investment portfolio(s) and may earn commissions on the sale of these products in their capacities as registered representatives of Royal Alliance. Since the receipt of dual compensation creates a conflict of interest, we have adopted a policy of excluding annuity accounts from the account value used for our advisory billing/fee computation. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity. You are under no obligation, contractually or otherwise, to purchase variable annuities through any person affiliated with our firm. This fee waiver will not apply to situations where the client purchases fee based variable annuities that are designated as a registered investment adviser product and are exempt from commissions, trails and surrender charges.

Associated Persons of our firm may also be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because such persons have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

All conflicts of interest between you and our firm, and the Associated Persons of our firm, are outlined in this Disclosure Brochure. If additional conflicts arise in the future, we will notify you in writing or supply you with an updated Disclosure Brochure.

**General Information on Advisory Services and Fees**

We do not represent, warrant, or imply that the services or methods of analysis employed by our firm can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

We shall never have custody of any client funds or securities, as the services of a qualified and independent custodian will be used for these asset management services. We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

The fees charged are calculated as described above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client (15 U.S.C. §80b-5(a)(1)).

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

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

**Types of Clients - Item 7**

We generally offer investment advisory services to individuals, pension and profit sharing plans and participants, trusts, estates, charitable organizations, corporations, and other business entities.

We do not require a minimum investment to open and maintain an advisory account; however, accounts managed by TPAs may be subject to different minimum investment requirements.

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

The following are different methods of analysis that we may use when providing you with investment advice:

- Charting Analysis – this approach involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis – this approach attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.
- Tactical Analysis – this approach aims to take advantage of inefficiencies in asset pricing while avoiding overpriced assets. Tactical Analysts believe that making periodic changes in the amounts invested within

different asset classes can enhance investment returns and reduce risk.

- Cyclical Analysis – this is a type of technical analysis that involves evaluating recurring price patterns and trends.

We may use one or more of the following investment strategies when advising you on investments:

- Long Term Purchases – securities held for over a year.
- Short Term Purchases – securities held for less than a year.
- Trading – securities held for less than 30 days.
- Covered Options – covered option is a strategy in which an investor writes an option contract while at the same time owning an equivalent number of shares of the underlying stock.

The investment advice provided along with the strategies suggested by MHS Advisory will vary depending on each client's specific financial situation and goals. The below section does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**Investing in securities involves risk of loss that you should be prepared to bear.**

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments you intend to invest in.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk:** Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation, and other economic and political conditions. If the currency in which a security is denominated appreciates against the US Dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

**Risks Associated with Investing in Options:** Transactions in options carry a high degree of risk. A relatively small market movement will have a proportionately larger impact, which may work for or against the investor. The placing of certain orders, which are intended to limit losses to certain amounts, may not be effective because market conditions may make it impossible to execute such orders. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

#### Disciplinary Information - Item 9

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of reportable material legal or disciplinary events by our firm or our management persons.

#### Other Financial Industry Activities or Affiliations - Item 10

As disclosed in Item 5 above, certain Associated Persons of MHS Advisory are separately licensed as registered representatives and/or investment adviser representatives with Royal Alliance Associates, Inc. ("Royal Alliance"), a registered full services general securities broker-dealer and a registered investment adviser with the Securities Exchange Commission, and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC")..

As dually licensed representatives, these individuals will receive commissions for the purchase and sale of securities, variable life insurance, and annuity products. This commission revenue is separate and in addition to revenue received from advisory fees. As dually registered investment adviser representatives of Royal Alliance, such persons are eligible to earn fee-based compensation for investment advisory services provided through Royal Alliance. The advisory fees charged by Royal Alliance are separate and distinct from advisory fees charged by MHS. These arrangements represent conflicts of interest due the potential receipt of dual forms of compensation. MHS Advisory has policies and procedures in place to monitor all client transactions and all client transaction costs will be disclosed to the client.

Thomas R. Hokr, CCO, is the President of Thomas R Hokr & Associates, a licensed insurance agency in the State of Minnesota, and sells various insurance products for compensation through this entity. Clients should be aware that a conflict of interest is inherent in such an arrangement. Fees charged for advisory services are separate and distinct from commission earned by Mr. Hokr for insurance sales. Clients of MHS Advisory are not required to purchase insurance products from Mr. Hokr or any other Associated Person of MHS Advisory.

David Michael Hoffmann, CPA, an Associated Person of MHS Advisory, also owns an ownership interest in Hoffmann & Swintek, LLC, an accounting and business valuations firm. Hoffmann & Swintek, LLC offers a wide range of services including accounting, auditing, tax preparation, and business valuations. Associated Persons of MHS Advisory may recommend Hoffmann & Swintek, LLC to their clients. As such, clients should be aware that a conflict of interest is inherent in such an arrangement. Fees charged for advisory services are separate and distinct

from the compensation paid to Hoffmann & Swintek, LLC for its services. Clients of MHS Advisory are not required to use the services of Hoffmann & Swintek, LLC.

#### **Recommendation of Other Advisors**

We may recommend that you use a third party advisor (TPA) as part of our asset allocation and investment strategy. MHS Advisory will share in the compensation received by the TPA for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of the third party advisor. You are not required to use the services of any TPA we recommend.

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

#### **Description of Our Code of Ethics**

MHS Advisory has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes MHS Advisory's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of MHS Advisory's Code of Ethics is available upon request to Thomas R. Hokr, CCO, at (952) 541-9201.

#### **Personal Trading Practices**

At times MHS Advisory and/or its Advisory Representatives may take positions in the same securities as clients, which may pose a conflict of interest with clients. MHS Advisory and its Advisory Representatives will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### **Brokerage Practices - Item 12**

MHS Advisory also has an institutional custodial relationship with Pershing Advisor Solutions LLC ("PAS"), member FINRA and SIPC. PAS is a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon). PAS offers independent investment advisers services, which include custody of client securities, trade execution, clearance and settlement of transactions, and daily research and investment information. PAS' clearing, custody, execution or other brokerage services may be provided by Pershing LLC, member FINRA, NYSE, and SIPC.

As described in Item 10, certain Advisory Representatives are also Registered Representatives of Royal Alliance, a FINRA registered broker-dealer. In order to meet its FINRA supervisory obligations, Royal Alliance requires that all investment advisory activities that we conduct are processed through approved clearing relationships, such as those through PAS. As a result, we do not have the discretion to choose the broker-dealer or commission rates to be paid. However, we do believe that PAS's blend of execution services, commission and transaction costs, as well as professionalism will allow us to seek best execution and competitive prices.

#### **Research and Other Soft Dollar Benefits**

Although not considered "soft dollar" compensation or credits, MHS Advisory may receive economic benefits from PAS for research services to include reports, software, and institutional trading support. The receipt of additional benefits may give us an incentive to require that you maintain your account with PAS based on our interest in receiving PAS' services rather than your interest in receiving the best value and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that our selection of PAS as custodian and broker is in the best interests of our clients. Our belief is primarily supported by the scope and quality of services PAS provides to our clients and not services that benefit only us. Additionally, these benefits are offered to all investment advisers that use PAS for brokerage and execution services and not just our firm. To mitigate the existence of this conflict, on a periodic basis, we conduct a review of the full range and quality of PAS' services, including execution quality, commission rate, the value of research provided, financial strength, and responsiveness to our requests for trade data and other information.

MHS Advisory understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all MHS Advisory clients, and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While MHS Advisory may not always obtain the lowest commission rate, MHS Advisory believes the rate is reasonable in relation to the value of the brokerage and research services provided.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers and/or custodians in exchange for cash or other compensation or benefits, such as brokerage services or research.

#### **Directed Brokerage**

MHS Advisory does not allow client to direct brokerage to a specified broker-dealer other than the firm recommended by MHS Advisory. Principals and Associated Persons who are registered representatives of Royal Alliance are subject to FINRA Conduct Rule 3040 that restricts them from conducting securities transactions away from Royal Alliance unless Royal Alliance provides the representative with written authorization. Therefore, we advise clients that our firm is generally limited to conducting securities transactions through broker dealers that have been pre approved by Royal Alliance, such as PAS.

#### **Trade Aggregation/Block Trading**

MHS Advisory may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. MHS Advisory may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades and the liquidity of the securities. If the firm does not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money. MHS Advisory and/or its Associated Persons may participate in block trades with clients; However, MHS Advisory and/or its Associated Persons will not participate on a pro rata basis for partial fills.

#### Review of Accounts - Item 13

##### **Portfolio Management Account Reviews**

MHS Advisory monitors client accounts on a continuous basis and conducts formal account reviews at least annually. Accounts are reviewed by the Associated Person delegated to the client relationship.

Additional reviews may be offered in certain circumstances. Triggering factors that may stimulate additional reviews include, but are not limited to, changes in economic conditions, changes in the client's financial situation or investment objectives, or a client's request.

A financial plan is a snapshot in time and no ongoing reviews are conducted. We recommend clients engage us on an annual basis to update the financial plan.

MHS Advisory provides quarterly performance reports generated by Albridge Solutions, Inc., a third-party data gathering and reporting firm. Clients also receive statements directly from their account custodian(s) on at least a quarterly basis. We encourage our clients to compare custodial account statements with statements prepared by our firm for accuracy.

Clients are encouraged to notify our firm if changes occur in their personal financial situation that might adversely affect their investment plans.

#### Client Referrals and Other Compensation - Item 14

We receive an economic benefit from PAS in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at PAS. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to us of PAS' products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We and our related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for client referrals.

##### **Recommendation of Other Advisors**

We may recommend that you use a third party advisor (TPA) as part of our asset allocation and investment strategy. MHS Advisory will share in the compensation received by the TPA for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of the third party advisor. You are not required to use the services of any TPA we recommend.

#### Custody - Item 15

Where we directly debit your account(s) for the payment of our advisory fees, we are deemed to exercise custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive

account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have questions regarding your account or if you did not receive a statement from your custodian, please contact us at (952) 541-9201.

Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. Clients are urged to review custodial account statements for accuracy.

#### Investment Discretion - Item 16

MHS Advisory offers Portfolio Management Services on a discretionary basis. Clients must grant discretionary authority in the client Advisory Agreement. Discretionary authority extends to the types and amounts of securities to be bought and sold in client accounts. Apart from the ability to withdraw management fees, MHS Advisory does not have the ability to withdraw funds or securities from the client's account.

In a non-discretionary account, MHS Advisory recommends the purchase or sale of securities for review and approval by the client. MHS Advisory will only purchase or sell securities which have been approved by clients in advance.

If you wish, you may limit our discretionary authority by, for example, setting a limit on the type of securities that can be purchased for your account. Simply provide us with your restrictions or guidelines in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

#### Voting Client Securities - Item 17

##### **Proxy Voting**

MHS Advisory does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

#### Financial Information - Item 18

We are required in this Item to provide you with certain financial information or disclosures about MHS Advisory's, financial condition. MHS Advisory does not require the prepayment of over \$1,200, six or more months in advance. Additionally, MHS Advisory has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.



Requirements of State-Registered Advisers - Item 19

**This section is intentionally left blank- Our firm is SEC registered.**

Miscellaneous

**Class Action Lawsuits**

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. MHS Advisory has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the firm has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where the firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate, and the client has authorized contact in this manner.

**Trade Error Correction Procedures**

On infrequent occasions, an error may be made in a client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the firm generally seeks to rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others canceling the trade or adjusting an allocation. Any losses resulting from error correction will be placed in MHS Advisory's error correction account. Gains will be credited to the client.

**Confidentiality**

MHS Advisory views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure. MHS Advisory does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client account, MHS Advisory may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

MHS Advisory restricts internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. MHS Advisory maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the firm's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the Advisory Agreement. Thereafter, the firm will deliver a copy of the current privacy policy notice to its clients on an annual basis. If you have any questions on this policy, please contact Thomas R. Hokr, CCO, at (952) 541-9201.