

## **HEALTHCARE COMMUNITY SECURITIES CORPORATION**

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Healthcare Community Securities Corporation  
Investment and Fiduciary Support Service  
(Schedule H)

**The brochure provides clients with information about Healthcare Community Securities Corporation and the Healthcare Community Securities Corporation Investment and Fiduciary Support Service wrap program that should be considered before one becomes a client of the Healthcare Community Securities Corporation Investment and Fiduciary Support Service wrap program. This information has not been approved or verified by any governmental authority.**

03/31/2010

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## **Introduction**

Healthcare Community Securities Corporation (“HCSC”), is a registered broker/dealer with the Financial Industry Regulatory Authority (“FINRA”), and a member of Securities Investor Protection Corporation (“SIPC”) and a registered investment adviser. HCSC conducts business under the trade names HANYS Benefit Services (“HBS”), and Strategic Benefit services (“SBS”). HCSC is an affiliate of the Healthcare Association of New York State (“HANYS”).

In offering advisory services, HCSC provides professional management of clients’ funds and investment management services, which include customizing portfolios. As part of these advisory services, HCSC offers a program entitled Investment and Fiduciary Support Service (“IFSS”). This program is offered to defined benefit pension plans, endowment funds and private foundations and is intended to provide them with comprehensive investment services.

### **Services offered to Clients through the IFSS program may include the following:**

- diagnostic review of existing portfolio;
- custom investment policy statement;
- strategic asset allocation;
- investment manager search, selection, and ongoing review;
- quarterly comprehensive performance reporting; with advanced portfolio analysis;
- client access to portfolio via secure Web site; and
- trust and custody services (optional).

## **About Healthcare Community Securities Corporation**

HCSC is a registered broker/dealer with the FINRA, a member of SIPC and a registered investment adviser with New York State. HCSC is an affiliate of the Healthcare Association of New York State ("HANYS").

In offering advisory services, HCSC provides professional management of clients' funds and investment management services, which include customizing portfolios. Such portfolios consist of appropriate investments designed to meet particular client needs. HCSC will assist clients with the development of planning documents describing investment expectations and returns, thus will serve as the basis for selecting and monitoring the asset allocation and investment policies. Investment performance evaluations provided quarterly include: rate of return, manager evaluation and benchmark comparisons.

Under HANYS Benefit Services HCSC provides IFSS, retirement plan services and investment products to 250+ health care organizations. HANYS represents more than 550 non-profit and public hospitals, nursing homes, home care agencies and other health care organizations throughout New York State.

Under Strategic Benefit Services HCSC, provides IFSS, retirement plan services and investment products to non-hospital organizations.

## **Investment and Fiduciary Support Service Program**

The IFSS program is offered to defined benefit pension plans, endowment funds and private foundations and is intended to provide them with comprehensive investment services. Services offered to clients through the IFSS program may include the following:

- diagnostic review of existing portfolio;
- custom investment policy statement;
- strategic asset allocation;
- investment manager search, selection, and ongoing review;
- quarterly comprehensive performance reporting; with advanced portfolio analysis;
- client access to portfolio via secure Web site; and
- trust and custody services (optional).

If you are interested in establishing an account, we will meet with you to review your current financial position, risk tolerances, and investment goals. We will collect information about you in order to create a profile of your financial and investment situation and build an optimal asset allocation for your portfolio. This may result in building a new asset allocation or validating your current approach if you have an established asset allocation model.

Based on this review, we will also help you write an Investment Policy Statement and provide a review service if you are already working with an existing policy document. Our investment policy review service builds on the best practices of an existing policy document to help extend its value and utility to you. We will present the Investment Policy Statement to you for your review and approval.

Based on the information used in developing your optimal asset allocation and Investment Policy Statement, we will conduct an institutional class manager search and selection. Our search is comprised of 1) an initial screen; 2) quantitative filters; 3) qualitative filters; 4) an in-depth evaluation; and 5) investment committee review. An example of a quantitative filter is “all large cap growth managers with average annual 10-year total return greater than nn%.” Examples of qualitative filters are “the tenure of key portfolio managers with the firm,” or “the use of financial leverage to enhance returns.” Based on these five factors, HCSC will identify one or more suitable investment managers in each asset class of your portfolio for your selection. Our search is customizable to each client’s unique search criteria preferences.

Based upon information provided about your objectives, risk tolerance and investment experience, HCSC will recommend specific investment managers with whom to invest your assets. The amount of assets available for investment will determine whether we recommend that you invest through mutual funds or separately managed accounts. In addition, HCSC may recommend that you invest a portion of your assets in specific investment vehicles. These may include investments through: 1) exchange traded funds (“ETF’s”); 2) individual securities; and 3) alternative investments, including hedge funds.

### **Account Opening Process**

If you are interested in establishing an account, you will need to sign an Investment Advisory Agreement and provide the requested information. You will also need to complete the Investment Strategy Questionnaire to provide us with information to develop and suggest an initial asset allocation mix for your account as well as the initial investments for the account. Neither HCSC nor your investment adviser representative will implement any recommendations without first obtaining your approval.

Forms to be completed and signed:

- Investment Strategy Questionnaire (“Questionnaire”), which collects information about a client’s objectives, assets, risk tolerance, plan investment restrictions (as applicable) and investment experience;
- Investment Advisory Agreement;
- First Clearing Corp. Custody Agreement;
- Managed Account Services, LLC Brokerage Agreement,

The minimum amount of assets required to be placed in a program account is \$25,000,000. HCSC reserves the right to lower the minimum required amount on a case-by-case basis, as well the right to terminate an account if the assets in an account fall below the minimums.

### **Account Monitoring and Supervision**

We will monitor your account for overall performance, individual manager performance and conformance to your Investment Policy Statement. We will review your account’s performance with you at least quarterly. Based upon these factors, as well as changes in your financial situation, we may suggest rebalancing your account to maintain the asset allocation or replacing of managers to maintain your desired goals and performance. We review performance information in conjunction with Prime Buchholz & Associates, a registered investment adviser. We rely on information provided by Prime Buchholz to confirm the accuracy of this performance information.

We will provide you with periodic recommendations concerning the need to rebalance your portfolio. Rebalancing is a portfolio management tool intended to ensure consistency of your investment strategy over time. Rebalancing will entail the purchase and sales of existing individual asset classes within your portfolio to maintain your asset allocation parameters. Acceptance of HCSC's recommendation includes authorization to instruct investment managers to withdraw, transfer or accept funds.

An investment adviser representative is continually available to answer any questions and to implement any changes you want to make based on changes in your financial circumstances, or the financial markets. HCSC will communicate information to the portfolio managers about changed circumstances in your account, as communicated to us, as necessary.

### **Information About Our Investment Advisor Representatives**

Our investment adviser representatives providing investment advice in connection with the IFSS program are required to have minimum qualifications as follows:

- Five years experience in the investment industry
- Bachelor of Arts degree (BA) or CFP® designation
- NASD Series 6, plus Series 63, 65 or Series 66.

The group of individuals who determine the general parameters of investment advice to be given, review client accounts and supervise the activities of our investment adviser representatives are as follows:

John William Jezsu  
DOB: 01/04/49  
BA – University of Connecticut 1970  
Business Background:  
Healthcare Community Securities Corporation 08/99 – Present  
Managing Executive  
Marsh & McLennan Securities 06/99 – 08/99  
Registered Representative  
Sedgwick Noble Lowndes 12/90 – 06/99  
Consultant

James J. Kelley  
DOB: 7/23/1961  
Education: Gettysburg College B.A. 1983  
Business Background: Healthcare Community Securities Corporation  
Chief Compliance Officer/President 01/10-Present V.P Sales & Marketing 06/08-01/10  
Hartford Equity Sales Company 10/06 -6/08  
Metropolitan Insurance Company 7/99 10/0

Todd Michael Baughn  
DOB: 09/24/65  
BS – Plattsburgh State University 1988  
Business Background:  
Healthcare Community Securities Corporation 01/97 – Present  
Manager Marketing & Compliance  
Linsco/Private Ledger Corp. Registered Representative 11/96 – 01/97 & 10/95 – 04/96

William Henry Desormeau  
DOB: 12/18/1951  
BA – Syracuse University 1973 and MBA SUNY Albany NY 2000  
CFP® 01/2006  
Business Background:  
Healthcare Community Securities Corporation 04/2003 – Present  
Manager  
UBS Paine Webber 04/1998 – 04-2003  
Financial Advisor

### **Advisory Fee and Other Charges**

We charge a wrap fee for your account that covers all advisory, administrative, clearing, custodial and execution services provided to you under the program. (Certain ancillary fees and charges, such as dealer mark-ups or mark-downs, odd-lot differentials, auction fees, exchange fees, transfer taxes, offering concessions and related fees for purchases of closed-end investment companies, and electronic fund and wire transfer fees, are not included and are in addition to the wrap fee).

Your investments in a program account may also be subject to other fees and charges imposed by other third parties, such as: in the case of mutual fund investments, mutual fund investment management fees, administrative servicing fees, and contingent deferred sales charges upon redemption of previously purchased mutual funds; costs associated with temporary investments of your account funds in a money market account; or, in the case of a private fund or exchange traded fund, separate custodial and investment management fees charged by the fund. Other parties may receive a portion of these third-party fees.

The wrap fee does not cover compensation for any securities transactions you request involving assets or securities not in a program account, nor does it cover brokerage and related charges for securities transactions involving program accounts but effected outside of the program; i.e., those transactions not effected through Managed Account Services, LLC. (In the case of a separate account, the choice of broker-dealer is made independently by the responsible asset manager on a trade-by-trade basis, subject at all times to prevailing 'best execution' standards that require managers to seek the most favorable terms reasonably available to the client under the circumstances).

The wrap fee is a blended fee calculated as a percentage of assets in your account and may vary according to asset allocation, manager, and total account value. The maximum annualized advisory fees set forth in the schedule below that we currently charge for the program are varied according to account asset value.

<u>Account Asset Value</u>	<u>Maximum Annualized Fee (HCSC Wrap Fee+Manager Fee)</u>
\$25,000,000 to \$49,999,999	2.50%
\$50,000,000 to \$249,999,999	2.15%
\$250,000,000 and over	1.80%

The maximum annualized fee above assumes the maximum amount charged by the investment managers we currently use in our program. The range of annual fees charged by these investment managers varies from 0.20 % to 1.50% as a percentage of your account asset value. Investment managers in the IFSS program set these fees independently.

The wrap fee is paid in advance, and is based on the account asset value as of the last business day of the previous calendar quarter. The fee is debited from your account the day after the end of the quarter. If cash or cash equivalent funds in your account are not sufficient to pay the advisory fee or any of the other fees charged in connection with your account or transactions for your account, investments in your account may be liquidated in order to pay the outstanding fees.

If your account is managed for only a portion of a quarter, the wrap fee will be prorated accordingly. Part of the wrap fee collected by us is paid to Managed Account Services, LLC ("MAS") as compensation for the program platform, software tools and other services provided by MAS under the program. MAS in turn re-allows a portion of the fee received to the program's custodian, First Clearing Corporation ("FCC") pursuant to your custodian agreement with FCC. The wrap fee is negotiated on a case-by-case basis.

The assets in your account will be valued as follows: If securities are listed on a national securities exchange or Nasdaq, at the closing price on the valuation date or the principal market where the securities are traded; and, other securities or investments in the account will be valued in a manner determined in good faith by HCSC to reflect the market value.

Fees charged for the program services may be greater than if you paid separately for them depending upon the investment advisory fees charged, the number of transactions for the account and/or the level of brokerage and other fees that would be payable if you obtained the services under the program individually. HCSC may therefore have a financial incentive to recommend this wrap fee program over other programs or services.



## **Execution of Client Transactions, Custodial Services and Reports**

Trades for your program account will be executed through MAS, a registered broker-dealer. Transactions for these accounts are cleared through FCC a registered broker-dealer. FCC will also act as custodian for assets in your account. We will not take custody of your advisory account assets. All dividends and other distributions from your account assets will be managed in accordance with your instructions.

MAS will furnish you quarterly and annual written statements of the assets in your account the purchase date, the cost (as applicable), the current market value and performance data for the period.

FCC will provide monthly account statements as to the status of your account as well as trade confirmations of transactions (unless you opt to suppress confirmations), and annual reports and prospectuses for your program account investments. You will also receive all statements and forms required to be provided to you for tax reporting purposes.

## **Other Business Activities and Affiliations**

HCSC is a limited broker-dealer registered with SEC, NASD, and various state regulatory agencies. In this capacity, we are involved in the sale of securities, limited to mutual funds and group annuities both fixed and variable.

HCSC is an affiliate of the Healthcare Association of New York State, a non-profit association that represents and advocates for member health care providers at the state and national levels, helping to develop public policy and assisting members through the ever-changing health care environment.

HCSC's parent corporation, Group Insurance Agency ("GIA"), offers individual and group insurance products and is a licensed insurance agency. GIA is a subsidiary of, HANYS. HANYS Benefit Services is also a registered trade name for GIA. HCSC does business as HANYS Benefit Services and Strategic Benefit Services. Under Strategic Benefit Services both HCSC and GIA market products and services to non-hospitals organizations

## **Additional Information**

A copy of this brochure is available at any time upon request. It is also offered annually to all Clients with IFSS Accounts.

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