

Item 1. Cover Page

Part 2A of Form ADV: FIRM BROCHURE OF

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This brochure provides information about the qualifications and business practices of Horizon Investments LLC (“Horizon”). If you have any questions about the contents of this brochure, please contact us at 704-544-2399. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Horizon also is available on the SEC’s website at www.adviserinfo.sec.gov

Horizon is registered with the U.S. Securities and Exchange Commission. Note, however, that such registration does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

Item 2. Material Changes

This brochure is filed as the annual update to the Form ADV Part 2. The last annual update was March 28, 2013 and the last revision was filed on August 29, 2013. If you would like another copy of this Brochure, please download it from the SEC Website as indicated on the cover page or you can contact Benjamin Johnson, Chief Compliance Officer at 704-544-2399. You can also get it from our website: www.horizoninvestments.com.

The material changes as of the last update are:

Item 4. Advisory Business – has been updated to include that Horizon acts as investment advisor for both the Horizon Active Asset Allocation Fund, and the Horizon Active Income Fund.

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Item 4. Advisory Business

Horizon Investments, LLC (“Horizon”) has been in business since 1995. Its principal owner, who has been affiliated with Horizon since 1999, is Robert J. Cannon, President and CEO of Horizon.

Horizon offers various investment advisory services as sub-advisor to advisors to clients depending on the client’s needs as communicated from the clients to the advisors. (Unless otherwise noted herein, “client” as used in this document means the clients to advisory firms to which Horizon acts as sub-advisor.) The advisory services of Horizon are more fully explained below.

As of December 31, 2013, Horizon’s discretionary assets under management were \$1,155,076,320 in 8,588 accounts. Non-discretionary assets under management were \$340,189,781 in 3521 accounts. The total assets under management were \$1,495,266,101 in 12,109 accounts.

Horizon as Sub-advisor

Horizon acts as a sub-advisor to a number of firms. As sub-advisor, Horizon provides asset management, product engineering and manufacturing, and consulting, all on a consultative basis. Horizon serves clients from the largest institutions to highly successful independent advisors, with both Horizon -branded and private labeled products.

Horizon also provides investment advisory services to broker-dealers in a private-label format, meaning that the registered representatives can offer their clients a broad range of investment options for their clients, while keeping their independence.

Horizon selects mutual funds, and provides management of variable annuities subaccounts, variable life insurance subaccounts, exchange-listed securities and funds; securities traded over-the-counter, U.S. Treasury securities, fixed income products, commercial paper, options, and other various investment products from time-to-time in keeping with the clients’ goals and objectives.

For Broker/Dealers

Horizon’s consulting and advisor services include investment management due diligence; Turnkey Asset Management (TAMP) programs; fiduciary guidance; portfolio constructing and monitoring, and testing internal models; and evaluating for best practices in investment management programs. Horizon offers a range of services that assist the registered representatives and firms with such functions as research, account rebalancing, portfolio construction, and performance reporting.

For Registered Representatives

Horizon offers asset management solutions that assist registered representatives in managing client assets regarding three broad strategies: accumulation, distribution, and alternatives. Horizon provides strategies specific to the needs of the clients of the firms and registered representatives.

For Individuals

Horizon is also in the business of providing investment advice and advisory account supervisory services to individuals, 401(k) plans, pension and profit sharing plans, trusts, estates, charitable organizations and corporations. Horizon gives allocation advice on the purchase and sale of equities, ETF's and mutual funds.

Horizon will not maintain custody of advisors' clients' funds or securities, with the exception of deduction of Horizon's fees from clients' accounts that are authorized in the agreement between clients and Horizon.

Clients' portfolios generally consist of stocks, bonds, ETF's, options, no-load and/or load mutual funds and cash or cash equivalents, or other securities.

For Collective Funds

Horizon acts as investment adviser for five collective investment funds, which funds are operated by a trust company, which trust company handles a pooled group of trust accounts. Horizon has discretion to direct investments for the collective funds on behalf of the trustee and sponsor of the collective funds, and to place transaction orders with brokers, dealers and issuers selected by Horizon. For the services described herein, the collective funds' trustee pays Horizon on a monthly basis in arrears, and are calculated based upon the closing prices on the last business day of the month.

Horizon Active Asset Allocation Fund and Horizon Active Income Fund

Horizon acts as investment adviser for the Horizon Active Asset Allocation Fund and the Horizon Active Income Fund, and as such, has discretion to direct investments for both the Horizon Active Asset Allocation Fund and the Horizon Active Income Fund on behalf of the trustee and sponsor of the fund, and place transaction orders with brokers, dealers and issuers selected by Horizon. Fees are based upon the account's average daily balance during the prior month.

Clients are advised that, in the both Horizon Active Asset Allocation Fund and the Horizon Active Income Fund, purchase and sale transactions in the account, account reallocations, and allocation rebalancing can trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. Horizon does not offer tax advice and clients are urged to consult with their tax advisers.

Note: the Collective funds, Horizon Active Asset Allocation Fund and Horizon Active Income Fund are referred to herein as the "Pooled Funds."

Block Trading

For new accounts and for existing accounts adding additional cash, Horizon allocates those accounts once the cash clears and is freely investible. Thus, there is a possibility (especially on volatile days in the markets) that one client can get a better

price than another, due to the timing that the cash comes into the client accounts, and the rapidity of the market price movements.

In placing orders to purchase or sell securities in accounts, Horizon will attempt to aggregate orders (that is, consolidate smaller orders for the same security into a large order, which, generally results in transaction cost savings). In so doing, Horizon will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of the investment advisory agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions executed by Horizon in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction. Horizon prepares an equitable allocation of aggregated transactions before entering an aggregated order specifying the participating client accounts.

If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the equitable allocation described above. If the order is partially filled, it will be allocated on a pro-rata basis.

On days in which there is a significant inflow into one of Horizon's pooled products (mutual fund or collective investment fund), where "significant" is defined as more than 10% of the total net assets (as of the prior day's close of business) of the pooled product, and the portfolio manager has given instructions for a reallocation of portfolio positions, the trading rotation will be adjusted. On such a day, all pooled products with significant inflows will be traded first in the trade rotation so as to minimize the time in which the pooled product has a significant portion of the portfolio out of the market. Following the trading of the pooled product, the trade rotation will resume with the originally intended first position.

Aggregation of Client Trades with Employee Trades

A client trade will be aggregated with an employee trade or trade by an affiliated account only if the following conditions are met:

- Client trades are treated equally with employee and affiliated account trades;
- Each affiliated and non-affiliated participant in the trade will receive average execution and average commissions;
- Securities purchased or sold will be allocated pro rata

Model Portfolios – Horizon manages thirteen model portfolios, as described below. Clients will be able to utilize some, or all of these, depending upon how their Adviser manages the assets and where the assets are custodied. For a discussion of fees and minimum account size, see below. For a more complete description of the

portfolios, please consult with your investment professional.

1. *Focused*: The Focused Portfolio seeks capital appreciation. As such, this Portfolio is primarily focused on a longer term goal for growth in capital and a limited portion is defensive in nature. Portfolio guidelines include generally seeking investments of between 0% and 30% in international equities, and 70% to 100% in domestic equities.
2. *Focused with Principal Protection*: The Focused with Principal Protection Portfolio seeks capital appreciation while attempting to protect principal. As such, this Portfolio is primarily focused on a longer term goal for growth in capital and a limited portion is defensive in nature. Portfolio guidelines include generally seeking investments of between 0% and 30% in international equities, and 70% to 100% in domestic equities.
3. *Focused with Risk Assist*: The Focused with Risk Assist Portfolio seeks capital appreciation while attempting to limit downside risk through an active risk control strategy. As such, this Portfolio is primarily focused on a longer term goal for growth in capital and a limited portion is defensive in nature. Portfolio guidelines include generally seeking investments of between 0% and 30% in international equities, and 70% to 100% in domestic equities.
4. *Growth*: The Growth Portfolio seeks capital appreciation, and can generate some income. As such, while this Portfolio is primarily focused on a longer term goal for growth in capital, there is also a portion of the Portfolio that is defensively positioned. Investment risk and the volatility of portfolio returns will be greater than income and growth portfolios. Portfolio guidelines include generally seeking investments of between 0% and 20% in international equities, 50% to 90% in domestic equities, 10% to 30% in domestic fixed income securities.
5. *Growth with Principal Protection*: The Growth with Principal Protection Portfolio seeks capital appreciation, and can generate some income, while attempting to protect principal. As such, while this Portfolio is primarily focused on a longer term goal for growth in capital, there is also portion of the Portfolio that is defensively positioned. Investment risk and the volatility of portfolio returns will be greater than income and growth portfolios. Portfolio guidelines include generally seeking investments of between 0% and 20% in international equities, 50% to 90% in domestic equities, 10% to 30% in domestic fixed income securities.
6. *Growth with Risk Assist*: The Growth with Risk Assist Portfolio seeks capital appreciation, and can generate some income while attempting to limit downside through an active risk control strategy. As such, while this Portfolio is primarily focused on a longer term goal for growth in capital, there is also portion of the Portfolio that is defensively positioned. Investment risk and the volatility of portfolio returns will be greater than income and growth portfolios.

Portfolio guidelines include generally seeking investments of between 0% and 20% in international equities, 50% to 90% in domestic equities, 10% to 30% in domestic fixed income securities.

7. *Moderate*: The Moderate Portfolio seeks both current income and capital appreciation. As such, this Portfolio strikes a balance between a moderate need for income, and a longer term need for capital appreciation. Investment risk and the volatility of portfolio returns will be greater than income portfolios. Portfolio guidelines include generally seeking investments of between 0% and 20% in international equities, 40% to 60% in domestic equities, 20% to 60% in domestic fixed income securities.
8. *Moderate with Principal Protection*: The Moderate with Principal Protection Portfolio seeks both current income and capital appreciation while attempting to protect principal. As such, this Portfolio strikes a balance between a moderate need for income, and a longer term need for capital appreciation. Investment risk and the volatility of portfolio returns will be greater than income portfolios. Portfolio guidelines include generally seeking investments of between 0% and 20% in international equities, 40% to 60% in domestic equities, 20% to 60% in domestic fixed income securities.
9. *Moderate with Risk Assist*: The Moderate with Risk Assist Portfolio seeks both current income and capital appreciation while attempting to limit downside through an active risk control strategy. As such, this Portfolio strikes a balance between a moderate need for income, and a longer term need for capital appreciation. Investment risk and the volatility of portfolio returns will be greater than income portfolios. Portfolio guidelines include generally seeking investments of between 0% and 20% in international equities, 40% to 60% in domestic equities, 20% to 60% in domestic fixed income securities.
10. *Conservative*: The Conservative Portfolio seeks current income and, to a lesser extent, capital appreciation. As such, it is a defensive portfolio. While not likely to generate the returns of a growth oriented portfolio, it should be slightly less volatile over time. Portfolio guidelines include generally seeking investments of between 0% and 10% in international equities, 20% to 45% in domestic equities, 40% to 80% in domestic fixed income securities.
11. *Conservative with Risk Assist*: The Conservative with Risk Assist Portfolio seeks current income and, to a lesser extent, capital appreciation while attempting to limit downside through an active risk control strategy. As such, it is a defensive portfolio. While not likely to generate the returns of a growth oriented portfolio, it should be slightly less volatile over time. Portfolio guidelines include generally seeking investments of between 0% and 10% in international equities, 20% to 45% in domestic equities, 40% to 80% in domestic fixed income securities.
12. *Conservation Plus*: The Conservation Plus Portfolio primarily seeks capital

preservation and some current income. As such, it is the most defensive of the Portfolios. While not likely to generate the returns of a growth oriented portfolio, it should be less volatile over time. Portfolio guidelines include generally seeking investments of between 0% and 10% in international equities, 0% to 30% in domestic equities, and 60% to 100% in domestic fixed income securities.

13. *Conservation Plus with Risk Assist*: The Conservation Plus with Risk Assist Portfolio primarily seeks capital preservation and some current income while attempting to limit downside through an active risk control strategy. As such, it is the most defensive of the Portfolios. While not likely to generate the returns of a growth oriented portfolio, it should be less volatile over time. Portfolio guidelines include generally seeking investments of between 0% and 10% in international equities, 0% to 30% in domestic equities, and 60% to 100% in domestic fixed income securities.

Note: *Principal Protection* is a product that is not a Horizon product. Principal Protection is a principal protection investment strategy, not a guarantee. Its goal is to provide an investor a minimum of 100% of the initial investment (minus any fees and withdrawals) at the end of a 7-year investment horizon. The 7-year horizon is consistent with analysis of the time series dynamics of U.S. stock returns. It is a product that utilizes an investment strategy that is intended to be a hedge against potential losses in a client's account. There is no guarantee that this goal will be achieved, as market factors beyond anyone's control can pose a risk to principal invested. This risk management tool analyzes portfolio holdings on a daily basis and provides objective criteria to reallocate a portion of the portfolio to a fixed income basket seeking to protect principal. For those account holders that reset the account, the 7-year investment horizon resets to a new 7-year period.

Horizon's *Risk Assist* is an investment strategy designed to help manage investment risk. It consists of an algorithm that switches between an investment portfolio and a portfolio of U.S. Treasury Strip, or Zero Coupon, or Treasury-related securities. Horizon Investments offers Risk Assist as an overlay to investors. This risk management tool analyzes portfolio holdings on a daily basis and provides objective criteria to reallocate a portion of the portfolio to a fixed income basket seeking to mitigate a decline (peak-to-trough) in the value of an account over a period of time.

Option- Enhanced Equity Model

The Option-Enhanced Equity strategy is designed for clients of investment advisers who want equity exposure with the goal being less risk than most long-only equity products. It combines stock selection by an experienced professional staff with options strategies, designed with the goal to preserve profits and mitigate risk. The Option-Enhanced Equity model is designed with a goal to generate consistent returns in a variety of market environments and is intended to be a core holding for equity investors. This is an actively managed model. Thus, transaction costs can be more than in an allocation model.

Broad-based equity index options are used to attempt to protect against general market declines. Portfolio concentrations in particular sectors can be hedged using sector ETF options or cash index options, while company-specific hedges can be implemented using options on individual stocks. Horizon analyzes corporate fundamentals and fundamental corporate developments for each holding are monitored over time and adjustments are made as determined by the portfolio manager.

Item 5. Fees and Compensation

Depending on the investment program chosen, fees are pro-rata on a quarterly or monthly basis, in arrears (calculated based upon the closing prices on the last business day of the month or quarter), or in advance, as the case may be per agreement with the client/account holder.

If a client is in a collective Fund, the Horizon Active Asset Allocation Fund, or the Horizon Active Income Fund, fees are based upon the account's average daily balance during the prior month. Fees are negotiable. Advisory fees for accounts opened on a day other than the first day of the calendar quarterly period or closed on a day other than the last business day of the calendar quarterly period will be prorated based on the number of days in the quarter.

For those clients of Lincoln Trust Company (f/k/a Benefits Network Inc. d/b/a Benefit Solutions), fees are charged during the current month based on the account value for the prior month, with no proration. Thus, such clients that terminate their relationship prior to the end of the month will not be charged for the partial month, and, conversely, clients that come in mid-month are charged for the whole month.

If the account does not contain sufficient funds to pay advisory fees, Horizon has limited authority to instruct the custodian to sell or redeem securities in sufficient amounts to pay advisory fees. The account holder can reimburse the account for advisory fees paid to Horizon, except for ERISA and IRA accounts.

Clients can terminate their Agreement with Horizon as follows: (1) for new clients, Clients can, without penalty, terminate upon written notice within five (5) business days after entering into the Agreement; or (2) thereafter, upon receipt of written notice, by either client or Adviser, provided that such termination does not cause the client to forfeit any prepaid fees, or such otherwise forfeitable fees are reimbursed to client.

Horizon Active Asset Allocation Fund /Horizon Active Income Fund

Horizon acts as investment adviser for the Horizon Active Asset Allocation Fund and the Horizon Active Income Fund and as such, has discretion to direct investments for the funds, and place transaction orders with brokers, dealers and issuers selected by

Horizon. Fees are based upon the account's average daily balance during the prior month. Horizon's management fee is 1.10%, with an expense cap of 1.42%, plus approximately .30% of acquired fund fees (i.e., the operating expenses of the underlying funds). Thus, the total expense is 1.72%.

SMA Fees

Horizon performs individual account management services for a percentage of assets under management. The maximum fees are .50% per quarter. These fees are negotiable. The minimum account size is \$25,000, although Horizon reserves the right in its sole discretion to accept accounts of a smaller size.

Clients are billed directly or alternatively they can authorize Horizon to deduct fees from their account(s) held at a third party custodian. Horizon's fees are deducted in arrears (calculated based upon the closing prices on the last business day of the quarter) or quarterly in advance, per agreement with account holders.

Horizon will provide clients and the custodian with a fee statement, if requested. Fees owed are calculated on January 1, April 1, July 1 and October 1 of each year for clients billed quarterly (Quarterly Period), or at the beginning of each month for accounts billed monthly.

The fee for any Quarterly Period shall be calculated as a percentage of assets under management and are charged quarterly in advance or arrears(calculated based upon the closing prices on the last business day of the quarter), including money market and other cash equivalent assets, during the prior quarter. All fees are deducted from the account unless otherwise agreed. Horizon does not require its clients to pre-pay more than \$1,200 in fees per client six months in advance.

The maximum Horizon fee for accounts billed quarterly in advance or arrears is up to 2%. At the end of each quarter, the fee will be recalculated to ascertain the specific fee for the prior quarter and clients' accounts will be debited or credited (as the case may be) if the recalculated amount exceeds, or is less than, the account holder's original payment.

For clients of Founders Financial, Inc. charges are made quarterly in advance and are not rebated back if the account is closed during the period.

Principal Guard Fees

Horizon, in October 2012, became the majority owner of Principal Guard, LLC. Horizon has had an ongoing contract with Principal Guard, LLC. since 2009, to provide Horizon with analysis, consultation and transactional support concerning the management of various clients' assets managed using the Horizon Lifetime Income Strategy and the Traditional Enhanced portfolios.

Fees collected for services provided by Principal Guard, LLC, are separate from Horizon's management fees and are collected in advance or in arrears dependent on the client agreement terms and are non-refundable. Horizon also manages 401(k) plans and its fees for each such plan are negotiated at the time with the plan sponsor and other related parties.

For direct SMA Accounts, Principal Guard, LLC receives a programming fee (typically .25% based on the client's initial investment), which is collected annually or quarterly in advance or in arrears (calculated based upon the closing prices on the last business day of the quarter) dependent on the client agreement terms. This fee is non-refundable. Note, however, that clients will not pay more than 2% total fees (inclusive of the .25%) where Principal Guard is utilized, such that where clients have contracted to pay Horizon up to 2% in fees, and the .25% would bring the fees above 2%, Horizon will reduce its fee, to keep the total fee paid by the client at the fee agreed to with clients, not to exceed 2%.

For other accounts, clients pay a quarterly fee of .25%, of that Horizon pays to Principal Guard a percentage based on a service contract between Principal Guard and Horizon for the use of its algorithms.

Principal Guard reallocations are affected at the beginning of each month. Clients that utilize Principal Guard and who invest funds have the option to immediately have those funds invested, or the option to have the funds held in a "cash" account until the next months' allocation occurs. Those clients choosing to the "cash" option will have advisory fees deducted for that time period in "cash," on a prorated basis.

Note: Principal Protection is a product of Principal Guard, LLC, and is not a Horizon product. Principal Protection is a principal protection investment strategy, not a guarantee. Its goal is to provide an investor a minimum of 100% of the initial investment (minus any fees and withdrawals) at the end of a 7-year investment horizon. The 7-year horizon is consistent with analysis of the time series dynamics of U.S. stock returns. It is a product that utilizes an investment strategy that is intended to be a hedge against potential losses in a client's account. This risk management tool analyzes portfolio holdings on a daily basis and provides objective criteria to reallocate a portion of the portfolio to a fixed income basket seeking to protect principal.

There is no guarantee that this goal will be achieved, as market factors beyond anyone's control can pose a risk to principal invested.

Cash Balance Retirement Plans

For cash-balance retirement plans ("Plan"), Horizon's fees are calculated in arrears (calculated based upon the closing prices on the last business day of the quarter) at the end of each calendar quarterly period. Fees are negotiated for each Plan and vary from Plan-to-Plan, not to exceed 2%.

Other Fees

In addition to fees paid to Horizon, each custodian also charges various fees based on account maintenance (custodial) issues including transaction costs, transfers, withdrawals, and termination. These fees will be disclosed in the custodian contracts and related documents. Each custodian can also collect additional revenue from the mutual fund families in which client accounts are invested, such as 12b-1 distributions, to offset custodial charges.

Horizon has created proprietary trading algorithms (trading signals) for trading strategies. For a fee, Horizon provides the output to other investment advisers. In addition, Horizon also can customize its trading signals for other advisory firms.

Horizon's fees are negotiable and vary from client to client.

Fees Associated with Variable Annuity Products

Assets managed by Horizon utilizing Variable Annuity products are charged fees and expenses directly by the product sponsor.

Fees for Collective Investment Funds

For these services, the Collective funds trustee pays Horizon on a monthly basis in arrears (calculated based upon the closing prices on the last business day of the month).

NOTE: These fees do not include the administrative fees, average underlying ETF fees, and other fees associated with the Collective funds.

<u>FUND NAME</u>	<u>INVESTMENT ADVISORY FEE</u>
Horizon Focused with Risk Assist	0.60%
Horizon Growth with Risk Assist	0.60%
Horizon Moderate with Risk Assist	0.60%
Horizon Conservative with Risk Assist	0.60%
Horizon Conservation Plus with Risk Assist	0.60%

Fees Related to Model Portfolios/Retirement Plans

Horizon's annual fee for the services related to advisory services for fiduciary clients is .10% per annum of the market value of the Plan assets, including assets invested in investment alternatives for which Horizon serves as an investment adviser. However, to the extent that this fee is attributable to Plan assets which are invested in one or more of the Horizon Model Portfolios, described in Item 4 above, the fees shall be

used to offset the fee described in the next paragraph. This annual fee shall be accrued monthly based upon the market value of the assets on the last day of each month and paid monthly. No increase in the annual fee shall be effective without prior written notification to the client.

Horizon's base management fee is .60% per annum of the market value of the Plan assets which are invested in the Horizon Model Portfolios except that Horizon's management fee for a Horizon Portfolio with a "Risk Assist" feature is .70% per annum. To the extent that the fee is not offset in the manner described above, this annual fee shall be accrued monthly based upon the market value of the assets on the last day of each month and paid monthly. No increase in the annual fee shall be effective without prior written notification to the Client.

As noted above, Horizon's Risk Assist is an investment strategy designed to help manage investment risk. It consists of an algorithm that switches between an investment portfolio and a portfolio of U.S. Treasury Strip, or Zero Coupon, or Treasury-related securities.

Transaction Charges

In addition to the advisory fees above, clients will pay a transaction charge for each transaction. Transaction charges are not assessed by Horizon and Horizon does not share in the transaction charges. The transaction charges are assessed by the broker/dealer executing the transaction and can be changed at any time by the broker/dealer. The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. Fees are charged by the broker dealer / custodian.

We do not receive, directly or indirectly any of these fees charged to clients. They are paid to your broker, custodian or the mutual fund. The fees include, among others:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by mutual funds/exchange traded funds (ETFs);
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on mutual funds or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by mutual funds);
- Transfer taxes;
- Wire transfer and electronic fund processing fees

Clients can terminate investment advisory services obtained from Horizon, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Horizon. Clients will be responsible for any fees and

charges incurred by client from third parties as a result of maintaining the account, such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, clients can terminate investment advisory services upon Horizon's receipt of clients' written notice to terminate.

Certain mutual fund shares may be required to be held for a minimum time period, generally 90-days to six months. Horizon attempts to mitigate these redemption fees. In the event that such shares are redeemed prior to the end of the minimum holding period, they can be subject to a redemption fee. The fee can be assessed by the broker/dealer through whom the transactions are executed or directly by the mutual fund sponsors as described in their prospectuses. Such fees are not shared with Horizon and are compensation to the broker/dealer or mutual fund sponsor. Again, clients should read the mutual fund prospectus prior to investing.

Item 6. Performance-Based Fees and Side-By-Side Management

Horizon does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above. In addition, Horizon does not engage in side-by-side management.

Item 7 – Types of Clients

We provide our services to a number of Clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Not for profit entities
- Institutions
- Pension and profit sharing Plans

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

Horizon provides asset management services on an ongoing basis based on the individual needs of the client. The management program through Horizon offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, Horizon will actively monitor the assets in the account and make changes deemed appropriate in light of the

circumstances in the market, based upon the expertise of Horizon.

Horizon's team researches and analyzes economic, quantitative, and fundamental data from a variety of sources. This methodology produces investment recommendations as to market trends and is used in Horizon's active asset allocation models. Horizon uses frequently updated data to obtain indicators of market activity and to identify current trends in market leadership. This analysis also considers variables for geography, size, and style and then modifies these allocations based on the current economic environment. Various industries are over-weighted/under-weighted, from time-to-time, based on the underlying support for the specific industry sectors, as well as our research which leads to an increase or decrease based on a quantitative allocation.

Horizon's research is used in conjunction with other sources of information such as financial newspapers, public economic news, Bloomberg, the Morningstar database of mutual funds, prospectuses, company press releases, and interviews with mutual fund managers.

Horizon also has the ability to provide a principal protection strategy as an overlay to its strategies, utilizing Principal Guard, LLC's analysis.

Risk of Loss

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been liquidated, sometimes called "paper profits"). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets Horizon manages that can be out of our control. Horizon cannot guarantee any level of performance or that clients will not experience a loss of account assets.

Horizon does not represent, warrant or imply that the services or methods of analysis used by Horizon can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that clients' goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Horizon will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Horizon will provide a better return than other investment strategies.

Item 9. Disciplinary Information

Horizon is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating Horizon to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us. We do not have any legal or other disciplinary items to report.

Item 10. – Other Financial Industry Activities and Affiliations

Horizon is neither a Broker/Dealer nor a custodian. Horizon uses a number of custodians depending upon the investment program chosen by the client, or client's adviser. Custodian's transactions, other than the annuity product platforms, are formally reviewed by Horizon for best execution and service considerations annually.

Breen Financial Corp., a registered investment advisor, is a wholly owned subsidiary of Horizon. Horizon is also a majority owner of Principal Guard LLC and Horizon Fiduciary Services LLC. Horizon Fiduciary Services manages 401k retirement plans and Horizon acts as the investment adviser to the plans. The principals of Horizon are also principals of Horizon Administration and Management, LLC, which provides consulting services to Horizon.

Horizon has contractual relationships with various broker-dealers to execute transactions on behalf on account holders. As noted below in Item 12, Horizon has soft dollar arrangements with some, but not all, of these broker-dealers. A potential conflict of interest exists where Horizon could potentially use the services of the soft dollar broker-dealers to the exclusion of the others, thus clients would not always get best execution. Horizon addresses these conflicts by using broker-dealers on a rotation basis, thus as evenly as possible distributing brokerage among the various broker-dealers. Any exceptions need compliance approval.

Item 11. Code of Ethics, Participation or Interest in Client Transactions And Personal Trading

Code of Ethics

In order to provide an understanding of Horizon's standards for meeting our fiduciary responsibility to clients, Horizon has developed a Code of Ethics that must be adhered to by all of its employees. A copy of the Company's Code of Ethics is available to clients and potential clients upon request. The Company's Code may also be viewed online at www.horizoninvestments.com .

Horizon has a fiduciary duty to clients to act in the best interest of the client and

always place the client's interests first and foremost. Horizon takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Horizon's policies and procedures. Further, Horizon strives to handle clients' non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides clients with Horizon's Privacy Policy.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about client transactions. Further, Horizon's Code of Ethics establishes Horizon's expectation for business conduct.

Horizon's Code of Ethics is distributed to each employee at the time of hire/contract, and, as the Code is modified. In addition, Horizon requires an annual certification by all employees/Advisors regarding their understanding and compliance with the Code of Ethics. Horizon also supplements the Code with annual training and on-going monitoring of employee activity.

Participation or Interest in Client Transactions and Personal Trading

Certain employees of Horizon and their relatives hold accounts at Trust Company of America ("TCA"). TCA is one of the custodians that Horizon uses for holding client assets. Employees and related persons of Horizon (any advisory affiliate and any person that is under common control with Horizon) can buy or sell securities identical to those securities recommended to clients. Therefore, related persons will have an interest or position in certain securities that are also recommended and bought or sold to clients. The policy of Horizon is that employees and related persons shall not put their interests before a client's interest. Employees and related persons have their accounts in the same models as other clients. Horizon trades their accounts in the same manner as other clients and may not trade employee or related persons' accounts ahead of clients or trade in such a way to obtain a better price for the employees or related persons than for their clients. Horizon employees may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients.

Horizon tracks employees' holdings by obtaining quarterly holdings reports for its employees. In accordance with Section 204A of the Investment Advisers Act of 1940, Horizon also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by Horizon or any person associated with Horizon. Further, employees are prohibited from trading on non-public information or sharing such information. Horizon and its employees are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

Horizon has established the following restrictions in order to meet its fiduciary

responsibilities:

- 1) Advisory Representatives shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with Horizon, unless the information is also available to the investing public upon a reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client.
- 2) All clients are fully informed that certain individuals can receive separate compensation when effecting transactions during the implementation process.
- 3) Horizon requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above can be subject to disciplinary actions, including termination.

In accordance with Section 204A of the Investment Advisers Act of 1940, Horizon also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by Horizon or any person associated with Horizon.

For any employee trades in the Horizon Active Asset Allocation Fund or Horizon Active Income Fund, the CCO and Portfolio Manager must pre-approve the trade in writing. For Horizon Active Asset Allocation Fund or Horizon Active Income Fund trades for the benefit of the Portfolio Manager, the CCO must sign off on the pre-approval.

Exceptions to Reporting Process

Rule 204A-1 considers all securities reportable with the exception of the following:

- i. Securities that are direct obligations of the United States;
- ii. Bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements;
- iii. Securities issued by any state or municipal subdivision thereof;
- iv. Shares issued by money market funds;
- v. Shares of any registered open-end investment company which are registered in the United States, unless managed by Horizon; or
- vi. Any transaction exempt from registration is not subject to the prior clearance provisions of this Section.

Thus, transactions in the above are not reportable to Horizon on the Initial, Quarterly, or Annual Reports.

Item 12. Brokerage Practices

Horizon utilizes the agency desks of registered brokerage firms to execute trades.

A.1. Research and Other Soft Dollar Benefits

In compliance with Section 28(e) of the Securities Exchange Act of 1934 regarding soft dollars, Horizon receives certain research and/or brokerage services from brokers executing client transactions. In a soft dollar arrangement, an investment adviser receives credit from a brokerage firm based on the commissions paid by the adviser's clients. The adviser uses these credits to pay for research and brokerage products and services, which can be provided by the broker or a third party. Soft dollar arrangements can create an incentive for an adviser to use a broker based on an interest in receiving research and other products or services, rather than the client's interest in receiving the most favorable execution.

As described above, Horizon uses its best efforts to seek best execution of client transactions. In selecting a broker-dealer for a particular transaction when more than one is capable of providing best execution, Horizon can consider the provision of research and/or brokerage services as one of the determining factors. By selecting a soft dollar broker, it is possible that client accounts can be charged commissions greater than the amount another broker-dealer may charge.

Horizon receives research and/or brokerage services through soft dollar arrangements. Research and/or brokerage services obtained with soft dollars can include:

- Market data, including stock quotes, last sale prices, and trading volumes (such as Bloomberg, exchange data); index and benchmark data; economic data, and credit data, trends, and market conditions; company research reports, including company financial data; financial, industry, and economic publications (including trade magazines and technical journals) with specialized coverage of the real estate markets and related securities; and discussions with research analysts and meetings with corporate executives.

A.2. Brokerage For Client Referrals

Not applicable

A.3. Directed Brokerage

Horizon does not engage in directed brokerage transactions for clients.

Item 13. Review of Accounts

Horizon has a committee which meets regularly to review transactions and allocation models. Individual clients' accounts are screened for allocation differences and rebalancing.

Clients receive, from the custodian(s), a monthly and/or quarterly statement from their respective custodian summarizing all trades made during the month or quarter, client's balance, cash or margin, and the amount of fees paid from the clients' accounts.

Item 14. Client Referrals and Other Compensation

Horizon has entered into solicitor relationships with other investment advisers, broker-dealers, and financial planning firms whereby the solicitor will refer their clients to Horizon which clients may be a candidate for the investment advisory services offered by Horizon. Horizon shares advisory fees with solicitors on a negotiated basis for soliciting business for Horizon. Compensation to solicitors will be an agreed upon percentage of Horizon's advisory fee. This split fee is paid in arrears (calculated based upon the closing prices on the last business day of the month) or in advance as described in the agreements with clients and in most instances continues to be paid to solicitors for as long as Horizon receives fees on the account.

Horizon's referral program is in compliance with the federal regulations as set out in Rule 206(4)-3 of the Investment Advisers Act. The solicitation/referral fee is paid pursuant to a written agreement. The Solicitor will be required to provide the client with a copy of Horizon's Form ADV Part 2 and a Solicitor Disclosure brochure prior to or at the time of entering into any investment advisory contract with Horizon. Solicitors are not permitted to offer clients any investment advice on behalf of Horizon. Clients' advisory fee will not be increased as a result of compensation being shared with solicitors.

Item 15. Custody

Accounts are custodied at the various firms that hold client accounts. Such firms are "qualified custodians" as that term is defined in Rule 206(4)-2(d) (6) of the Investment Advisers Act of 1940. Horizon will not maintain custody of clients' funds or securities, with the exception of deduction of Horizon's fees from clients' accounts that are authorized in the advisory agreement between clients and Horizon. Clients will receive account statements directly from these custodians and should carefully read the statements for accuracy.

Item 16. Investment Discretion

Pursuant to clients' written agreements, Horizon has full discretion with respect to the purchase and sale of securities in the clients' accounts, and the amounts of such purchases or sales (except in instances when Horizon is the Sub-advisor or where, as described above, Horizon provides its proprietary trading algorithm outputs to clients for a fee). Horizon does not consult clients regarding account transactions. The client pays all transaction fees incurred in the trading of client's assets.

Discretionary authorization provides Horizon the ability to determine the securities to be purchased and sold and when such securities are purchased and sold.

Item 17. Voting Client Securities

Note: Horizon does not vote proxies for all clients, as Horizon only votes the proxies for the Pooled Funds, which Horizon advises.

For those clients for which Horizon does not vote proxies:

Clients are advised that Horizon does not vote proxies on clients' behalf nor does Horizon take responsibility in any way to ensure client's securities are voted. Clients retain the responsibility for voting their own proxies.

For those funds for which Horizon does vote proxies:

Horizon will vote any such proxies in the best interests of the fund and in accordance with Horizon's procedures.

Horizon has adopted proxy voting policies and procedures that address how Horizon votes proxies. The policy is based on the principle that Horizon and its employees owe a fiduciary duty to its advisory clients. Whenever Horizon receives a notice requesting Horizon to exercise its voting authority with respect to a security in a client account, the Chief Compliance Officer provides all proxy related materials to the Proxy Voting Committee. Prior to voting any proxies, the Chief Compliance Officer and members of the Proxy Voting Committee determine if there are any material conflicts of interest related to the proxy in question. If no material conflict is identified, the Chief Compliance Officer and the Proxy Voting Committee will make a decision on how to vote the proxy in question in accordance with the guidelines set forth in Horizon's Compliance Manual.

Horizon has engaged a third party proxy voting service provider ("Provider"), to vote our clients' proxies in the interest of maximizing shareholder value. To that end, the Provider will vote in a way that it believes, consistent with our fiduciary duty, will

cause the issue to increase the most or decline the least in value. Consideration will be given to both the short-term and long-term implications of the proposal to be voted on, when considering the optimal vote.

"Mirror" Voting for Pooled Funds

Under Section 12(d)(1) of the Investment Company Act of 1940, as amended, (the "1940 Act"), the Pooled Funds can only invest up to 5% of its total assets in the securities of any one investment company, but may not own more than 3% of the outstanding voting stock of any one investment company or invest more than 10% of its total assets in the securities of other investment companies. However, Section 12(d)(1)(F) of the 1940 Act provides that the provisions of paragraph 12(d)(1) shall not apply to securities purchased or otherwise acquired by the Pooled Funds if (i) immediately after such purchase or acquisition not more than 3% of the total outstanding stock of such registered investment company is owned by the Pooled Funds and all affiliated persons of the Pooled Funds; and (ii) the Pooled Funds are not proposing to offer or sell any security issued by it through a principal underwriter or otherwise at a public offering price which includes a sales load of more than 1 ½% percent.

For the Pooled Funds managed by Horizon, Horizon is required to vote proxies in a manner specified under the Investment Company Act of 1940 (the "'40 Act"). In particular, the Pooled Funds rely on Section 12(d)(1)(F) of the '40 Act to invest in the securities of other investment companies and Horizon must vote its shares in an underlying investment company (ETF's in the case of Horizon) in accordance with Section 12(d)(1)(E) of the '40 Act. With respect to those Funds that rely on Section 12(d)(1)(F), Horizon and the Provider will have no discretion in voting proxies and Horizon will instruct the Provider to vote the Funds' proxies on underlying investment companies in the same proportion as the vote of all other holders of such securities (known as "echo" or "mirror" voting). The voting records are maintained by the Provider on behalf of Horizon.

Horizon keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Horizon's response for five years. Horizon's advisory clients can obtain (i) a copy of Horizon's proxy voting policies and procedures and/or (ii) information on how Horizon has voted proxies by contacting Horizon's Chief Compliance Officer, at 704-544-2399.

Item 18. Financial Information

As noted above, Horizon has full discretionary authority over the trading in clients' accounts. Since Horizon does not have custody of client funds or securities, should Horizon encounter a financial condition that would impair Horizon's ability to meet its commitments under contracts with clients, such financial condition will not have a negative impact on client accounts.

Horizon does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Item 19. Requirements for State-Registered Advisers

Not Applicable