



**Item 1 – Cover Page**

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***MCA Guided Portfolio Series™ Brochure***

Date of Brochure: March 1, 2021

This Brochure (“MCA GPS Brochure” or “Brochure”) provides information about the qualifications and business practices of Midwest Capital Advisors, LLC (“MCA”, “we” or “us”) in general and in our MCA Guided Portfolio Series™ (“GPS”) services in particular. We have a separate brochure for other services we offer. If you have any questions about the contents of or would like a copy of this MCA GPS Brochure, please contact us at 616.454.9600 or [info@midwestcap.com](mailto:info@midwestcap.com). The information in this MCA GPS Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

We are a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that will help you determine whether to hire or retain an adviser.

Additional information about us is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with us who are registered, or are required to be registered, as investment adviser representatives.

Our complete MCA GPS Brochure is available free of charge by contacting Stephen Witte at 616/454-9600 ext. 208 or [switte@midwestcap.com](mailto:switte@midwestcap.com).

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## **Item 2 - Material Changes**

We will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business's fiscal year.

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## Item 4 - Advisory Business

A. Description of Our Firm. MCA is a Michigan limited liability company that was formed in 2003 and has been in business continuously since then. Our office is located at 630 Kenmoor Ave. SE, Suite 206, Grand Rapids, Michigan 49546. MCA is owned by Henry G. Swain, Michael D. DeSmyter, Jack N. Tunge, Mark R. Satkoski and Jeffrey A. Gietzen.

B. Description of Investment Advisory Services We Offer.

General. We provide consulting and investment management services to our clients. We do this through investment adviser representatives. Only our investment adviser representatives are authorized to give investment advice to clients. Information about our investment adviser representatives can be found in the Supplements that are included at the end of this MCA GPS Brochure.

MCA GPS Program-Specific. We offer an automated investment program (the "Program") thorough which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds ("ETFs") and a cash allocation. A client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co."). We use the Institutional Intelligent Portfolios® platform ("Platform") offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with or sponsored or supervised by SPT, CS&Co. or their affiliates (together, "Schwab"). We, and not Schwab, are the client's investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program (including a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis) for clients. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an online questionnaire ("Investor Profile Questionnaire" or "IPQ") that helps determine the client's investment objectives and risk tolerance and essentially selects an appropriate investment strategy and portfolio. The Investor Profile Questionnaire will be used to recommend an investment portfolio for clients' account using the portfolios we constructed within the IIP Program. Initially and at any time when clients have updated their IPQ, the IIP Program will recommend an investment portfolio for their account. Clients will be asked to confirm the recommended investment

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portfolio. Clients must acknowledge that after they have confirmed the recommended investment portfolio, we, as their adviser, will have the discretion to select a final investment portfolio that is different from the investment portfolio they confirmed. However, we will *not* exercise that discretion unless (i) you are a wealth management or financial planning client of ours, (ii) an adjustment is necessary or recommended in light of your overall household portfolio allocation, the assets of which are subject to our management, and (iii) we have notified you of any changes we make to the investment portfolio you confirmed. The IIP Program will promptly notify the client of the selection, modification or replacement of the investment portfolio in which their account is invested. Our services are limited to facilitating access to the IIP Program, constructing and maintaining portfolios within the IIP system and recommending an investment portfolio based on your responses to the Investor Profile Questionnaire.

Clients may indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio. Typically any such changes are approved, but we make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

We charge our clients a fee for our services as described below under *Item 5 - Fees and Compensation*. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does, however, receive other revenues in connection with the Program, including: fund fees; the profit earned by Schwab on the cash portion (the Platform currently requires that be 4% of the total) of each account enrolled in the Program; fees received by Schwab from third-party ETFs that are available under the Program; and market centers where Schwab routes ETF trade orders for execution.

We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at CS&Co that are not enrolled in the Program. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co. Amounts we pay to SPT do not increase the amount of fees we charge to clients enrolled in the Program. We do not receive a portion of a wrap fee for our services to clients through the Program.

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Unlike non-Program clients, we do not provide financial planning or related services to clients as part of the investment management services that are offered through the Program. Such services, if any, are provided for an additional fee pursuant to the terms of a separate written agreement.

Individuals. We assist individuals with the management of their retirement (e.g., IRAs) and non-retirement investment assets. The Investor Profile Questionnaire (“IPQ”) that each client is required to complete (initially as part of the account set-up process and later as and when a client’s circumstances, objectives, time horizons or risk tolerance change) provides assistance and tools that will enable them to formulate an appropriate risk-balanced allocation that fits their indicated needs, resources and risk tolerance. The IPQ is the primary Program planning tool. The client’s responses to the IPQ result in a recommended portfolio that Program algorithms indicate are most suitable for the client. Each such portfolio is one of an MCA-created risk-managed model allocations, which are combination of equity (e.g., stock investments) and fixed income (e.g., bond investments, cash) ranging from very conservative (substantially all fixed income) to very aggressive (substantially all equity).

Tailoring Advisory Services to Client Needs. Before entering into an investment management relationship with a client, we will explain the System and our then-current investment philosophies and strategies, and we encourage each prospective client and client to ask questions. We may change our investment strategies. While we generally advise our clients when these changes are made, we reserve the right to make and implement changes without prior notice or client approval.

Each client is required to sign an investment management, financial planning or other agreement that governs the terms of our relationship. Investment management agreements generally give us broad discretionary management authority. See *Item 16 - Investment Discretion* below for more information on our discretionary authority.

Investment management agreements remain in effect until terminated by either us or the client. Either we or the client may terminate the investment management agreement upon fifteen (15) days’ prior written notice to the other. In the event of a termination we will charge a prorated fee based on the number of days that services were rendered during the partial billing period based on the value of the account at the normal month-end closest to the termination date. Upon termination we will have no further responsibilities with respect to the client’s investments. If clients choose to change custodians they will be responsible for paying any transfer fees and charges imposed by the client’s custodian.

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Each client will open an investment management account by depositing cash (or, if and when permitted by the Program, securities) into a brokerage or other custodial account with CS&Co. Cash (including proceeds of the sale of any permitted securities) will be invested in the recommended portfolio. We are not responsible for any investment losses or tax consequences incurred with respect to the sale of any securities that clients place into their accounts.

Clients enrolled in the Program are generally not able to place limitations on what kinds of securities (for example, excluding a specific company's securities) that may be held in a Program account.

Making sure that a strategy is appropriate for and agreed to by a client is a requirement of opening and maintaining an investment account with us. Clients must update their Investor Profile Questionnaire as and when their circumstances change because we and the System do not have any other way of knowing this information. This is important because we and the System need to be able to evaluate if and to what extent the current strategy is still appropriate. We and the System will rely solely upon the information clients provide in the initial and any updated Investor Profile Questionnaire; we will not independently verify the accuracy or completeness of information clients provide. It is the client's responsibility to complete and submit a new IPQ if and when their financial needs, circumstances or objectives change.

Clients will be notified by email of certain changes made to their account, including (a) completion of the portfolio review and selection process for a new account; (b) completion of the portfolio review and selection process in response to a client updating his or her answers to the IPQ; and (c) any changes we make to a client's existing portfolio.

Each client's portfolio will represent a balance of risk and potential return and have an appropriate amount of asset diversification that is consistent with the client's objectives and ability to tolerate risk. The Program periodically re-allocates and "re-balances" investment portfolios in light of our then-current investment strategies, market conditions and other factors. A Program client's portfolio will not necessarily follow the same investment strategy or be made up of the same investments as other clients. There will also be differences between the portfolios of Program clients with similar circumstances and investment objectives due to availability of some investments, when a client becomes a client, when purchases and sales are made and the size of the portfolio.

Our investment decisions are driven largely by our applicable strategies rather than the timing of a client's particular investment or how long a client has held a particular investment. While there can be exceptions, we generally will purchase, sell and hold securities in a

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client's portfolio without specifically considering a client's other investments and without regard to the specific tax consequences to the client resulting from the sale of an investment.

C. Description of Financial Planning Services We Offer. There are *no* separate financial planning services offered under the MCA GPS Program. Additional financial planning services, if any, are provided and charged for pursuant to the terms of a separate financial planning and consulting agreement that has been signed by the client. The specific nature, extent, timing and other terms of such services and the fees we charge for them are agreed to by each client and are specifically set forth in that agreement. See *Item 5 – Fees and Compensation* below for more information on fees for financial planning services. Only our investment adviser representatives are authorized to provide financial planning services to clients.

D. Wrap Fee Programs. We do not currently participate in any so-called “wrap fee programs.” More information about our practices with respect to brokerages can be found in *Item 12 - Brokerage Practices* below.

E. Discretionary Assets Managed. As of December 31, 2020, the amount of client assets we managed in programs other than the Program was approximately \$512,945,467 on a discretionary basis and approximately \$54,837,661 on a non-discretionary basis, for a total of approximately \$567,783,128. As of December 31, 2020, the amount of client assets we managed under the Program was approximately \$9,937,955.

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

A. How We Are Compensated for Our Services. We receive fees from our clients for the investment management and financial planning services we provide to them. The specific manner in which we charge fees to our clients is set forth in the written investment management agreement and/or financial planning agreement that clients sign.

Investment Management Services. Generally, fees for investment management services are computed as a percentage of the fair market value of the assets in the investment management account as of the end of the preceding calendar quarter or month (in other words, “in arrears”), depending on the terms of the contract. We reserve the right to make prorated adjustments to our fee for deposits and withdrawals on terms set forth in our investment management agreements.

Because all of the Program accounts will hold ETFs (which lend themselves to relatively easy and accurate market valuation), or cash, the “fair market value” of assets under



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management will be calculated by Schwab. Securities that have their prices reported on a national securities exchange, the NASDAQ stock market or any other widely available sources are usually valued at the last reported sale price on the valuation date.

We negotiate our fees with each client. Fee structures are based on a number of factors including the amount of assets under management, the nature and extent of management services, the complexity of investments and other unique characteristics of the proposed engagement. We reserve the right to charge different fees to different clients, to reduce the fee for larger accounts, to aggregate or combine related accounts for fee calculation purposes, to charge lower fees where additional funds are expected to come under management and to charge a lower fee on accounts owned or controlled by our principals or investment adviser representatives. Currently, our annual advisory fee for clients enrolled in the Program is 0.50% (0.005). Advisory fees are paid quarterly in arrears.

Financial Planning Services. Fees for separately provided financial planning services are typically a fixed amount, which is determined by the nature, extent, complexity, frequency and duration of the services to be provided. The amount charged for any such services is disclosed and explained to potential clients prior to being set forth in the financial planning agreement that is signed by the client. A portion (typically one-half) of the fees for financial planning services are paid at the time a financial planning agreement is signed, with the balance generally paid at the completion of the services (generally indicated by delivery to the client of a written report we prepare). If set forth in the financial planning agreement, services may be renewed and provided annually in which case fees will be due and payable upon the initial and each subsequent anniversary of the effective date of the financial planning agreement. Payments can be made by check or by credit card. Credit card arrangements may involve the client giving us the authority to charge their card annually for ongoing financial planning services.

B. Deducting Fees from Accounts. Generally fees for investment management services are paid by having Schwab deduct the fees from the investment management account. With respect to clients for whom we calculate the fee we provide the custodian a copy of the investment management agreement (or other documentation) as evidence of the client's agreement to the fee deduction. If any fee deduction authorization is terminated, the client must pay the invoice within 10 days after receipt. As discussed above, fees are billed and deducted quarterly or monthly depending on the specifics of the client relationship.

C. Other Fees and Expenses. Fees we receive from clients are in addition to and exclusive of brokerage commissions, transaction fees, and other related costs and expenses that clients may pay. Program clients also pay fees to Schwab (see below). As discussed in *Item 4 - Advisory Business* above, funds also charge internal management fees, which are disclosed in a

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fund's prospectus. *Item 12 - Brokerage Practices* below further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

D. Prepaid Fees. Except as may be provided in any financial planning agreement that has been signed by the client, we do not require clients to pay any fees in advance. In the event a client prepays fees and the financial planning agreement is terminated prior to completion of the financial planning services such fees, less an amount that reasonably compensates us for work done prior to termination, will be refunded to the client.

E. Compensation for Sales of Securities. Neither we nor any of our personnel is compensated (for example, through commissions, 12b-1 or similar fees) by third parties for the sale of investment product or securities.

F. Fees to Schwab. As described in *Item 4 - Advisory Business*, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co as part of the Program. Schwab does receive other revenues (including fund fees) in connection with the Program, as described above. Brokerage arrangements are further described below in *Item 12 -Brokerage Practices*.

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

We do not currently charge or receive any performance-based fees (in other words, fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 - Types of Clients**

Clients eligible to enroll in the Program include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open an account in the Program is \$5,000 and MCA reserves the right to terminate the Program for any account that falls below \$5,000. The minimum for account balance to enroll in the tax-loss harvesting feature is \$50,000.

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

A. Methods of Analysis and Investment Strategy. We use a variety of methods of investment and statistical analysis, in part depending on the type of investment. Our methods include fundamental, technical and charting, and cyclical investment analysis. Other factors we

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look at are the level and anticipated direction of interest rates; local, regional, national and global market and economic conditions; trends; and geo-political circumstances around the world that could affect our clients' investments.

Fundamental analysis refers to the examination of each company's (or, as we generally employ it, the asset class of which a company is a part) financials and operations, including sales, earnings, growth potential, assets, debt, management, products and competition. These are variables that directly related to the company or asset class itself.

Technical analysis and charting, on the other hand, refer to evaluations of securities based on the assumption that market data (such as charts of price, volume, and open interest) can help predict future (usually shorter term) market trends. Unlike fundamental analysis, the intrinsic value of a particular security or asset class is not considered. Technical analysis evaluates market psychology and its influences on trading in a particular stock, market sector, asset class or the market as a whole. The cyclical method of analysis focuses on companies or asset classes whose securities are sensitive to business cycles and whose performance is strongly tied to the overall economy.

In order to create allocations for the equity portion of a portfolio, we first review a "snapshot" of the global equity market, broken down into approximately 12 discrete asset classes (for example, U.S. vs. non-U.S., developed vs. developing/emerging markets, market capitalization, value vs. growth etc.). We then analyze each asset class, using both historical and forward-looking analytics and research resources, to determine how much to over- or under-weight that asset class compared to its current and historical levels (absolute and relative to other asset classes). Appropriate adjustments to the allocation are then made and implemented. To determine what adjustments should be made, we use various resources including statistical regression, reversion to the mean, correlation and covariance analyses. We also use third-party research resources as appropriate.

The makeup of the fixed income portion of a portfolio is based on a variety of factors that generally include current and anticipated levels of interest rates, the general economic outlook and the credit quality, ratings, absolute and relative yield, duration, structure taxability and other characteristics of various fixed income securities.

We use a variety of factors and methods to evaluate and select funds that are used in our clients' portfolios. These include: whether the fund is available for the Program, analysis of absolute and relative risk-adjusted net returns over varying periods, manager tenure, risk profile, fiduciary measures, fund expenses, portfolio turnover, fund composition, fund "style drift," consistency of management philosophy, process and personnel, information contained

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in fund prospectuses and, if necessary, meetings and/or conversations with fund company representatives.

B. Material Risks Involved. **Investing in securities involves risk of loss that clients must be prepared to bear!** No method of investment analysis provides perfect information or foresight. All methods are subject to risks posed by the quality and accuracy of the information used, the methodologies used and the resulting conclusions reached. Investment strategies are somewhat a function of the quality of the investment analysis. And, in addition, they are subject to the risks normally attendant to investing such as market risk, diversification risk, business risk, interest rate risk, currency risk, political risk, natural event risk, legislative/regulatory risk, inflation risk, credit/default risk, call risk, reinvestment risk, liquidity risk and other risks that are discussed below. No investment strategy is perfect or can eliminate risk. No investment strategy can guarantee a positive result or that you will not lose money.

We do not believe that our methods of analysis or Program investment strategies involve significant or unusual risks beyond those that are present in any other methods or strategies.

All investments have different types and degrees of risk. While our investment strategies are designed to provide appropriate diversification, some investments have significantly greater risk than others. Virtually all of our investment strategies are asset-class-based. This means that, within Program limitations, we allocate an appropriate amount of each client's portfolio among various broadly defined (e.g., equities vs. fixed income) and more narrowly defined (e.g., large-cap vs. small-cap equities, corporate vs. government bonds and long-term vs. shorter-term bonds) asset classes that we deem appropriate. The proportions of each asset class are dependent on the client's objectives, time horizon and tolerance for risk. The equity portion of a client's portfolio is subject to "market" or "systematic" risk (i.e., the risk that an investment will lose value because of an overall market decline), which could be substantial, and potentially large swings in value. It is also subject to "non-systematic" risk (i.e., risks that are unique to a particular company or industry). These include business risk, political risk, currency risk, natural event and legislative/regulatory risk. The fixed-income portion of a client's portfolio is subject to its own set of risks including credit/default risk, interest rate risk, call risk, inflation risk, re-investment risk and event risk. The Program currently permits only ETFs to be used in a client's account. While this may provide for more diversification compared to using individual securities, it also adds a layer of cost (i.e., the fund operating expense) it does not guarantee that a loss in value of one or more of the holdings in a particular ETF will not adversely affect the value of the fund as a whole since only "non-systematic" risk can be reduced through diversification. If clients want to pursue higher rates

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of return on investments, they must be able to accept higher levels of risk. Our investment strategies are designed to balance risk and potential return to achieve client objectives, but there is no assurance that they will do so. We encourage clients and prospective clients to ask questions about investment risks they do not understand.

We use our best judgment on behalf of our clients. Still, we cannot assure clients that investments will be profitable or that there will not be losses in their investment portfolio. Past performance is one consideration with respect to any investment or investment adviser but it is not a reliable predictor of future performance. We continuously strive to deliver outstanding long-term investment results but economic and market variables beyond our control can affect a portfolio's investment performance.

C. Particular Types of Securities. Except as limited by the Program, we do not categorically limit our advice or management to any particular types of investments. Instead we provide investment advice on any investment on which we feel qualified and capable and which we believe are appropriate for our clients.

### **Item 9 - Disciplinary Information**

As a registered investment adviser we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information that is required to be disclosed pursuant to this item.

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

As a registered investment adviser we are required to disclose if we or any of our management personnel are registered (or planning to register) as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of these entities, or if we recommend (or have any other relationship with) any other investment adviser that might create a conflict of interest and receive compensation for doing so. We have no information that is required to be disclosed pursuant to this item.

We are also required to identify and describe conflicts of interest related to any material relationship or arrangement that we or any of our management persons have with certain other persons in the financial, investment, banking, accounting, legal, insurance, real estate or similar industries. We have no relationships or arrangements that are required to be disclosed.

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

We adopted a Code of Ethics on April 21, 2010. The Code of Ethics sets forth the standards of business conduct that we expect all officers, managers, members, investment adviser representatives and employees to follow. It also describes certain reporting requirements with which certain particular individuals associated with us must comply. We will provide a copy of our Code of Ethics to any client or prospective client upon request. Requests should be directed to Michael DeSmyter, (616) 454-9600 (ext. 201) or mdesmyter@midwestcap.com.

We or our related persons may purchase for our or their own accounts (“proprietary accounts”) securities that we recommend to our clients, including clients that are related persons. Neither we nor any of our related persons are permitted to enter into or have an interest in an investment transaction that would create a conflict between our interests and our clients’ interests without fully disclosing the conflict to affected clients. Neither we nor our related persons are permitted to benefit, directly or indirectly, from transactions made for the account of others. However, proprietary accounts are permitted to benefit on the same basis and to the same extent as client accounts when each holds the same investment. Nonetheless, because the Code of Ethics in some circumstances would permit our representatives to invest in the same securities as clients, there is a possibility that our representatives might benefit from market activity by a client in a security held by a representative. We continually monitor the trading of our representatives as one way to prevent conflicts of interest between us and our clients.

Generally speaking (with certain exceptions described below), investments may only be purchased by us or our related persons after the completion of the purchase of such investments for current client portfolios and may only be sold after completion of the sale of all client holdings of such investments. Exceptions are made for personal securities trades that we believe do not involve potential conflicts of interest, such as Treasury securities, open-end mutual funds, and small amounts of stock of companies, exchange traded funds or closed-end funds that have very high market capitalizations and/or very high average trading volumes relative to the amounts involved. We believe that in such cases the potential for trades we make to materially affect the price of an investment is minimal or virtually non-existent.

Exceptions may also be made in accordance with our trade allocation policy, which is discussed in *Item 12 - Brokerage Practices* below.

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## Item 12 - Brokerage Practices

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co by entering into an account agreement directly with CS&Co. We do not open the account for the client. If a client does not wish to place his or her assets with CS&Co, then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services – trading, custody, reporting and related services – many of which are not typically available to CS&Co retail customers. CS&Co also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. CS&Co's support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. The following is a more detailed description of CS&Co's support services: CS&Co's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co's services described in this paragraph generally benefit the client and the client's account.

CS&Co also makes available to us other products and services that benefit us but may not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);



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- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
  - provide pricing and other market data;
  - facilitate payment of our fees from our clients' accounts; and
  - assist with back-office functions, recordkeeping and client reporting.

CS&Co also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

CS&Co may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS&Co may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. CS&Co may also provide us with other benefits such as occasional business entertainment of our personnel.

The availability of services from CS&Co benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co in trading commissions or assets in custody. With respect to the Program, as described above under *Item 4 Advisory Business*, we do not pay SWIA fees for its services in connection with the Program so long as we maintain \$100 Million in client assets in accounts at CS&Co that are *not* enrolled in the Program. In light of our arrangements with Schwab, we have an incentive to recommend that our clients maintain their accounts with CS&Co based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. We believe, however, that our selection of CS&Co as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of CS&Co's services and not Schwab's services that benefit only us. We have adopted policies and procedures designed to ensure that our use of Schwab's services is appropriate for each of our Program clients.



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### Item 13 - Review of Accounts

The Program account review process is markedly different, and less frequent and detailed, than that employed in connection with non-Program services we offer. Consistent with the nature of the Program services and the lower fees we charge for clients that are enrolled in the Program compared to those that are not enrolled in the Program, the responsibility for periodically reviewing and evaluating or making any changes to a Program client's account allocation lies with the client. Once an initial account allocation is established using the Investor Profile Questionnaire process described above, the targeted allocation (subject to periodic re-balancing) will stay the same unless and until (a) an allocation change is indicated by the client having gone back through the Investor Profile Questionnaire process; or (b) MCA makes changes to the risk-managed model allocations or the ETFs that provide exposure to the asset classes included in such model allocations. We will not be sending Program clients statements so they must rely on the statements and other account information that is available from Schwab. **We strongly urge clients to periodically review their accounts, as well as their personal financial situation, goals, time horizon, risk tolerance and any other factors that may be relevant to how their account is or should be allocated and to re-complete the Investor Profile Questionnaire process to either confirm that the current allocation is suitable for the client or indicate what changes are recommended.**

### Item 14 - Client Referrals and Other Compensation

Because we feel that doing so might create a potential conflict of interest or appear to impair our independence, we do not accept compensation (or other economic benefit) from any person other than our clients for providing investment advisory or financial planning services to our clients.

From time to time, we may pay a fee or other compensation to one of our principals, employees or investment adviser representatives for their efforts in bringing Program clients to us. This does not increase the fees any such clients pay to us.

We engage solicitors to market our services. If you become our client as a result of the solicitor's efforts, you will receive, from the solicitor, a separate Solicitor's Disclosure Document describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this Form ADV Part 2A, as our disclosure brochure. Generally, any such agreement will provide for payment to the solicitor of a percentage of the management fees we collect from you. Solicitor compensation will be based upon the management fees we collect from you, and may be paid during a specified time period after we begin providing management services to you or for the entire time that you remain

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one of our clients. The solicitor may therefore have a financial incentive to recommend our management services over other programs or services. The amount of this compensation may be more than the amount the solicitor would receive if you participated in other programs. We do not charge clients introduced by such solicitors any higher management fee as a result of our obligation to pay for such solicitation services.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under *Item 12 Brokerage Practices*. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Item 15 - Custody**

We are not permitted to (and do not) have actual custody of our clients' accounts (see *Item 16 - Investment Discretion* below). We are, however, *deemed* to have constructive custody by virtue of the fact we have the authority to deduct client fees from their accounts (see *Item 5 - Fees and Compensation* above).

Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct CS&Co to deduct our advisory fees directly from the client's account. This is the case for accounts in the Program. CS&Co maintains actual custody of clients' assets. Clients receive account statements directly from CS&Co at least quarterly. They will be sent to the email or postal mailing address the client provides to CS&Co. Clients should carefully review those statements promptly when received. We also urge clients to compare CS&Co.'s account statements to periodic reports clients may receive from us.

On February 21, 2017, the Securities and Exchange Commission ("SEC") released a "no-action" letter that provided additional guidance on how the SEC's so-called "Custody Rule" applies to an adviser's third-party money movement authority and how, under certain conditions, commonplace transactions such as exercising client-granted authority to move money out of clients' accounts may now amount to constructive custody. The SEC guidance clarified that standing letters of authorization ("SLOAs") granting authority to move client funds or securities to third parties is deemed to be custody.

### **Item 16 - Investment Discretion**

Our investment management agreements generally provide us with discretionary authority to manage securities accounts on behalf of clients. This authority is broad and

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includes choosing the types of investments, the allocations between different categories of investments, the timing of investment decisions and trading strategies and techniques. Our discretionary authority is limited, however, in two important respects: First, such discretion can only be exercised in a manner that is consistent with the stated and agreed-upon investment objectives for the particular client account. Second, investments may only be purchased, sold or transferred in each client's name and proceeds from the sale or liquidation of securities may only be disbursed to a client's custodian, not to us. As mentioned in *Item 15 - Custody* above, we are not permitted to have actual or constructive custody of client assets, so all checks, securities and other property must be transferred directly between the client and the client's custodian.

Clients are free to negotiate with us to have included in their investment management agreement limitations and restrictions on our investment discretion. Any such investment guidelines or restrictions must be set forth in and provided to us in writing.

#### *Item 17 - Voting Client Securities*

Unless otherwise agreed to in writing, as a matter of firm policy and practice, we do not take on authority for and do not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for all securities held in their accounts. Clients should receive proxy materials or other solicitations directly from their custodian or transfer agent. Clients may contact us with questions about a particular solicitation.

#### *Item 18 - Financial Information*

We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to clients. We have not been the subject of a bankruptcy proceeding.