

**DISCLOSURE BROCHURE**

**FORM ADV PART 2**

June 2, 2020



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**ITEM 1: COVER PAGE**

This brochure provides information about the qualifications and business practices of MSH Capital Advisors LLC. If you have any questions about the contents of this brochure, please contact the Compliance Department at (480) 563-2021 or email [compliance@mshcapitaladvisors.com](mailto:compliance@mshcapitaladvisors.com).

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. MSH Capital Advisors LLC is an investment advisor registered with the Securities and Exchange Commission. Licensure of an investment advisor does not imply a certain level of skill or training.**

**Additional information about MSH Capital Advisors LLC is available on the SEC's website <http://adviserinfo.sec.gov>. MSH Capital Advisors LLC's CRD number is 157835.**

## **ITEM 2: MATERIAL CHANGES**

BELOW IS THE MATERIAL CHANGE IN THE DISCLOSURES IN THIS DOCUMENT FROM THE PRIOR YEAR DISCLOSURES.

MSH Capital Advisors LLC may charge its advisory fee either monthly or quarterly, in advance or arrears. Client has the right to exclude assets (Excluded Assets) held in the Account so that the excluded assets are not monitored, managed or charged an advisory fee.

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## **ITEM 4: ADVISORY BUSINESS SERVICES, FEES AND COMPENSATION**

### **Firm Description**

MSH Capital Advisors, LLC ("MSHCA", "we", "our", "the Firm", "Adviser") is an Arizona-based limited liability company formed under the laws of the state of Delaware. MSHCA was formed in May 2011 and registered as an investment advisor in the states of Arizona, California, and New York. In January of 2017, the Firm became registered with the Securities and Exchange Commission ("SEC") as an investment adviser. The Firm's managing member and sole owner, Mark S. Howells is also the majority owner of M.S. Howells & Co. ("MSH"), a Financial Industry Regulatory Authority, Inc. ("FINRA") member firm, SEC registered broker-dealer.

The Firm offers investment advisory services to individuals, pension funds, financial institutions, small businesses, retirement plans, foundations, non-profit organizations, charities, trusts, estates, and municipalities through a network of Investment Advisor Representatives ("IARs") supervised by MSHCA. Most of these IARs are also licensed as Registered Representatives ("RR") of MSH. Clients are under no obligation to utilize the services of IARs in their capacity as RRs or to use MSH as a broker-dealer. If a client wishes for the IAR, in their capacity as a RR, to execute securities transactions on their behalf, those transactions will be executed by MSH, an affiliated broker-dealer. Prior to effecting any such transactions, clients are required to establish a new account with MSH. Commissions charged by MSH may be higher or lower than those charged by other broker-dealers. In addition, the RR may receive commissions, concessions, mark-ups or mark-downs for transactions including, for example, ongoing 12b-1 fees from mutual fund companies for as long as a mutual fund investment is maintained.

Advisory services may be offered by MSHCA using marketing brands of unrelated legal entities, not owned by MSHCA. Currently, Buchanan Capital, Inc. ("Buchanan") is a marketing brand that is co-branded with MSHCA when offering advisory products and services. Persons associated with Buchanan are not employees, but rather independent contractors of MSHCA acting in an IAR capacity. Buchanan and other unrelated legal entities offering advisory services through MSHCA by virtue of independent contractor relationships may have their own trade names and logos used for marketing purposes and may appear on client statements. While each IAR, whether branded through MSHCA or an unrelated legal entity, may have a different business model, MSHCA oversees the investment advisory activities. Throughout this document, references to MSHCA shall be inclusive of all marketing brands.

### **Advisory Services**

Advisory services are provided solely through MSHCA, and IARs may only provide services and charge fees based on the descriptions detailed in the MSHCA FORM ADV Part 2 and Part 2A.

Prior to providing advisory services, MSHCA ascertains each client's financial goals, time horizon, risk tolerance, investment objectives, and other financial data in order to provide services tailored to their specific needs. MSHCA does not independently verify information received from the client, the client's agent, or other professionals. The client is responsible for the accuracy of the information and for promptly notifying the Firm of any changes in their financial status, investment objectives, risk tolerance, time horizon, or financial goals.

As of December 31, 2019, MSHCA managed approximately \$422,841,605 in client assets; \$142,633,974 on a discretionary basis and \$280,207,631 on a non-discretionary basis.

### **Financial Planning and Advice**

MSHCA provides ongoing planning and advice regarding financial matters to meet clients' financial objectives and goals. Financial planning and advice services do not involve the active management of client assets but rather assist clients in the analyses of their investment objectives. MSHCA's ongoing advice on financial matters typically include, but are not limited to, determining and establishing long-term financial goals through investments, tax planning, asset allocation, business projections, cash management, risk management, estate goal setting, retirement planning, education planning, savings planning, or special objective planning. With the exception of two legacy accounts, MSHCA's ongoing advice on financial matters is only provided to clients with established accounts.

## **Financial Plans**

MSHCA IARs may prepare a financial plan for a client or prospective client. The scope of a financial plan may be as broad or detailed as the client desires. It may include, but is not limited to, retirement projections, education cost planning, or estate goal setting, cash flow management, or the modification of an existing financial plan. A client may request advice on only a portion of their financial plan or regarding a limited project, MSHCA will provide consultation services to the extent requested.

## **Investment Management**

MSHCA offers both wrap and non-wrap fee investment advisory programs, which may be implemented on a limited discretionary basis or non-discretionary basis. See ITEM 16: INVESTMENT DISCRETION for more information.

### **Non-Wrap Fee Program**

The MSHCA Portfolio Management Program is an advisory service that includes investment management, ongoing monitoring, and continuous financial advice. This advisory service is provided for an advisory fee, but transactional fees are billed separately on a per transaction basis. The advisory non-wrap fee does not include certain fees and expenses discussed in ITEM 5: FEES AND COMPENSATION, OTHER FEE CONSIDERATIONS. The IARs manage the MSHCA Portfolio Management Program. Some IARs manage each account to models that they have created; others customize each account to the client. The IAR receives a portion of the advisory fee and therefore, has an economic incentive to recommend this product over other products or services.

### **Wrap Fee Programs**

MSHCA sponsors the MSH Capital Advisors LLC Wrap Fee Program. It is an advisory service that includes investment management, ongoing monitoring, continuous financial advice, and transactional charges (ticket charges) included for one advisory wrap fee. The advisory wrap fee is not inclusive of certain other fees and expenses discussed in ITEM 5: FEES AND COMPENSATION, OTHER FEE CONSIDERATIONS. There are no separate ticket charges, and each IAR manages the account. Some IARs manage each account to models that they have created; others customize each account to the client. The IAR receives a portion of the advisory wrap fee and therefore, has an economic incentive to recommend this product over other products or services.

MSHCA offers the Axiom Integrated Advisor Solutions Wrap Fee Program and the Institutional Intelligent Portfolios® Wrap Fee Program. Under each of these programs, there are asset allocation models provided by various portfolio strategists. The IAR may allocate funds to one or more models and make minor modifications as deemed necessary. MSHCA shares a portion of the advisory wrap fee with the IAR and other investment advisers. Therefore, the IAR has an economic incentive to recommend this product over other products or services.

MSHCA absorbs certain transaction costs in wrap fee accounts. Therefore, we may have a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in wrap fee arrangements. The amount of trades placed in a wrap fee account is a factor that has a direct bearing on the relative cost of the program. If there are only a few trades placed in the account over a period of time, it is possible that paying for advisory services and ticket charges separately may be less expensive than the fee. The opposite is also true; if there are a large number of trades placed in the account over a period of time, it is possible that paying for advisory services and ticket charges separately may be more expensive. While MSHCA does not charge clients higher advisory fees based on their trading activity, clients should be aware that MSHCA may have an incentive to limit trading activities in client account(s) to avoid trade execution fees. In addition, the advisory fee is shared between MSHCA, the IAR, and the third-party investment adviser; therefore, the IAR has an economic incentive to offer the wrap fee program over other programs or services.

Specific details regarding the MSHCA wrap fee programs can be found in the Wrap Fee Program Brochure which is attached and publicly available on the SEC's website: <http://adviserinfo.sec.gov>.

## **Selection of Other Investment Advisers and Managers**

Clients may access unaffiliated third parties who offer specialized asset management expertise or services that MSHCA may

utilize to manage all or a portion of the client assets in appropriate cases. MSHCA will review third-party managers and investments at the request of the IAR. However, IARs may only engage those third-party managers and investment advisers who are selected by MSHCA.

### **Third-Party Investment Managers**

MSHCA may determine that it is in the interest of the client to have an unaffiliated Third-Party Investment Manager (“TPM”) provide portfolio management services for the client. To facilitate account reporting when utilizing TPMs, account assets are usually held at a custodian designated by the TPM and will also generally require that all securities transactions for the client's account be executed by the custodian. Once a client has selected a TPM, MSHCA will supply the TPM with information regarding the financial background and investment objectives of the client to the extent the client provides such information. The client then enters an advisory agreement with the TPM, whereby the TPM agrees to accept and manage the client's account on a discretionary basis and in accordance with the client's investment objectives. The TPM will charge the client investment advisory fees. The TPM will share a portion of the advisory wrap fee with MSHCA and its IARs.

TPM programs may have account minimum requirements that vary from one TPM to another. Account minimums may be higher on fixed income accounts than equity-based accounts. MSHCA will provide the client with the TPM's disclosure documents and fee schedule. A complete description of the TPM's services, fees, and account minimums will be disclosed in the TPM's Form ADV, Wrap Brochure, or similar Disclosure Brochure, which will be provided to the client at the time an agreement for services is executed and the account is established.

The TPM provides reports to clients at the frequency specified in the advisory agreement. MSHCA will provide periodic assistance in evaluating the manager(s) performance and, if necessary, recommend replacing a manager selected. MSHCA is available to discuss reports and to assist the client with other matters associated with the third-party account. Client reports will vary with different TPIs.

### **Third-Party Investment Advisers**

Third-Party Investment Advisers (“TPI”) offer technological solutions to MSHCA and its IARs. MSHCA utilizes those solutions to provide asset allocation, modeling, and rebalancing advice to clients through sponsored programs of various outside TPIs. Depending on the individual programs sponsored by the TPI, MSHCA will assist in selecting a suitable investment portfolio and asset allocation strategy based on the client's personal and financial goals, investment objectives, time horizon, risk tolerance, and other relevant personal and financial data. The IAR may periodically change the relative allocations or rebalance the portfolios. MSHCA will provide initial and ongoing client education, monitor the asset allocation and strategy selected by the client, and explain the rebalancing guidelines. The TPI, MSHCA, and its IARs will share the advisory wrap fee.

MSHCA will periodically meet with the client to discuss changes in their investment objectives, risk tolerance, and current asset allocations within each portfolio.

TPI programs may have account minimum requirements that vary from one investment adviser to another. Account minimums may be higher on fixed income accounts than equity-based accounts. A complete description of the TPI's services, fee schedules, and account minimums is disclosed in the attached Wrap Fee Brochure and in the TPI's Form ADV, Wrap Brochure, or similar Disclosure Brochure, which is provided to the client at the time an agreement for services is executed and the account is established.

A conflict of interest may be present if the Firm offers only those third-party investment firms that have agreed to pay a portion of their advisory fee to MSHCA. There may be other third-party programs that may be suitable for the client that may charge lower fees.

## **ITEM 5: FEES AND COMPENSATION**

Fee arrangements are customized depending on the type of services provided for each client. In all cases, fee arrangements, including specific rates, will be included in a written agreement executed by MSHCA and the client prior to any services

being provided. Fees, fee structure, and experience will vary by IAR. Clients with different IARs may receive similar services and pay more or less of a fee than another client. Furthermore, IARs may determine fees differently. For example, some representatives may implement a flat fee, while others use a tiered approach. There are advantages and disadvantages to all fee structures, but each IAR may have their own variances within the MSHCA fee structure. The negotiated fee is disclosed in the Investment Advisory Agreement ("IAA") that is signed when establishing an account in advance of services being rendered. IARs have an economic incentive in the fee charged to the account as they receive a percentage of the fee with the remaining portions going to MSHCA and other third-party investment managers or advisers, when applicable.

### **Financial Plans**

Fees for a financial plan are a one-time, flat fee and typically range from \$500 to \$2,500, depending on the scope and complexity of the plan. The client pays the fee at the time the financial plan is delivered. MSHCA may waive or refund the fee in instances where the client establishes an account.

### **Advisory Services: Wrap Fee Programs**

Fees for wrap fee programs are based on a percentage of the assets under management. The advisory wrap fee is an annual fee billed either monthly or quarterly, in advance or arrears. The advisory wrap fee is calculated as a percentage of the market value in the account on the last trading day of the end of the previous billing cycle and is charged to the client's account by the tenth (10th) business day of the following month. Fees are based on the calendar month or quarter, and new accounts are prorated based on the number of days accounts are managed in the month or quarter. The client advisory wrap fee is negotiated on a client by client basis with the IAR and may be up to 1.50% on wrap fee accounts which is one fee inclusive of (1) investment management, (2) ongoing monitoring and continuous financial advice, and (3) transactional charges. The advisory wrap fee is not inclusive of certain other fees and expenses discussed in ITEM 5: FEES AND COMPENSATION, OTHER FEE CONSIDERATIONS.

Advisory wrap fees may be automatically deducted from a client's managed account upon prior written authorization by the client. The Firm sends an electronic request to the custodian indicating the amount of the advisory wrap fee to be paid from the client's managed account. The client will receive a statement from the independent custodian at least quarterly, which will show the amount of the advisory wrap fees paid to the Firm.

### **Advisory Services: Non-Wrap Fee Programs**

Fees for non-wrap fee programs are based on a percentage of the assets under management. The advisory non-wrap fee is an annual fee billed either monthly or quarterly, in advance or arrears. The advisory non-wrap fee is calculated as a percentage of the market value in the account on the last trading day of the end of the previous billing cycle and is charged to the client's account by the tenth (10th) business day of the following month. Fees are based on the calendar month or quarter, and new accounts are prorated based on the number of days accounts are managed in the month or quarter. The client advisory fee is negotiated on a client by client basis with the IAR and may be up to 1.25% on non-wrap fee accounts which is one fee inclusive of (1) investment management and (2) ongoing monitoring and continuous financial advice, but is not inclusive of transactional charges or other fees and expenses as discussed in ITEM 5: FEES AND COMPENSATION, OTHER FEE CONSIDERATIONS.

Fees may be automatically deducted from the client's managed account upon prior written authorization by the client. The Firm sends an electronic request to the custodian indicating the amount of the fee to be paid from the client's managed account. The client will receive a statement from the independent custodian at least quarterly, which will show the amount of the advisory fees paid to the Firm.

### **Third-Party Manager Programs**

TPM fees typically range from .0% to .75%, per annum, which may be higher than those charged by other management services. Under the terms of the Third-Party Manager Agreement with MSHCA, in return for referring an MSHCA client in need of management services to a TPM, the TPM shares the advisory fee with MSHCA. The fee is typically calculated as a percentage of assets under management. Such fees are generally paid as long as the account remains under the TPM's

management. TPMs may separately charge other fees, including transaction or custodial fees. In all cases, the fees are disclosed to the client in advance and may be up to 1.50% inclusive of the TPM fee. Clients usually authorize both the manager and MSHCA to debit their account for the advisory wrap fee, which is shared between MSHCA, its IARs, and the TPM.

### **Third-Party Investment Advisers**

While the actual fee charged will vary depending on the TPI, the negotiated advisory fee paid by the client to MSHCA and the TPI may be up to 1.50% inclusive of the TPI fee. Advisory wrap fees charged through this program are shared between MSHCA, its IARs, and the TPI.

### **Other Fee Considerations**

Clients who participate in wrap fee programs will not have to pay transaction costs (e.g., ticket charges). However, MSHCA's advisory wrap fee does not include certain transaction fees and additional associated expenses incurred by the client. Advisory wrap fees paid to MSHCA are separate and distinct from fees charged by any custodian, third-party investment providers, investment companies, or other third parties. The advisory wrap fee does not cover charges such as margin costs, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer fees, electronic fund fees, distribution fees, annual IRA account fees, termination fees, account transfer fees, SEC fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge internal management fees and expenses, which are disclosed in the fund's prospectus. Such expenses are exclusive of and in addition to MSHCA's advisory wrap fee. MSHCA does not receive any portion of these associated fees and expenses.

Clients who participate in non-wrap fee programs will pay transaction costs, commissions, and other related expenses. The advisory non-wrap fee does not include certain transaction fees and other related expenses that are charged by a custodian, third-party investment providers, investment companies, or other third parties. The advisory non-wrap fee does not cover charges such as margin costs, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer fees, electronic fund fees, distribution fees, annual IRA account fees, termination fees, account transfer fees, SEC fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge internal management fees and expenses, which are disclosed in the fund's prospectus. Such expenses are exclusive of and in addition to MSHCA's advisory non-wrap fee. MSHCA does not receive any portion of these associated fees and expenses.

There is an inherent conflict of interest when an IAR receives transaction-based compensation (e.g., commission) or other benefits in their capacity of RR for recommending certain securities or transactions for which the client also pays an advisory fee. Prior to transacting any securities or advisory business, the IAR must disclose the fee structure and the commission structure to the client so that they may evaluate the compensation arrangement. In a situation where MSHCA and the IAR are leveraging commissioned products to implement an investment strategy, fees may be waived or offset by commissions, which will be properly disclosed in writing. An IAR who is managing an investment account positioned in mutual funds or ETFs must disclose all management fees and expenses as described in the prospectus and must select the most appropriate share class available to the client.

### **Exclusion of Assets**

The Client has the right to exclude assets (Excluded Assets) held in the Account. This means that MSHCA and its IARs will not monitor or manage the Excluded Assets and the Excluded Asset value will not be included in the calculation of any advisory fee regardless of whether the Excluded Assets are held in the Account(s) or reported in any statement provided to Client. Client must specifically identify the Excluded Assets and request the exclusion in writing.

### **Termination**

Clients may terminate their advisory agreements without penalty within five (5) business days of signing the agreement. Thereafter, clients or MSHCA may terminate the advisory agreement by providing written notice to the



other party. If an advisory agreement is terminated prior to the close of the billing period, MSHCA will refund the remaining portion of the advisory fee, which the client paid in advance, to the client by crediting their account or issuing a check to the address of record.

For those clients utilizing TPMs, termination procedures are determined by the individual TPM. Please refer to the specific TPM disclosure brochure for applicable termination procedures and related fee reimbursement policies.

#### **Investment Advisor Representatives as Registered Representative of an Affiliated Broker-Dealer**

IARs of MSHCA may also be RRs of MSH and may execute securities transactions for clients of MSHCA. MSH and its RRs will receive commissions, concessions, mark-ups, mark-downs, or other benefits as a result of certain securities transactions. Conflicts of interest arise as IARs may make investment recommendations to clients based on the compensation or benefits that they would earn as an RR rather than what is in the client's best interest.

#### **Investment Advisor Representatives as Licensed Insurance Agents of an Affiliated Insurance Agency**

IARs may also be licensed insurance agents through MS Insentra LLC, an affiliated insurance agency. Clients can choose to engage the agent, in their individual capacities, to effect insurance transactions on a commission basis. The recommendation by an insurance licensed IAR to purchase an insurance product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from any IAR. Clients are reminded that they may purchase insurance products recommended by MSHCA through other, non-affiliated insurance agents.

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

MSHCA does not charge or accept fees based on a share of capital gains or capital appreciation of the assets held within a client's account.

### **ITEM 7: TYPES OF CLIENTS**

MSHCA generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Banking or Thrift Institutions
- State or Municipal Government Entities
- Pension and Profit-Sharing Plan
- Trusts, Estates, or Charitable Organizations
- Other Corporations or Business Entities

All clients are required to execute a written agreement for services with MSHCA.

#### **Minimum Investment Amounts**

MSHCA generally imposes a minimum investment amount of \$5,000 to establish an advisory account or an account managed on an institutional RIA platform. MSHCA waives the minimum investment amount for retirement accounts and may accept accounts with less than \$5,000 of assets if MSHCA believes that, based on information provided by the client, investing a lower amount is appropriate for the client and is acceptable to the program sponsor.

IARs may impose higher account minimums than those established by MSHCA. Accounts may be aggregated to meet program minimums, as is explained in detail in the IAA signed by the client at the time the account is established. Clients should consult with their IAR to determine the required account minimum.

Sponsors of the TPI and TPM programs are responsible for determining account minimums and whether such minimums are negotiable. If an account minimum is not established by the third-party, generally MSHCA will impose a minimum investment amount of \$5,000. Clients can find specific details in the Wrap Fee Brochure.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

MSHCA and their IARs use various methods of analysis when considering investment strategies and recommendations to clients. They are as follows:

### Methods of Analysis

Fundamental: This is a method of evaluating a company or security by attempting to determine its intrinsic value by looking at all aspects of the business, including both tangible (e.g., machinery, buildings, land) and intangible factors (e.g., patents, trademarks, “brand” names). Fundamental analysis also involves examining related economic factors (e.g., overall economy, industry conditions, business cycles), financial factors (e.g., company debt, interest rates, management salaries and bonuses), qualitative factors (e.g., management expertise, industry cycles, labor relations), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios). The objective of fundamental analysis is to produce a target value that can be used to determine what position to take with that security.

Charting: This is a technical analysis that charts the pattern of stocks, bonds, and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs to predict future price movements. A graphical historical record helps the Analyst detect the effect of key events on the security’s price, its performance over a period of time, and whether it is trading near a high or low or in between. Recurring patterns of trading, commonly referred to as indicators, may help forecast future price movements.

Technical: This method of evaluating securities analyzes statistics generated by market activity, such as past prices, volume, open interest, market order imbalances, and other factors not directly related to the company’s business. Technical analysis does not attempt to measure a security’s intrinsic value, but instead, use charts and other tools based on historical data to identify patterns that may suggest future activity.

Cyclical: This method looks at recurring periods of expansion and contraction that can impact a company’s profitability and cash flow. There are a variety of cycles that can be examined, and some are more commonly known than others, such as a four-year presidential cycle or annual/quarterly fiscal reporting cycles. Identifying cycles can help to anticipate tops and bottoms and to determine trends. But sometimes cycles don’t repeat themselves, sometimes they overlap, and sometimes they offset each other. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (e.g., housing, automobiles, telecommunications). Non-cyclical industries (e.g., food, insurance, drugs) are not as directly impacted by the economic changes.

MSHCA IARs may use, without limitation, any of the following analysis sources of information: financial newspapers and magazines; inspections of corporate activities; corporate rating services such as Morning Star; and annual reports, prospectuses, and press releases. IARs may also utilize different investment strategies, based upon the needs of the clients, which include long-term purchases as well as trading. The MSHCA programs provides IAR oversight of client assets through the provision of web-based asset allocation tools, as well as execution, clearing, and custodial services. With respect to asset allocation services, the programs utilize third-party providers to offer clients access to a tangible portfolio construction process utilizing both fundamental and technical analysis, fund profiling and performance data, as well as portfolio optimization and re-balancing tools.

### Investment Strategies

IARs may use various investment strategies to meet the needs of the client based on the investment objective, time horizon, financial goals, risk tolerance, and other relevant personal and financial information. IARs are responsible for choosing, implementing, and documenting the chosen strategy and it will vary from client to client. Strategies may be based on long-term buy and hold, diversification, strategic assets, short-term purchasing of investments for liquid assets, trading, short sales, options writing, margin transactions, strategic and tactical asset allocation, or strategic timing and sector rotation. Investment strategies may also take into consideration holding periods where

tax consequences are relevant. Equities, fixed income, bonds, cash or cash equivalent, and occasionally alternative instruments may be used in either arrangement. In some instances, when appropriate based on the investment objective, MSHCA may recommend the use of margin or short option writing to provide leverage to a portfolio. It is not our typical investment strategy to attempt to time the market. However, we may increase cash holdings modestly as deemed appropriate based on the client's risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. In most cases, MSHCA allocates assets using various combined investment strategies to meet a client's needs.

There are additional risks associated when investing in securities through any investment management program. The risks associated with the client portfolio is dependent upon the underlying securities and asset classes. The following is a discussion of risks involved when investing and clients should discuss associated risks with the IAR prior to investing in or making any modifications to a portfolio. Past performance is not indicative of future results. Investing in any type of security (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients must be prepared to bear investment loss, including possible loss of their original principal. The following risks should be taken into consideration depending on the type(s) of investments utilized in the client's advisory account.

**Risk of Loss:** Risk is inherent in any investment in securities, and we do not guarantee any level of return on investments, nor can we assure that a client's investment objectives will be achieved. The risks discussed below vary by investment style or strategy and may or may not apply to all clients. All strategies involve risk, and generally, the more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes than a less aggressive investment strategy. There is no guarantee that a chosen investment strategy will meet the client's financial goals or objectives. The client should review prospectuses and disclosure documents for the securities purchased as they contain important information about the risks associated with investing in such securities.

**Market Risk:** The stock market as a whole or the value of an individual company goes down, resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

**Equity (Stock) Risk:** Common stocks are susceptible to general stock market fluctuations and volatile increases/decreases in value as market confidence and perceptions of issuers change. If the client holds common stock or common stock equivalents of any given issuer, the client would generally be exposed to greater risk than if the client held preferred stocks or debt obligations of the issuer.

**Company Risk:** When investing in stock positions, there is always a certain level of company-specific risk that is inherent in each investment, also referred to as unsystematic risk, which can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry.

**Options Risk:** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

**Credit Risk:** When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments.

**ETF and Mutual Fund Risk:** When investing in an ETF or mutual fund, there are additional expenses based on the client's pro-rated share of the ETF or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities that the ETF or mutual fund holds. Clients will also incur brokerage fees when purchasing ETFs. Leveraged and inverse ETFs may not be suitable for all investors and have unique characteristics and risks. Although there are limited occasions where a leveraged or inverse ETF may be useful for some types of investors, it is extremely important to understand that these funds may not give the returns that the client may be expecting.

Management Risk: The value of the client's investment will vary with the success and failure of MSHCA's investment strategies, research, analysis, and determination of portfolio securities. If MSHCA's investment strategies do not produce the expected returns, the value of the investment may decrease.

Interest-Rate Risk: Fluctuations in interest rates may cause security prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market value to decline.

Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation. Individuals who depend on fixed payments from bonds face the risk that inflation will erode their spending power.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Reinvestment Risk: Risk that future proceeds from investments may have to be reinvested at potentially lower rates of return (i.e., interest rate). This primarily relates to fixed income securities.

Business Risk: Risks associated with an industry or company within an industry. For example, oil-drilling companies depend on finding and refining oil, a lengthy process, before they can generate a profit. They may carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many investors are interested in buying or selling a standardized product. For example, Treasury Bills are highly liquid while real estate properties are not.

Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy or a declining market value.

ETF Specific Risk: The general level of security price may decline, thereby adversely affecting the value of each unit of the ETF. An ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain securities in the secondary market, or due to the weighting of the securities within the ETF. ETFs may have exposure to derivative instruments (e.g., futures contracts, forward contracts, options, and swaps) that may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may not honor the terms of the contract. Use of these instruments could trigger other risks such as liquidity risk, market risk, credit risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so. Many ETFs are less than ten (10) years old and have limited historical data.

Asset Allocation: Strategy-Diversification Risk: The asset classes represented in each investment strategy can perform differently from each other at any given time. So, the investment strategy will be affected by its allocation among the various asset classes. The asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform.

Large Investment Risk: The purchase of a significant portion of a particular security thereby potentially making it difficult to liquidate or sell.

Fixed Income Risk: Interest rates and bond prices have an inverse relationship. When interest rates rise, bond prices usually fall and when interest rates fall, bond prices usually rise. Bond markets fluctuate daily.

Foreign Investment Risk: Investments in securities of foreign issuers may involve certain risks that are greater than

those associated with investments in the securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory, and other conditions such as changes in currency exchange rates or exchange control regulations.

Geopolitical Disruption Risk: Geographical political events may adversely affect global economies and markets and thereby decrease the value of and /or ease the trading of securities invested in these affected markets.

High-Yield Risk: High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks and may be considered speculative.

## **ITEM 9: DISCIPLINARY INFORMATION**

MSHCA does not have any disciplinary information to report.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **M.S. Howells & Co., a Registered Broker-Dealer**

The Firm's managing member, Mark S. Howells, is also the Chief Executive Officer, majority owner, and a Registered Representative/Principal of M.S. Howells & Co., a FINRA member firm and SEC registered broker-dealer. M.S. Howells & Co. introduces all transactions for clearance and settlement on a fully disclosed basis to Pershing, LLC and Electronic Transaction Clearing, Inc. ("ETC").

IARs of MSHCA may also be RRs of MSH and may execute securities transactions for clients of MSHCA. MSH and its RRs will receive commissions or other benefits as a result of certain securities transactions. Conflicts of interest arise as IARs may make investment recommendations to clients based on the compensation or benefits that they would earn as an RR rather than what is in the client's best interest. In addition to compliance oversight and supervisory staff, the Firm utilizes compliance monitoring software solutions through GenTech LLC to mitigate conflicts of interest. The software assists the Firm with compliance-related tasks and monitoring solutions, which significantly reduce the possibility of non-compliance occurrences.

### **Fixed Income Transactions**

In some instances, and strictly as an accommodation to its clients, MSHCA may elect to purchase fixed income transactions for its advisory clients in a wrap fee account, custodied at Charles Schwab and Co., Inc. ("Schwab"), through its affiliated broker-dealer, MSH, and then deliver the securities into the client's account. In those instances, the transactions will be effected in a prime brokerage account with a signed agreement executed between the client and Schwab. Prime Brokerage services are designed to provide IARs with the ability to execute trades of certain assets through broker-dealers other than Schwab. MSHCA will not charge an advisory fee and clients will not be charged a prime brokerage service fee. The IAR in their capacity as RR will purchase fixed income products for those clients on a riskless-principal or agency basis through MSH, an affiliated broker-dealer, and receive a commission, concession or mark-up. MSH's clearing firm and Schwab will clear and settle applicable transactions. These trades are effected in the Schwab account solely as an accommodation to the client who does not have a Pershing, LLC or ETC brokerage account. Clients are under no obligation to purchase the securities through MSH and have the option to purchase the securities through other broker-dealers that are not affiliated with MSH or MSHCA.

For third-party investment programs, MSHCA may share a portion of the advisory fees when an MSHCA client is invested in their program. These programs offer different levels of fees which present conflicts of interest when approving which programs to offer to clients and when making specific recommendations to clients, as such decisions may be based on the advisory fees to be earned rather than what is in the client's best interest.

### **MS Insentra LLC, an Insurance Agency**

Mark S. Howells is the majority owner of MS Insentra LLC ("MSI"), an independent insurance agency that specializes in providing risk management and insurance solutions to independent registered investment advisors. IARs that are licensed insurance agents, including those approved to conduct business under MSHCA's affiliated insurance company, MSI,

receive commissions and other incentive awards for the recommendation or sale of annuities and other insurance products. The receipt of this compensation may affect the decisions of IARs when recommending insurance products to their clients. Clients are under no obligation to effect insurance transactions through MSI.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

MSHCA has adopted a Code of Ethics ("Code") that establishes rules of conduct for MSHCA and its IARs. The purpose of the Code is to prohibit activities that may lead to or give the appearance of conflicts of interest, insider trading, and other forms of illegal or unethical business conduct. Actions by the Firm's supervised persons must always 1) place the interests of client accounts first; 2) be conducted in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and 3) not take inappropriate advantage of their positions.

A copy of the Code is available upon request by contacting MSHCA:

**In writing:** MSH Capital Advisors LLC  
20555 North Pima Road, Suite 100  
Scottsdale, Arizona 85255  
**Phone:** (480) 563-2021  
**Fax:** (480) 562-2001  
**Email:** [compliance@mshcapitaladvisors.com](mailto:compliance@mshcapitaladvisors.com)

### **Personal Trading Policy**

IARs may invest in the same securities that they recommend to clients. Personal securities transactions by an IAR may be a conflict of interest if the IAR owns or trades in a security that is owned or being considered for purchase or sale in a client account. MSHCA has adopted policies and procedures in the Code to ensure that neither MSHCA, nor its IARs, trade ahead of or otherwise in conflict with the interests of clients. The Code covers but is not limited to such topics as gifts and gratuities, political contributions, insider trading, and personal trading. The Code also prohibits participation in IPOs and mandates preclearance for participation in private placements and limited offerings. In addition to imposing black-out periods from time to time, supervised persons are required to submit periodic reporting (initial holdings, quarterly transactions, and annual holdings) to MSHCA's compliance department for review and continuous monitoring.

MSHCA policy does not impose strict limitations as to the number of transactions an IAR is permitted to execute during a defined time frame. The Firm does recognize that excessive trading may impede the ability of an individual to fulfill their primary obligation to our clients. The scope and volume of personal trading by an IAR shall be periodically assessed. MSHCA maintains the authority to impose limitations on the personal trading activities of IARs and as part of MSHCA's oversight, may impose heightened supervision and trading restrictions on an IAR if such actions are warranted.

### **Participation or Interest in Client Transactions**

Agency Cross Transactions are defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions typically arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Agency cross transactions are permitted for advisers only if certain conditions, such as prior written consent from the client, are met under Section 206(3) of the Investment Advisers Act of 1940 or SEC Rule 206(3)-2. MSHCA does not engage in agency cross transactions.

Principal Transactions are defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys a security from or sells a security to an advisory client as opposed to carrying out trades through another broker-dealer. MSHCA does not have a proprietary trading account and generally does not execute client orders on a principal basis in advisory accounts managed by MSHCA.

## **ITEM 12: BROKERAGE PRACTICES**

### **Accounts Established through an Institutional RIA Account Platform**

MSHCA's decision to approve an institutional RIA platform for use by its IARs is based on numerous factors. We seek to utilize a custodian/broker who will hold client assets and execute transactions on terms that are most advantageous when compared with services offered by other available providers. We consider a wide range of factors, including: 1) the combination of transaction execution services along with asset custody services (generally without a separate fee for custody); 2) capability to execute, clear, and settle trades (buy and sell securities for a client's account); 3) capabilities to facilitate transfers and payments to and from accounts (e.g., wire transfers, check requests, bill payment); 4) breadth of investment products made available (e.g., stocks, bonds, mutual funds, ETFs); 5) availability of investment research and tools that assist MSHCA in making investment decisions; 6) quality of service; 7) competitiveness cost of services (ticket charges, margin interest rates, and other fees) and willingness to negotiate them; 8) reputation, financial strength, and stability; 9) their prior service to our clients; and 10) availability of other products or services that benefit MSHCA and clients. MSHCA periodically reviews charges at other firms to determine if what MSHCA is being charged is reasonable.

Clients wishing to implement MSHCA's financial planning advice are free to select any broker-dealer or investment adviser they wish. The fees charged by other broker-dealers may be higher or lower than those charged at MSH. However, if clients would like assets managed and ongoing financial advice through an IAR of MSHCA, the client will be required to establish an account through a trading platform that is approved by MSHCA.

As previously stated, IARs may also be RRs of MSH. These dually registered IARs are restricted by FINRA rules and policies from maintaining client accounts at or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by MSH. Therefore, trading platforms must be approved by MSHCA and MSH.

### **Best Execution**

As a fiduciary, MSHCA owes a fiduciary duty to its clients to obtain best execution practices of their transactions. That duty puts forth that an investment adviser generally must execute securities transactions in such a manner that the total costs or proceeds in each transaction are the most favorable under the circumstances. However, clients must understand that best execution does not necessarily mean the lowest available price. Instead, the totality of the arrangement and services provided by a broker-dealer must be examined to determine a qualitative measure of best execution. Based on these principles, commissions and fee structure of various broker-dealers and custodians are periodically reviewed by the senior management of the Firm to evaluate the execution services provided by MSH and all the unaffiliated broker-dealers and custodians used by MSHCA.

Clients should consider that in light of the limited approved trading platforms for MSHCA accounts, the Firm may be limited in its ability to obtain the best execution price and lowest execution costs for each transaction, or the product with the lowest expenses. Therefore, clients may pay higher commissions or trade execution charges through the trading platforms approved by MSHCA than through other platforms for investment advisory accounts.

### **Trade Aggregation**

Transactions implemented by MSHCA for client accounts are generally effected independently unless an IAR of MSHCA decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and is used when an IAR believes such action may prove advantageous to clients. When IARs aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Trade aggregation is utilized to achieve better execution, negotiate more favorable commission rates, or to allocate orders among clients on a more equitable basis to avoid price differences and transaction fees or other transaction costs that might be obtained when orders are placed independently. While there is more than one process for allocating transactions, generally the transactions will be averaged as to price and will be allocated among the MSHCA clients in proportion to the purchase and sale orders placed for each client account on any given day. MSHCA does not allow IARs to receive additional compensation or remuneration as a result of aggregation. Since MSHCA does not require IARs to aggregate trades, not all trades are aggregated even when there is an opportunity to do so. When trades are not aggregated, clients may not realize the effects of lower commission per share costs that

often occur because of aggregating trades. As a result, clients may pay a higher transaction cost than could be received elsewhere. MSHCA does not aggregate mutual fund transactions.

#### **Handling of Trade Errors**

Trading errors are handled and corrected in the best interests of the client affected by the error and within a timely manner following the discovery of the error. Specifically, when MSHCA or an IAR causes a trade error to occur in a client account that results in a loss, MSHCA works with the relevant broker-dealer and/or custodian to reimburse any costs paid by the client and to make whole the client transaction as it should have originally taken place or not have taken place. If the trade error results in a gain and MSH executed the transaction, MSH will keep that gain to offset future losses. The retained gain is not shared with the IAR or the client. IARs are not permitted to make payments to clients or to client accounts.

### **ITEM 13: REVIEW OF ACCOUNTS**

#### **Periodic Reviews**

IARs are responsible for conducting regular reviews of all accounts for their respective clients on at least an annual basis. In most cases, accounts are reviewed more frequently through various means, including telephone calls, in-person meetings, or electronic communications. Discretionary and non-discretionary investment advisory accounts are periodically reviewed by the IAR and MSHCA to analyze if the account is being managed in accordance with the client's chosen investment objective, that the account is properly balanced, if it is being managed according to a specific asset allocation model, to verify the accuracy of account holdings and fee deductions, and if applicable, to ensure that the client's reasonable restrictions are being implemented properly. The reviews are based on the client's investment objectives, risk tolerance, time horizon, and investment strategy as established by the client when they opened the account or modified thereafter.

Advisory accounts, including accounts managed by TPM's, are subject to daily monitoring by a supervising Principal of the Firm through a technology-assisted review. The Firm uses a technological system that maintains compliance controls and generates monitoring flags to generate exception and risk-based monitoring reports. IARs monitor the performance of the TPIs and TPMs on a quarterly basis.

#### **Review Triggers**

In addition to periodic reviews, the Adviser may conduct account reviews upon client request or when a triggering event such as a change in client investment objectives, time horizon, financial situation, or market correction occurs.

#### **Client Reports and Statements**

Clients receive confirmations of purchases and sales in their account(s) as well as quarterly and/or monthly statements from the custodian containing information such as account value, transactions, holdings, fees paid to the Adviser and other relevant information from their custodian, sponsor companies, or TPM/TPI. Clients may also receive periodic reports from MSHCA reflecting the performance of their investment portfolio over a specified period. MSHCA urges clients to review the contents of the custodial statements and compare them against the reports provided directly from MSHCA or IARs.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

#### **Compensation in Registered Representative Capacity**

IARs in their separate capacities as RRs of MSH, an affiliated broker-dealer, may receive commissions, concessions, mark-ups, or mark-downs from the execution of securities transactions. See ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS, FIXED INCOME TRANSACTIONS. Additionally, RRs may receive other non-cash compensation from mutual fund sponsors, such as access to educational events or conferences. The receipt of such commissions, ticket charges, 12b-1 fees, and other non-cash compensation could represent an incentive for the IAR in their capacity as RR to recommend funds with 12b-1 fees over funds that have lower or no fees, resulting in a potential conflict of interest. Clients are under no obligation to effect securities transaction through MSH.



IARs that are licensed insurance agents, including those approved to conduct business under MSHCA's affiliated insurance company, MSI, receive commissions and other incentive awards for the recommendation and/or sale of annuities and other insurance products. The receipt of this compensation may affect the decisions of IARs when recommending insurance products to their clients. Clients are under no obligation to effect insurance transactions through MSI.

While MSHCA and IARs endeavor at all times to put the interests of their clients first, clients should be aware that the receipt of commissions and additional compensation itself creates a conflict of interest which may affect the judgment of MSHCA and the IARs when making recommendations or offering services of its affiliated broker-dealer, MSH. Neither MSH nor MSHCA have entered into revenue sharing arrangements with product sponsors.

#### **Solicitors-Compensation Paid for Client Referrals**

In some circumstances, MSHCA may enter into arrangements with individuals ("Solicitors") who refer prospective clients to MSHCA for investment advisory services. In return, MSHCA agrees to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with MSHCA. Compensation to the Solicitor may be an agreed upon percentage of MSHCA's investment advisory fee or a flat fee depending on the type of advisory services MSHCA provides to clients.

MSHCA's referral program is in compliance with applicable federal and state regulations. All solicitation/referral fees are paid pursuant to a written agreement retained by both MSHCA and the Solicitor. Solicitors are required to provide the client with a complete copy of MSHCA's Form ADV and a Solicitor Disclosure Statement at the time of solicitation. MSHCA will obtain acknowledgement of receipt from the client prior to, or at the time of, entering any IAA with MSHCA. Solicitors are not permitted to offer clients any investment advice on behalf of MSHCA. The advisory fee charged to clients will not increase as a result of compensation being shared with the Solicitor.

#### **Event Sponsorship**

Occasionally, MSHCA will hold conferences for training purposes for its staff, clients, and IARs. These meetings provide sponsorship opportunities for vendors and other third-party providers. Sponsorship allows these companies access to our advisors and staff to discuss and educate on ideas, products, and services. The sponsorship fees are used to offset the meeting expenses or future meeting expenses. The sponsorships are a potential conflict of interest as MSHCA could favor a vendor due to their attendance and sponsorship of an event. MSHCA attempts to mitigate this potential conflict of interest by using the fees strictly to offset the cost of an event and not as revenue for the Firm. Further, sponsorship fees are not dependent upon the amount of assets placed with any sponsor or the revenue generated by the asset placement.

#### **Third-Party Money Managers and Advisers**

MSHCA has revenue sharing arrangements with certain third-party managed accounts or platform advisers. MSHCA receives a portion of the advisory or platform fee which will not be passed on to its IARs. The advisory fee charged to clients will not increase as a result of compensation being shared with the third-party. This arrangement presents a conflict of interest as MSHCA has economic incentive to invest with certain third parties to generate additional revenue for MSHCA. MSHCA mitigates this conflict by not sharing the revenue with the IARs who are recommending the third-party manager.

#### **Third-Party Custodians**

MSHCA has an obligation to select a brokerage platform for trading, clearing, and custody of client assets. Custodians and broker-dealers will be recommended based on MSHCA's duty to seek "best execution", which is the obligation to seek to execute securities transactions for a client on terms that are the most favorable to the client under the circumstances. The client will not necessarily pay the lowest commission or commission equivalent, and MSHCA may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences, and other resources provided by the brokers to aid in the research efforts of MSHCA. MSHCA will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer or custodian.

Currently, MSHCA uses Schwab Advisor Services, a division of Charles Schwab & Co., Inc., a registered broker-dealer and member SIPC, to establish client accounts, maintain custody of clients' assets and effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. MSHCA is independently owned and operated and not affiliated with Schwab. Schwab provides MSHCA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, including in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For MSHCA client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle in Schwab accounts.

The custodian provides to MSHCA other products and services that benefit MSHCA but may not benefit its clients' accounts. Although those products and services may not directly benefit specific clients, many do provide indirect benefits. These benefits may include national, regional, or MSHCA specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may consist of occasional business entertainment of personnel of MSHCA by the custodian personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, which accompany educational opportunities. These products and services assist MSHCA in managing and administering clients' accounts through software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of MSHCA's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping, and client reporting. Many of these services generally may be used to service all or a substantial number of MSHCA's accounts, including accounts not maintained at the custodian.

The custodian also makes available to MSHCA other services intended to help MSHCA manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession planning, regulatory compliance, employee benefits providers, human capital consultants, and insurance and marketing. In addition, the custodian assists with IAR transition costs, which includes but is not limited to client account transfer or termination fees, marketing expenses, and other expenses typically born by an IAR during a transition to a new investment adviser. Custodians also introduce IARs to join MSHCA. While there is no obligation to custody assets with the custodian as a result of a recommendation that an IAR joins MSHCA, those assets will typically be custodied at the custodian which provided the introduction. The custodian will make available and arrange and/or pay vendors for these types of services rendered to MSHCA by independent third parties. The custodian often discounts or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to MSHCA.

While, as a fiduciary, MSHCA endeavors to act in its clients' best interests, MSHCA's recommendation of the custodian may be based in part on the benefit to MSHCA of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by the custodian, which creates a potential conflict of interest. MSHCA attempts to mitigate this conflict by reviewing and considering other custodians to provide services.

## **ITEM 15: CUSTODY**

MSHCA does not maintain custody of client assets on which we advise. Although MSHCA does not take physical custody of client funds or securities the Firm is deemed to have custody of client funds in accordance with the 1940 Adviser Act Rule

206(4)-2, due to the ability to calculate and directly charge client accounts for investment advisory fees. Clients' assets must be maintained in an account at a "qualified custodian", usually a broker-dealer or bank. Currently, MSHCA uses Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer and member SIPC, as the qualified custodian. MSHCA has entered into an arrangement with Schwab to implement an RIA platform. MSHCA is not affiliated with Schwab. Institutional services generally are available to investment advisers and include institutional trading and custody services which typically are not available to the same providers' retail investors. Through Schwab's institutional RIA platform, the client is allowed to grant MSHCA a limited discretionary trading authority over the client's account by executing a written signed agreement. Advisory account assets will be held at Schwab and Schwab will send monthly account statements directly to clients. MSHCA and IARs may also generate quarterly or annual investment reports. Clients are urged to compare statements that are received from the qualified custodian, Schwab, to statements received from MSHCA.

A client who uses a third-party custodian authorizes MSHCA to give instructions to the client's custodian for all actions necessary or incidental to the purchase, sale, exchange, and delivery of securities held in the client's account. Clients will receive statements indicating the advisory fee at least quarterly from the qualified custodian that holds and maintains their assets. MSHCA urges clients to carefully review custodian statements and, when applicable, compare the information to the MSHCA statements.

## **ITEM 16: INVESTMENT DISCRETION**

### **Limited Discretionary Authority**

MSHCA may accept limited discretionary authority for client accounts. An IAA is executed with each client granting limited discretionary authority. In accounts established on a limited discretionary basis; the client gives written authority for MSHCA and its IAR to provide continuous monitoring and supervision and asset management services with regard to the client's account. This means that MSHCA has the limited authority to purchase, sell, reinvest, allocate, re-allocate, and rebalance assets and proceeds in the account without obtaining the client's prior confirmation or consent. Such authority includes, but is not limited to, purchasing, selling, exchanging, tendering, managing, trading in and/or otherwise acquiring and disposing of stocks, bonds, mutual funds, fixed income, cash and cash equivalents, and other securities and/or contracts relating to the same, on margin or otherwise, and to instruct the registered broker-dealer, trustee and/or custodian of the account(s) to receive, accept and deliver securities or other assets, and to implement any investment decisions for the account(s) including periodic rebalancing, all without prior confirmation or consultation with the client. Except as otherwise stated in this agreement, MSHCA has no authority to take possession of any assets in the client account(s) nor to direct delivery of any securities or payment for the benefit of MSHCA. This limited discretionary authority includes the authority to hire, fire, or retain other TPIs or managers and to exercise any authority granted to MSHCA to allocate assets belonging to the client and subject to the MSHCA IAA. MSHCA has no authority to take possession of any assets in the client account(s) nor to direct delivery of any securities or payment for the benefit of MSHCA.

The client may, at any time, impose reasonable restrictions on our discretion. Requests must be submitted in writing and signed and dated by the client or appropriate agent. Clients also may impose reasonable restrictions on the types of investments that may be purchased in their portfolio (e.g., no tobacco or defense stocks). All such requests must be provided in writing at the time the account is established. Clients may also modify the restrictions at any time by providing the update to MSHCA in writing, including an effective date. MSHCA maintains the right to refuse to establish an account or close an existing account if it believes that the imposed restrictions are excessive and would limit the ability to effectively manage the account. The client should understand that the imposition of portfolio restrictions could have an effect on the performance of the portfolio.

### **Non-Discretionary Authority**

MSHCA also offers its advisory services on a non-discretionary basis. Accounts established on a non-discretionary basis requires the client to make investment decisions and direct MSHCA by providing consent each time prior to purchasing, selling, exchanging, tendering, managing, trading in and/or otherwise acquiring and disposing of stocks, bonds, mutual funds, fixed income, cash and cash equivalents, and other securities and/or contracts relating to the client, on margin or

otherwise, and to instruct the registered broker-dealer, trustee and/or custodian of the account(s) to receive, accept and deliver securities or other assets, and to implement any investment decisions for the account(s) including periodic rebalancing. The client maintains authority to hire, fire, or retain other TPIs or managers and to allocate assets. All authority belongs to the client and must be exercised prior to any activity in the account.

Upon request by the client, MSHCA will enter an order for execution as soon as is practical but cannot guarantee that any such transaction will be effected on the day received or at any specific time or price. Since clients who engage MSHCA on a non-discretionary basis must provide consent prior to MSHCA effecting any transaction, MSHCA may place trades for discretionary accounts before it places similar trades for non-discretionary accounts, which may negatively impact the latter. Additionally, if MSHCA is unable to contact a non-discretionary client, the client's portfolio may miss certain investment opportunities or experience losses that may otherwise have been avoidable.

Clients agree to notify MSHCA promptly of any significant changes to the information provided by the client in the IAA or any other significant changes to their financial circumstances or investment objectives that might affect the way in which the client's account should be managed. Clients may also provide MSHCA with any additional information requested by the IAR to effectively manage the client's account.

#### **ITEM 17: PROXY VOTING CLIENT SECURITIES**

MSHCA does not vote proxies and other corporate actions on behalf of its clients. It is the client's responsibility to vote all proxies for securities held in their accounts being managed by MSHCA. See Wrap Fee Brochure for detailed proxy voting information for TPMs and TPIs.

#### **ITEM 18: FINANCIAL INFORMATION**

MSHCA does not require or solicit prepayment of more than \$1,200 in advisory fees per client, six (6) months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. MSHCA and its affiliates are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have never been the subject of a bankruptcy petition at any time.

#### **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not Applicable

**\*\* End of Document \*\***