



Item 1 – Cover Page

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March 19, 2013

This Brochure provides information about the qualifications and business practices of Hayden Harper Advisory, LLC (“HHA” or “we”). If you have any questions about the content of this Brochure, please contact us at (704) 343-2447 or [info@haydenharper.com](mailto:info@haydenharper.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

HHA is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about HHA is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There have been no material changes since our last Brochure dated February 15, 2012.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Charlotte Fox Renner, Director of Investor Relations at (704) 343-2447 or [crenner@haydenharper.com](mailto:crenner@haydenharper.com). Our Brochure is also available on our website at [www.haydenharper.com](http://www.haydenharper.com), also free of charge.

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

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## **Item 4 – Advisory Business**

HHA is registered with the SEC as an investment adviser and has been in business since 2010. The principal owners of HHA are Hayden Harper, Inc. and Michael Fox. Hayden Harper, Inc. is a corporation that directly owns 100% of HHA. Michael Fox is the Chief Compliance Officer and Managing Member of HHA, and he indirectly owns 50% of HHA through direct ownership in Hayden Harper, Inc. As of December 31, 2011, HHA managed \$107,195,000 of client assets on a discretionary basis.

HHA currently offers the following types of advisory programs and services:

1. Hayden Harper Investment Advisory and Asset Management
2. Financial Planning

### ***Hayden Harper Investment Advisory and Asset Management (HHA-IA)***

The Hayden Harper Investment Advisory and Asset Management (HHA-IA) program offers discretionary portfolio management by an investment adviser representative (an “Advisor”). The Advisor’s management of the portfolio is based on the investment objectives of each client and may or may not represent the overall objectives of the client’s total investment assets. HHA and its Advisors recommend and employ various investment strategies to meet each client’s goals. The Advisor works with each client in formulating investment objectives and manages the account within established guidelines regarding, among other matters, diversification and designation of securities that may be purchased.

As part of this service, each client portfolio is tailored to the client’s particular investment needs and circumstances. This includes discretionary investment management in accounts (“Separate Accounts”) based on the client’s investment needs and a risk strategy (from conservative to aggressive), which is selected in conjunction with the client and incorporated into the account agreement. The available risk strategies correlate to asset allocation models developed by HHA based on target allocations for various asset classes and sub-classes. Separate Accounts are periodically rebalanced toward their asset allocation targets.

### ***Financial Planning***

Financial planning services may include a written financial plan that provides the client with a detailed financial plan designed to achieve stated financial goals and objectives. In general, the plan will address any or all of:

- **Personal:** Family records, budgeting, personal liability, estate information, and financial goals
- **Tax and Cash Flow:** Income tax spending analysis and planning for past and future years
- **Death and Disability:** Cash needs at death, income needs of surviving dependents, estate planning
- **Retirement:** Strategies and investment plans to help the client achieve their retirement goals

- **Investments:** Analysis of investment alternatives and their effect on a client's portfolio.

Information on clients will be gathered through in-depth personal interviews and reviews of personal financial information. Gathering data concerning current financial status, future requirements, risk appetite, and goals is essential. When a written plan is prepared, it is recommended that the client review the plan with tax accountants, attorneys, and other professional service providers.

## **Item 5 – Fees and Compensation**

The manner in which HHA is compensated and the fees you will pay depends on the type of program or service you select. We have disclosed below the fees and compensation associated with our primary services: (1) Hayden Harper Investment Advisory and Asset Management, (2) Financial Planning; (3) Small/Micro-Cap Strategy, (4) Core Fixed Income Strategy, (5) Opportunistic Fixed Income Strategy and (6) Research Services.

### ***Hayden Harper Investment Advisory and Asset Management (HHA-IA)***

The maximum annual fees for accounts under this program are based on the following fee schedule:

<b>Total Client Assets Under Management</b>	<b>Annual Flat Fee</b>
\$0 - \$1,000,000	2.00%
\$1,000,000 - \$3,500,000	1.50%
\$3,500,000 - \$7,000,000	1.25%
\$7,000,000 - \$10,000,000	1.00%
\$10,000,000 +	0.75%

*\*See additional fee structures for specific strategies and investments below.*

The value of the account is calculated as the market value of all long and short securities positions in the account. Although the fees listed above are “default” fees, they may, in some circumstances, be negotiable. If HHA is assessed a transaction fee, such fee may be passed on to the client at cost. All fees are paid in arrears; the initial fee payment is due following the 1<sup>st</sup> calendar quarter. The period for which such payment will be made will run from the opening date through the last day of the full calendar quarter and will be prorated. Thereafter, the quarterly fee is based on the account asset value on the last day of the respective calendar quarter.

Client will maintain or deposit sufficient funds in the account to cover payment of all fees authorized by the contract, and the client authorizes HHA and the custodian to debit the account balances or redeem money market fund shares in the amount equal to the fee that is due. If there are not funds to cover the fees, HHA may liquidate assets to cover fees.

Other fees may include costs associated with any dealer markups and odd lot differentials, transfer taxes, exchange fees mandated by the Securities Exchange Act of 1934, and other charges imposed by law with regard to any account transactions, offering discounts, IRA fees, redemption fees, exchange fees or similar fees imposed in connection with any mutual fund transaction.

Client or HHA may initiate termination of the contract at any time by sending written notice to the other party. Notice will be accepted the day that it is received by the other party. Termination of the

contract will not affect any liabilities or obligations of the parties from transactions initiated before termination of the contract or a client's obligation to pay advisory fees (pro-rated through end of the month in which termination is effective).

Although HHA believes its fees are reasonable in light of the services provided, clients should be aware that such fees may be more or less than the fees and commissions associated with investment advisory and brokerage services purchased separately. The comparison is dependent upon a number of factors, including the frequency of brokerage activity in the client's account, the size of the account under management, and any negotiated fee arrangements with respect to the account. An investor should consider these factors prior to opening an account with HHA.

HHA does not normally consider its management fee to be negotiable, although it reserves the right in its discretion, based on factors it deems relevant, to agree to a management fee for any particular client that varies from the fee set forth in the fee schedule above and which may be lower or higher than fees charged to another client with a similar sized account. Relevant factors that may lead to a variation in fees include, for example, the size and scope of the client's overall relationship with HHA and its affiliates and the fees that the client's account was charged at another firm prior to transferring to HHA. Additionally, HHA may provide investment advisory services to employees or the family of employees at no cost or a reduced rate.

### ***Financial Planning***

The basic fees for financial planning services will be fixed and/or hourly and are negotiable. Fees may be charged after services are delivered. The client may terminate the arrangement at any time, in writing, and will be refunded a portion of the fee based upon a pro-rated calculation related to the time and expense expended by HHA.

### ***Small/Micro-Cap Strategy***

The fees for the Small/Micro Cap Strategy portfolio are negotiable and an individual client's fee arrangement will be memorialized in his, her, or its investment advisory agreement. HHA and its clients will generally agree to (i) a maximum annual fee of 3% to be paid quarterly in arrears; and/or (ii) a maximum performance based fee of 20% of net capital appreciation subject to a high water mark.

HHA receives an annual performance allocation (the "Performance Allocation") from the investment portfolio equal to a maximum of 20% of the increase in the Net Asset Value of the account during a calendar year, allocable immediately after the end of each calendar year. A high water mark is employed so that no Performance Allocation will be made until any decline in the portfolio's Net Asset Value in any prior calendar quarter (a "loss carry forward") is offset by subsequent increases in its Net Asset Value. Because the accounts assets are recorded at their market value, the Performance Allocation will reflect any net changes in unrealized appreciation or depreciation in the value of the assets as of the close of each reporting period as well as gains and losses realized during the period and net investment income or loss. The Performance Allocation and Net Asset Value will be calculated separately with respect to each investment account in the portfolio. All or part of the Performance Allocation may be waived by HHA from time to time at its sole discretion.

Should an advisory client receive a partial distribution from the investment account before the end of a calendar year, the Performance Allocation will be calculated at the end of the calendar year taking into

account the gains or losses made on the Net Asset Value of the partial redemption made earlier in the year.

Should an advisory client receive a full distribution from the investment account before the end of the calendar year, the Performance Allocation will be calculated as of the date of the full distribution of the investment account.

Under the Investment Advisers Act of 1940 (the “Advisers Act”), only clients that meet certain sophistication and asset tests are eligible for a performance fee arrangement. Any performance fee arrangements will comply with Section 205 of the Advisers Act and SEC Rule 205-3. A qualified client questionnaire must be filled out by all prospective clients interested in being charged performance-based fees.

### ***CorePlus Fixed Income Strategy***

The fees for the CorePlus Fixed Income Strategy portfolio are negotiable and an individual client’s fee arrangement will be memorialized in his, her, or its investment advisory agreement. HHA and its clients will generally agree to (i) a maximum annual fee of 1.75% to be paid quarterly in arrears ; and/or (ii) a maximum performance based fee of 10% of net capital appreciation subject to a high water mark. HHA receives an annual performance allocation (the “Performance Allocation”) from the investment portfolio equal to a maximum of 10% of the increase in the Net Asset Value of the account during a calendar year, allocable immediately after the end of each calendar year. A high water mark is employed so that no Performance Allocation will be made until any decline in the portfolio’s Net Asset Value in any prior calendar quarter (a “loss carry forward”) is offset by subsequent increases in its Net Asset Value. Because the accounts assets are recorded at their market value, the Performance Allocation will reflect any net changes in unrealized appreciation or depreciation in the value of the assets as of the close of each reporting period as well as gains and losses realized during the period and net investment income or loss. The Performance Allocation and Net Asset Value will be calculated separately with respect to each investment account in the portfolio. All or part of the Performance Allocation may be waived by HHA from time to time at its sole discretion.

Should an advisory client receive a partial distribution from the investment account before the end of a calendar year, the Performance Allocation will be calculated at the end of the calendar year taking into account the gains or losses made on the Net Asset Value of the partial redemption made earlier in the year.

Should an advisory client receive a full distribution from the investment account before the end of the calendar year, the Performance Allocation will be calculated as of the date of the full distribution of the investment account.

### ***Opportunistic Fixed Income Strategy***

The fees for the Opportunistic Fixed Income Strategy portfolio are negotiable and an individual client’s fee arrangement will be memorialized in his, her, or its investment advisory agreement. HHA and its clients will generally agree to (i) a maximum annual fee of 1.75% to be paid quarterly in arrears; and/or (ii) a maximum performance based fee of 20% of net capital appreciation subject to a high water mark.

HHA receives an annual performance allocation (the “Performance Allocation”) from the investment portfolio equal to a maximum of 20% of the increase in the Net Asset Value of the account during a calendar year, allocable immediately after the end of each calendar year. A high water mark is employed so that no Performance Allocation will be made until any decline in the portfolio’s Net Asset Value in



any prior calendar quarter (a “loss carry forward”) is offset by subsequent increases in its Net Asset Value. Because the accounts assets are recorded at their market value, the Performance Allocation will reflect any net changes in unrealized appreciation or depreciation in the value of the assets as of the close of each reporting period as well as gains and losses realized during the period and net investment income or loss. The Performance Allocation and Net Asset Value will be calculated separately with respect to each investment account in the portfolio. All or part of the Performance Allocation may be waived by HHA from time to time at its sole discretion.

Should an advisory client receive a partial distribution from the investment account before the end of a calendar year, the Performance Allocation will be calculated at the end of the calendar year taking into account the gains or losses made on the Net Asset Value of the partial redemption made earlier in the year.

Should an advisory client receive a full distribution from the investment account before the end of the calendar year, the Performance Allocation will be calculated as of the date of the full distribution of the investment account.

Under the Investment Advisers Act of 1940 (the “Advisers Act”), only clients that meet certain sophistication and asset tests are eligible for a performance fee arrangement. Any performance fee arrangements will comply with Section 205 of the Advisers Act and SEC Rule 205-3. A qualified client questionnaire must be filled out by all prospective clients interested in being charged performance-based fees.

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

### ***Conflicts of Interest from Performance-Based Fees***

Performance-based fees are fees based on a share of capital gains on or the capital appreciation of a client’s account. HHA offers performance-based fee arrangements to some of its qualified clients. Performance-based fee arrangements may create an incentive for HHA to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

### ***Conflicts of Interest from Side-By-Side Management***

While HHA charges performance-based fees to some clients, it also charges asset-based fees to others. HHA’s side-by-side management of accounts charged performance-based fees and accounts charged asset-based fees creates a conflict of interest in that HHA could be inclined to favor accounts for which it receives a performance-based fee. HHA mitigates the risks related to this conflict of interest through the following:

- **Disclosure**—We disclose all material conflicts of interests to our clients.
- **Account Monitoring**—We monitor accounts to ensure that trades and investments are allocated fairly among clients that pay performance-based fees and those that pay asset-based fees.

- **Policies and Procedures**—We have policies and procedures to ensure that all clients are treated fairly and equally.

### ***Strategies Allocation Policy***

This allocation policy applies to all clients in the Small/Micro-Cap Strategy. Trades are allocated in a manner that HHA believes to be fair and equitable. HHA considers the appropriate “absolute risk” for a client’s portfolio when determining how to fairly and equitably allocate trades while still maintaining a client’s investment objectives and risk level. Where a client’s investment objectives or current securities allocation are inconsistent with a particular trade or the client does not have sufficient cash or assets available to make a particular trade, HHA may not allocate trades on a pro-rata basis among clients. In addition, in certain cases, transaction costs may prevent precise pro-rata allocation. However, no client will receive preferential treatment over any other. The officers and investment advisory personnel of HHA will take steps to ensure that no client will be systematically disadvantaged by the aggregation, placement, or allocation of trades. Allocations may be made to the personal accounts of officers and investment advisory personnel of HHA only when such allocations comply with this trade allocation policy and the employee trading policies and procedures of HHA. This specific trade allocation policy will be reviewed by the Chief Compliance Officer on a periodic basis, not less than annually

### **Item 7 – Types of Clients**

HHA provides investment advisory services to a broad array of clients, which include individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other businesses. HHA has a minimum investment requirement of \$250,000. Under certain circumstances, an account minimum may be waived.

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

#### ***Methods of Analysis***

HHA formulates investment advice using the following analysis methods: charting, fundamental, technical, and cyclical. HHA uses a variety of sources and investment techniques to generate investment ideas and monitor portfolio holdings including, without limitation, calls with company management, industry trade publications, annual report and company filings, publicly available market and economic research, electronic data and quotation services, spreadsheet analysis, and statistical forecasting.

#### ***Investment Strategies***

HHA implements investment advice for clients using the following strategies: long term purchases (securities held at least a year); short term purchases (securities sold within a year); trading (securities sold within 30 days); short sales; margin transactions; and option writing, including covered options, uncovered options, or spreading strategies.

#### ***Risk of Loss***

Investing in securities involves risk of loss that clients should be prepared to bear. Some of the primary risks of investing are summarized below:

- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### Item 9 – Disciplinary Information

As a registered investment adviser, HHA is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HHA or the integrity of its management. HHA currently has no information applicable to this Item.

### Item 10 – Other Financial Industry Activities and Affiliations

Michael Fox is an officer of HHA. In addition to working at HHA, he also participates in other business activities and holds the following positions: Manager of the Hayden Harper Multi-Strategy, LP, HH Energy Fund, LLC, and Hayden Harper Inc.'s Direct Energy products; and Partner of Hayden Harper Energy KA, LLC. HHA and its Advisors have recommended in the past that clients make investments in these affiliated entities.

Frank McCollum is a representative of HHA. In addition to working at HHA, he also participates in other business activities and holds the following positions: Manager of the HH-Perpetua CMBS Fund, LLC, Perpetua Investment Grade CMBS Fund, LLC and the Cygnus Opportunity Fund. HHA and its Advisors have recommended in the past that clients make investments in these affiliated entities.

John Teed is a representative of HHA. In addition to working with HHA, he also participates in other business activities and holds the following positions: Managing member of the Gaskin Teed Capital, LLC. HHA and its Advisors have recommended in the past that clients make investments in these affiliated entities.

Justin Starnes is a representative of HHA. In addition to working at HHA, he also participates in other business activities and holds the following positions: Member of the Perpetua Capital, LLC. HHA and its Advisors have recommended in the past that clients make investments in these affiliated entities.

HHA or its Advisors may recommend a security in which advisory personnel may directly or indirectly have an interest. For example, HHA may recommend that a client purchase an interest in a fund that has Hayden Harper, Inc. or another affiliated entity serving as general partner. The general partner receives compensation from the fund for managing the fund. Additionally, the fund may pay the general partner a performance fee. This compensation arrangement poses a conflict of interest to the extent that it creates a financial incentive to increase the fund's assets and thereby increase the fees payable to HHA's affiliates. HHA is constrained by fiduciary principles to act in its clients' best interests when managing accounts and will invest clients in affiliated funds only when it is suitable to do so. HHA monitors activity in its clients' accounts in an effort to ensure that transactions are appropriate. As a policy, all orders to purchase affiliated funds will be sold on a non-discretionary basis.

### **Item 11 – Code of Ethics**

HHA has adopted a Code of Ethics for all its supervised persons describing its high standard of business conduct and its fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at HHA must acknowledge the terms of the Code of Ethics annually, or as amended.

Advisors of HHA may buy or sell securities that are recommended to clients. HHA's employees and persons associated with HHA are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of HHA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for HHA's clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities, and interests of the employees of HHA will not interfere with making decisions in the best interest of advisory clients and implementing such decisions, while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of HHA's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees

might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between HHA and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with HHA's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. HHA will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is HHA's policy not to effect any principal or agency cross securities transactions for client accounts. HHA will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Clients or prospective clients may request a copy of the Code of Ethics by contacting Charlotte Renner at (704) 343-2447.

## **Item 12 – Brokerage Practices**

HHA generally recommends that clients open brokerage accounts with one of the following custodians:

1. TD Ameritrade Institutional ("TD Ameritrade"), a division of TD Ameritrade, Inc. and TD Ameritrade Clearing, Inc., both registered broker-dealers and members of SIPC
2. Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer and member of SIPC

### ***TD Ameritrade***

HHA participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between HHA's participation in the program and the investment advice it gives to its Clients, although HHA receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

HHA receives economic benefits through participation in the program that are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access

to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to HHA by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit HHA but not client accounts. These products or services may assist HHA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop HHA's business enterprise. The benefits received through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

HHA participates in the ID Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("ID Ameritrade"), a FINRA/SIPC/NF A member. TD Ameritrade, Inc. is an independent and unaffiliated SEC-registered broker-dealer.

TD Ameritrade offers to independently registered investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. HHA receives some benefits from TD Ameritrade through its participation in the program. Any research received is used to service all of our client's accounts.

Clients may pay commissions or transaction fees that are higher than those obtainable from other brokers in return for those products and services. As part of its fiduciary duties to clients, HHA endeavors at all times to put the interests of its clients first. HHA has a duty to obtain best execution for its clients. Clients should be aware, however, that the receipt of economic benefits by HHA or its related persons creates a potential conflict of interest and may indirectly influence the choice of TD Ameritrade for custodial and brokerage services.

### ***Schwab***

Schwab provides HHA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. These services are not contingent upon committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Advisor Services also makes available to HHA other products and services that benefit HHA but may not directly benefit its clients' accounts. Many of these products and services may be used to

service all or some substantial number of HHA's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist HHA in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of HHA's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help HHA manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants, and insurance providers. Schwab may make available, arrange to pay third-party vendors for the types of services rendered to HHA. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to HHA. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of HHA personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, HHA may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### ***Sterling Trust***

HHA uses Equity Trust (dba, Sterling Trust Company) as a custodian for several legacy private placement investments. We do not actively trade at this custodian and do not open any new accounts with them.

## **Item 13 – Review of Accounts**

All accounts are reviewed by a member of the Investment Committee not less than annually. Factors that are considered include, but are not limited to, the following: investment objectives/management style, targeted allocation/current allocation, suitability, performance, number of trades, and concentrated positions/diversification. Following the annual review, a supervisory review will also be done.

Some potential examples of situations that may prompt a monthly review include the following: performance is not in line with the client's "downside risk tolerance," change in investment objective, the client makes a significant addition of capital or withdrawal of capital from the account, rebalancing of the portfolio if current allocation and targeted allocation are not consistent, frequency of trades is not in line with objectives and current account type, or a concentrated position that is leading to account volatility.

For all accounts, at least annually, HHA will contact the client and request current information about the client to determine whether there have been any changes in the current information related to risk tolerance or objectives. Client agrees to inform HHA in writing of any material changes in the account

information or the client's financial circumstances that might affect the manner in which client's assets should be invested. Client may contact the HHA during normal business hours to consult with the Advisor concerning the management of the client's account(s).

## **Item 14 – Client Referrals and Other Compensation**

HHA does not compensate others for client referrals.

HHA may recommend TD Ameritrade to clients for custodial and brokerage services. HHA receives economic benefits through its participation in the program which may include third party research and brokerage services. HHA, through its participation in the program, may receive discounts on compliance, marketing, technology, and practice management products or services provided to advisor by third party vendors. The benefits received by HHA, or its related persons, do not depend on the amount of brokerage transactions directed to TD Ameritrade.

As part of its fiduciary duties to clients, HHA endeavors at all times to put the interests of its clients first. HHA has a duty to obtain best execution for its clients. Clients should be aware, however, that the receipt of economic benefits by HHA or its related persons creates a potential conflict of interest and may indirectly influence the choice of TD Ameritrade for custodial and brokerage services.

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker/dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

The firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision/making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by



a particular broker/dealer for a particular transaction or set of transactions may be greater than the amounts another broker/dealer who did not provide research services or products might charge.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank, or other qualified custodian that holds and maintains client's investment assets. HHA urges you to carefully review these statements and compare these official custodial records to the account statements that we may provide to you. Any statements we provide to you may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. For any private placements or partnership investments, clients will receive audited financials and/or tax returns generally within 120 days of its fiscal year end.

### **Item 16 – Investment Discretion**

HHA and its Advisors usually receive discretionary authority from the client at the outset of an advisory relationship. Investment discretion allows the Advisor to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives of the particular client account. When selecting securities and determining amounts, Advisors observe the investment policies, limitations, and restrictions of each client. Investment guidelines and restrictions must be provided to HHA in writing.

### **Item 17 – Voting Client Securities**

As a matter of policy and practice, HHA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. HHA may provide advice to clients regarding the clients' voting of proxies. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent.

### **Item 18 – Financial Information**

As a registered investment adviser, HHA is required in this Item to provide you with certain financial information or disclosures about its financial condition. HHA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.