



**PART 2A of FORM ADV**

**FIRM BROCHURE**

**March 2020**

**MSA Advisors, LLC<sup>1</sup> (d/b/a “Main Street Advisors”)  
An SEC Registered Investment Adviser**

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*This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of MSA Advisors, LLC (“MSA”). If you have any questions about the contents of this Brochure, please contact us at the above number or by email at [trosen@mainstreetadvisors.com](mailto:trosen@mainstreetadvisors.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration with the SEC does not imply any endorsement, approval, or level of skill or training.*

*Additional information about MSA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

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<sup>1</sup> MSA Advisors, LLC was formerly Main Street Advisors, Inc.



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## **Material Changes**

Since our last updating amendment in July 2019, MSA Advisors, LLC has revised the language in various sections in this Brochure, but it has not materially altered any of its responses or its business practices and investment strategies in general.

## **Advisory Business**

MSA Advisors, LLC (“MSA”)<sup>2</sup>, doing business as “Main Street Advisors,” was formed in January 1997 as a California corporation and a registered investment adviser with the United States Securities and Exchange Commission (the “SEC”). MSA is owned by its principals, Paul Wachter, Chief Executive Officer, Christopher Fillo, and Alexandre Cohen. MSA’s primary business is to provide clients with investment advice covering a wide variety of asset classes, including equity, fixed income and alternative assets such as hedge funds, venture capital, private equity funds, real estate and other asset classes. MSA also provides discretionary investment advisory services to “Private Funds” (as defined below).

MSA recommends to clients, or invests in on behalf of clients, funds and accounts managed by outside managers and in doing so builds a diversified portfolio of underlying investments. We invest in a variety of funds and strategies that encompass publicly traded equities, corporate debt, asset-backed bonds, and idiosyncratic strategies that seek to profit from discrete events such as corporate mergers, spin-offs, turn-arounds or restructurings whereby a company’s or issuer’s outstanding securities are reconstituted. The funds may own both “long” and “short” positions, meaning that in addition to holdings they expect to appreciate in value, they also hold securities that they expect to move in the opposite direction of markets’ overall movement, believe will decline in price due to fundamentals at the issuer level, or that otherwise provide an offsetting hedge against negative market movements. These strategies serve to hedge or balance the inherent volatility in markets. Our portfolios may also have meaningful exposure to markets outside of the United States.

In addition to the above strategies that invest generally in traded securities, MSA also recommends and invests in private equity funds, direct private equity and privately held company investments, commercial real estate and other non-traded asset classes. These investments add diversification to client portfolios and provide the potential for higher returns than traded asset class strategies.

For both discretionary and non-discretionary relationships, we consider specific preferences and objectives of our clients. For example, certain funds that may be more volatile

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<sup>2</sup> In 2018, Main Street Advisors, Inc. converted to a California limited liability company and changed its legal name to MSA Advisors, LLC.



than others might have different weightings across client portfolios, depending on the client's needs and preferences. Or, for example, the illiquidity of certain private equity investments may not be appropriate for all clients. With respect to non-discretionary relationships, each client may decline to invest in a recommendation. With respect to discretionary accounts, guidelines and limitations are covered in the operative documents to ensure our portfolios meet their needs and objectives. In providing services to each Private Fund, MSA formulates the investment objective for each Private Fund, directs and manages the investment and reinvestment of each Private Fund's assets, and provides periodic reports to investors in each Private Fund. Investment advice is provided directly to each Private Fund and not individually to the limited partners of the Private Funds. While MSA retains the ability to direct client transactions in its discretionary relationships, in practice MSA generally seeks client approval prior to making new investments. As of December 31, 2019, MSA managed approximately \$5.245 billion of assets, comprised of approximately \$3.561 billion on a discretionary basis and the balance under non-discretionary relationships.

All discussions of the Private Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Private Funds, the fees and other costs associated with an investment in the Private Funds and other terms, are qualified in their entirety by reference to each Private Fund's respective private placement memorandum (if any) (each, a "Memorandum") and limited partnership or similar agreement or other governing document (each, a "Partnership Agreement"). Generally, MSA forms and manages Private Funds for the purpose of effecting specific, identified investments on behalf of its investment management clients, and generally not for third parties that are not existing investment management clients.

## **Fees and Compensation**

### *Management Fees*

MSA generally charges management fees on a calendar quarter basis, in arrears, at a rate of 1.0% annually / 0.25% per quarter on the value of assets under management, as that term is defined in the investment management agreements between MSA and its clients. In addition, MSA charges performance-based fees (or a "carried interest" or "profits re-allocation") of up to 10% of the gains in client portfolios, measured every 12 months. See *Performance-Based and Contingent Participation*, *Side-By-Side Management* section below for further details.

### *Other Fees*

Under our investment management agreements, clients agree to reimburse MSA for incidental portfolio management-related expenses incurred by MSA in our oversight of clients' portfolios. These will include third-party accounting fees and legal fees and other direct portfolio-related expenses in connection with new investments whether or not consummated. The allocation of these expenses among clients is generally based on the relative size of assets under management for each participating client, though if expenses relate to specific clients or discrete investments, those expenses will be allocated directly to the relevant clients or investments.



For non-discretionary client relationships, quarterly management fees and related expenses are billed to clients and paid separately from assets under management (i.e., not deducted from investment assets). For discretionary client relationships, fees are deducted from client assets.

Consistent with the governing documents of the Private Funds, in addition to the advisory fees and performance based compensation, each Private Fund may incur and/or bear certain charges, including but not limited to: or all third-party costs, fees, expenses, and other liabilities arising in connection with the Fund's operating expenses, including all costs and expenses incurred in investigating, developing, negotiating, structuring, acquiring, trading, settling, monitoring and holding portfolio investments (whether or not consummated), travel, legal, tax and accounting expenses in connection therewith; broken deal expenses; brokerage fees and commissions and prime brokerage fees, custodial expenses, agent bank and other bank service fees and other investment costs; capital call lines fees and interest; Private Fund administration fees and expenses; payments to legal counsel, tax advisors, auditors, accountants, administrators, custodians, consultants and other outside advisors; insurance expenses directly incurred by the Private Fund and the Private Fund's reasonable share of insurance expenses incurred by MSA for insurance that covers the Private Fund; market data costs; research and deal origination-related expenses, including, without limitation, news and quotation equipment, software and services; other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of Private Fund assets; costs of any investigation, litigation or threatened litigation relating to the business or activities of the Private Fund or the general partner; indemnification obligations; interest and other expenses for borrowed money; taxes, fees or government charges that may be assessed against the Private Fund; any extraordinary expense of the Private Fund, including fees and expenses associated with any tax or other audit, investigation, settlement or review of the Private Fund; liquidation expenses of the Private Fund; expenses of annual and special meetings of the limited partners; and costs of preparing financial statements and reports to the limited partners as well as tax returns and Schedule K-1s. For the avoidance of doubt, any travel expenses described herein may include expenses associated with the use of private aircraft, business class or first class travel (including ground transportation) and/or lodging at five- star hotels, late night cars and dinners or other meals at high-end restaurants, social and entertainment events with portfolio investment management teams, customers, clients, borrowers, brokers, and service providers.

MSA receives no compensation from third-party fund managers, finders, placement agent fees or other parties, nor does it receive commissions from any client investments or activities. In certain instances, as provided for in the governing documents of certain Private Funds, MSA employees may employed or engaged by and assist one or more portfolio companies in an operations capacity, which for example may involve interim management roles or legal counsel or other similar forms of operations support (such persons, who may act in the capacity of portfolio company employees, consultants or advisors, "Operating Team Members"). Compensation received, directly or indirectly, by MSA on account of Operating Team Members from or in respect of portfolio companies will not reduce the management fee otherwise payable by a Private Fund and all or a portion of that compensation will be borne by a Private Fund directly or indirectly via its ownership interest in such portfolio companies.



### *Fees Upon Termination*

MSA's engagement may be terminated with thirty (30) days prior notice to the end of the initial term or any subsequent term. MSA's engagement may also be terminated at any time for cause or otherwise by the client at their sole discretion. "Cause" is defined in detail in our investment advisory agreements with clients, but is generally based on MSA's fraud, bad faith, gross negligence, intentional misconduct, willful malfeasance, an un-remedied failure to correct material miscalculation of fees, or a documented failure by MSA to respond to clients' inquiries regarding portfolios. In the event of any termination by the client other than for cause, the client may retain any of the investments then under MSA's supervision, provided that for a period of 5 years from the date of termination, the client shall continue to pay MSA management and performance fees under the terms of the investment management agreement with respect to the retained investments. After five years, MSA's right to receive fees on such investments shall expire. With respect to unmarketable or investments not readily subject to being liquidated, MSA will continue to earn management fees until the earlier of five years or the disposition of the investments. With respect to performance fees on these investments, the investment advisory agreement provides a mechanism for a valuation of the investments and a performance fee as if the investment were liquidated as of the end of the five-year period.

### **Performance-Based and Contingent Participation, Side-By-Side Management**

MSA charges performance-based fees of up to 10% of the gains in client portfolios, measured annually. For investments from which the investor has the right to redeem at its discretion, which include funds that invest generally in publicly traded or marketable securities (for purposes of this description of performance fees, "Liquid Investments"), the performance fee is based on the annual appreciation of these assets. For other investments, from which the investor does not have the ability to elect to redeem at its discretion, which include private equity funds, direct private equity and privately held company investments, commercial real estate and other non-traded asset classes (for purposes of this description of performance fees, "Illiquid Investments"), the performance fee is only earned and paid upon realized gains during the period and not on any change in value that is unrealized (regardless of whether the unrealized amount is a gain or a loss). In each measurement year, increases or decreases in the value of the Liquid Investments are combined with any realized gains or losses in Illiquid Investments to determine the performance fee. If a realized loss occurs during a period when the Liquid Investments have declined in value, and therefore no performance fee is earned, the loss will be carried forward and applied to future performance fee calculations. Generally, any realized losses from Illiquid Investments will offset gains on Liquid Investments during any measurement period. (A more detailed description of this calculation is included in the investment management agreements with clients.)

In certain instances, MSA creates a pooled vehicle (either a limited partnership or limited liability company) through which multiple clients (and in certain instances non-clients) can invest



in a specific investment or strategy (“Private Funds”). The economic returns and fee structure of such Private Funds are provided for under the terms of such Private Fund’s governing documents, and the calculation of gains and performance-based fees under the client’s investment management agreement reflect such economics so as to avoid duplicate fees.

Performance fees are subject to a “high-water mark” test, such that the value of the Liquid Investments must always exceed the previous value on which a performance fee was owed (that value being the high-water mark). In certain discretionary accounts where MSA serves as a general partner or managing member, the performance fee may take the form of a profits re-allocation to the capital account of the general partner or managing member, as opposed to a fee payment directly by the client.

Investors should be aware that performance-based fee arrangements could create an incentive for MSA to recommend investments that might differ from those which would be recommended under a different fee arrangement, in that MSA could be incentivized to take greater risk to earn greater client returns and therefore greater incentive compensation. In addition, this arrangement may cause investors to pay a greater expense than if such fees were not charged. However, since such fees are based solely on performance, the investor would have earned gains well in excess of the incremental fee.

Although MSA has the discretion to charge different fees to clients, which could create an incentive to favor higher fee accounts, we endeavor at all times to put the interest of our clients first and as part of our fiduciary duty we take the following steps to address these conflicts:

- We disclose to investors and prospective clients in our investment advisory agreements the existence of multiple clients and that each client’s portfolio may differ from other clients’ portfolios, that MSA may not consider each client for every investment opportunity and that other potential conflicts of interest may exist or arise;
- Through regular consultation with clients’ accountants, counsel and other advisors, we work to ensure that client portfolios and any prospective investments are appropriate for the investor’s financial goals, objectives and risk tolerance and that the investor is qualified to invest;
- We have implemented written policies and procedures for fair and consistent allocation of investment opportunities among all client accounts, subject to the client’s underlying strategy, cash availability, availability of interests in the underlying funds and other appropriate considerations;



- We periodically compare holdings and performance of all accounts to identify significant performance disparities and ensure all accounts have investments in all appropriate funds and opportunities, subject to the preferences, objectives and risk tolerance of the client;
- We never consider any client's fee structure when evaluating a prospective investment or allocation of an investment opportunity to any clients;
- We educate our employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940.

## **Types of Clients**

As of December 31, 2019 MSA's clients consist primarily of high net worth individuals and families, and their related private charitable foundations, trusts, select institutional investors and other entities. MSA generally requires clients to place at least \$10 million under our advisory relationship. MSA also provides investment advisory services to private pooled investment vehicles (Private Funds), in which certain institutional investors may also invest.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

MSA selects its investments based on the asset class (public equities, U.S. vs. non-U.S., equity, credit, debt, hedged vs. long-only, private equity), historical returns relative to appropriate benchmarks (taking into account factors such as exposure levels and volatility) and the organizational and operational soundness, size, disposition, and style of the underlying managers of the funds in which we recommend investing. We perform a rigorous quantitative and qualitative analysis of past performance to understand the factors behind returns. Our portfolios have exposure to equity and debt markets around the world, and have diversification in terms of company size, industry segments, and currency exposure. Nevertheless, investing in securities involves risk of loss that clients should be prepared to bear.

We seek to compound capital over multi-year periods while lowering volatility and correlation to general equity market returns. Given this objective, clients should realize that monthly performance will be variable, and that during any month, quarter or year the value of portfolios may decline, and may underperform standard equity market benchmarks such as the S&P 500. We believe that the investment managers we recommend can, in the context of a portfolio, achieve this objective through security selection and measured use of shorting and hedging strategies and exposure to markets other than the equity markets, such as asset-backed bonds, high yield and distressed debt, non-U.S. stocks and idiosyncratic "event based" strategies.



In addition, through its network of relationships and those of its clients, MSA invests in non-traded “alternative” investments such as private equity funds, private companies, commercial real estate and other illiquid investments. MSA believes that its ability to create strategic partnerships among itself, clients and investment opportunities yields differentiated and profitable investment opportunities for clients.

Below is a summary of certain risks. Clients and/or Private Fund investors should refer to each Private Fund’s governing documents and other relevant documents for additional/supplemental information regarding risk. Our client portfolios will have a degree of risk from: (i) exposure to the performance of the financial markets around the world (ii) absolute and relative interest rates (“credit spreads”), (iii) macro-economic factors, and (iv) national and global economic conditions. Therefore, clients and Private Fund investors could lose all or a portion of their principal invested with MSA if the strategies are not successful, which clients and Private Fund investors should be prepared to bear. In addition, the performance of client portfolios will depend on intangible factors such as the continued skill and engagement of the fund managers themselves. On an ongoing basis, we monitor all of these risks and assess all of these risk factors. We also review the operational soundness of our investment funds by validating the operational integrity of the funds, as measured by the role of independent pricing agents, custodians, and auditing firms.

Our client portfolios also have risks associated with the liquidity terms of the funds in which we invest. The underlying funds provide for the ability to redeem by the investor on a quarterly, semi-annual and in some cases annual basis, and usually require a notice period of between 30 and 90 days before the redemption date. For example, if a fund has quarterly liquidity with a 90 day notice period, a client must notify the fund in writing of his intention to withdraw by March 31 to redeem effective June 30. Otherwise, in this example, the client remains invested in the fund until September 30. Certain underlying funds may also impose “lock-up” periods prohibiting the withdrawal of capital within a defined period of time after the initial investment. In addition, a portion of clients’ portfolios will be invested in illiquid strategies and assets that do not provide for the right to redeem from or sell, such as private companies and funds that themselves invest in non-traded securities.

### **Disciplinary Information**

There are no legal or disciplinary events, material or otherwise, that would affect a client’s, prospective client’s, Private Fund investor’s or prospective Private Fund investor’s evaluation of MSA’s advisory business or the integrity of its management.



## **Other Financial Industry Activities and Affiliations**

Christopher Fillo is the managing member of MSA Securities LLC, a registered broker dealer and Alexandre Cohen is also a registered representative of MSA Securities LLC. MSA Securities LLC does not buy or sell securities from clients of MSA or any other parties, hold securities on behalf of clients, or otherwise transact in securities. MSA Securities is an “introducing broker-dealer” that from time to time advises businesses with regard to raising capital or introducing capital sources. In addition, in the ordinary course of its business, MSA, a subsidiary of MSA or its officers may also serve as general partner or managing member of Private Funds advised by MSA. A listing of such Private Funds is available upon request.

## **Code of Ethics, Participation in Client Transactions and Personal Trading**

MSA recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interest of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All MSA personnel must put the interests of our clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All MSA personnel must also comply with all applicable federal securities laws. Our Code of Ethics outlines the conduct expected of our personnel and includes limitations on personal trading, giving and accepting gifts and procedures covering investment by employees in the same funds and/or securities in which our clients invest. MSA will provide a copy of its Code of Ethics to any client or prospective client upon request.

MSA does not have any financial interests in the underlying investments that it recommends to clients. MSA receives no compensation and has no pecuniary relationships with any of its clients' investments. MSA does, from time to time, form entities (LLCs, limited partnerships, etc.) in which it serves as the managing member or general partner, and in such position earns performance fees or profits allocations based on realized gains achieved by the investments. These entities are limited in their operating documents to making specific investments or specified types of investments on behalf of MSA's clients, as opposed to having broad or general mandates, and are only open to MSA's clients and not to third parties. MSA never has an economic interest in the underlying investment assets in which these entities invest, beyond the potential performance fee or profits allocation it receives under the terms of the partnership or operating agreements that govern the relevant entity. Principals and employees of MSA may invest in these entities, under the same terms and conditions as other of its clients.

Our Code of Ethics prohibits MSA and its principals and employees from investing in funds that are not also generally made available to its clients, unless such opportunity is too small or otherwise unsuitable to its clients. MSA's principals and employees may, however, invest in the same investments (e.g. third-party managed funds) in which its clients invest.



Because MSA does not generally recommend or acquire on behalf of clients specific publicly traded stocks, bonds, or other individual securities, MSA's principals and employees may acquire for their own accounts any listed stock or securities generally available to the public at large through any securities exchange or over-the-counter markets, without advising MSA's clients of such trades. Any such acquisition or disposition of publicly traded stocks, bonds, or other individual securities is subject to MSA's compliance policies. If MSA becomes party to material non-public information about a publicly traded company, MSA adds such company to a restricted securities list and notifies all of its employees of a prohibition on any trading in any of such company's securities. Additionally, trades by MSA's principals and employees in initial public offerings and private placements must be approved by the CCO or his designee prior to execution. All personal brokerage accounts of all of MSA's employees and officers are reported to MSA under a compliance mandate, and all employees' accounts are subject to review to avoid conflicts of interest.

## **Brokerage Practices**

MSA rarely executes trades on behalf of clients through broker-dealers or recommends trades to non-discretionary clients. However, MSA may from time to time have brokerage discretion over client accounts and, in such circumstance, is responsible for directing orders to broker-dealers (excluding MSA Securities LLC) to effect securities transactions upon the receipt of client instructions. In certain situations, a client may direct MSA to use a particular broker. In such situation, clients should be aware that MSA may or may not receive as favorable terms for each transaction as could have been obtained by seeking best execution among a number of brokers.

When MSA selects brokers, it does so on the basis of best price and execution capability. In selecting a broker to execute client transactions, MSA may consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services. It should be noted that MSA does not receive soft-dollar benefits from third-party brokers nor does it offset or link any research services for trading or order flow.

MSA has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting client transaction to the extent consistent with the interests and policies of the accounts. Although MSA generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.



## **Review of Accounts**

MSA reviews and monitors all client accounts on an ongoing basis, and continuously evaluates clients' portfolios for a variety of factors such as general market risk exposure as a percentage of capital (e.g., % long, % short, % net exposure), allocations by general investment strategy, industry exposure, country and regional exposure, and asset class exposure. Reviews are conducted by MSA's principals and designated employees. We also work with our clients' other advisors to ensure our portfolios and investments are consistent with the clients' overall asset allocation, other investment assets outside of MSA's purview, and objectives.

Clients can receive detailed performance reports monthly, and in all cases on a quarterly basis. While client portfolios may differ, and no two are identical, we attempt to enable all clients to have exposure to all of our recommendations and strategies, subject to the limitations of each client's investable assets, liquidity needs and available funds, and risk tolerance. We usually recommend some amount of rebalancing each quarter, but do not adhere to a rigid or fixed allocation model.

## **Client Referrals and Other Compensation**

Persons who are not clients do not provide an economic benefit to MSA for providing investment advice or advisory services to its clients. MSA does not compensate any person who is not an employee of MSA for client referrals.

## **Custody**

For discretionary relationships, MSA ensures that third-party brokers, banks, and fund administrators submit all account statements to both MSA and to the client or a client's authorized representative such as an accountant or attorney on at least a quarterly basis. We recommend that all clients, whether under a discretionary relationship or otherwise, review those third-party statements and reconcile them against MSA's statements, which compile and aggregate all statements from all underlying investments and show various performance measures. For accounts over which MSA has custody and are not subject to a GAAP audit, MSA obtains an annual surprise independent accountant examination as required under Rule 206(4)-2 of the Investment Advisers Act of 1940 to ensure compliance with all regulations and proper valuation and asset confirmation. A qualified independent custodian holds all assets owned by any entity of which MSA is the managing member or general partner. In addition, certain of MSA's Private Funds retain an independent accounting firm to prepare annual GAAP compliant audited financial statements, which are distributed to all investors in such funds within 120 days of the end of the fiscal year or 180 days of in the case of any fund of funds, pursuant to the custody rules.



## **Investment Discretion**

MSA has discretionary authority over certain client accounts, and over the Private Funds in which it serves as managing member or general partner. In the case of individual clients, MSA's discretion is established by either a power of attorney or a limited partnership agreement between the client and MSA. In the case of a limited partnership agreement, the consent of the limited partner is required if an investment exceeds a certain threshold amount or if the investment requires additional capital. In the case of other multi-client entities (Private Funds), MSA's discretion is limited by the terms of the operating or partnership agreement, which usually set forth the purpose of the entity and permitted scope of its investment activity. Because MSA may manage multiple funds at any given time, there may be conflicts of interest over MSA's time and the allocation of investment opportunities among the funds managed by MSA. MSA seeks to mitigate and resolve all such conflicts by determining which fund(s) will, or are required to, participate in the relevant investment opportunity.

## **Voting Client Securities**

In discretionary relationships, MSA has the authority to exercise the voting power of the securities owned by or on behalf of clients. Our proxy voting policy is available upon request. In general, MSA has voting authority over limited partnership interests, under discretionary relationships, in investment funds and not in corporate securities as we rarely own such investments on a direct basis. As a general practice, there are relatively few issues that are submitted to a vote of limited partners. Because MSA has no financial interest in these issuers, we can maintain objectivity in our voting decisions.

## **Financial Information**

MSA does not require or solicit prepayment of fees. There is no financial condition that is reasonably likely to impair MSA's ability to meet its contractual commitments to clients and MSA has not been subject to a bankruptcy petition.