



*Hufford Advisors, LLC*

*A place where lives are changed*

# Hufford Advisors, LLC

## **Part 2A, Brochure March 28, 2014**

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**This brochure provides information about the qualifications and business practices of Hufford Advisors, LLC (“Hufford”). If you have any questions about the contents of this brochure, or to request a copy of this brochure, please contact us at the address and phone number above or [jberridge@huffordfinancial.com](mailto:jberridge@huffordfinancial.com). 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. SEC registration does not carry with it requirements regarding skill or training.**

**Additional information about Hufford Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) as well as at [www.HuffordFinancial.com](http://www.HuffordFinancial.com).**

## **Item 2        MATERIAL CHANGES**

This Item of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The last update of our Brochure was March 28, 2013.

We have made the following material change in our current Brochure:

Item 15 has been revised to include mention of a new service offering through the firm's affiliated accounting firm resulting in implied custody for Hufford Advisors, LLC.

Additionally, please note that we have updated the Assets Under Management information of Item 4 in accordance with the filing of our Annual Updating Amendment dated 03/28/2014.

(Brochure Date: 03/28/2014)

(Date of Most Recent Annual Updating Amendment: 03/28/2014)

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\*The Securities and Exchange Commission's rules require that each of these items be listed in our Table of Contents although some items may not be applicable to Hufford's business practices.

#### **Item 4            ADVISORY BUSINESS**

Hufford Advisors, LLC (“Hufford”) is an SEC-registered investment adviser formed as a limited liability company on September 30, 2011 in the State of Delaware, as successor to the business of Hufford Financial Advisors, LLC (“HFA”), which registered with the SEC in 1999.

Hufford is part of the Focus Financial Partners, LLC (“Focus”) network. Hufford is owned by Focus Operating LLC, which is owned by Focus Financial Partners, LLC.

Hufford is managed by Brian Hufford and Robert Ziliak through a Management Agreement between Hufford Management, LLC and Focus Operating LLC. As of December 31, 2013, Hufford managed \$355,545,956 on a discretionary basis and \$19,357,512 on a non-discretionary basis.

As discussed below, Hufford offers to its Clients (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, financial planning and related consulting services. Hufford’s focus is to provide its services on a national basis to the dental community.

#### **Investment Advisory Services**

Hufford provides fee only discretionary investment advisory services to its Clients. When a Client engages Hufford to perform Investment Advisory Services, a dedicated registered financial professional will work with that Client to evaluate the Client’s financial situation, risk tolerance, and investment objectives. Based upon this information and evaluation, Hufford will then recommend to the Client an appropriate investment strategy. After obtaining its Client’s consent to an investment strategy, Hufford generally implements those strategies through the use of a diversified selection of mutual funds. After implementation, Hufford will, on an ongoing basis, monitor the Client’s portfolio in order to address issues such as rebalancing to maintain the selected investment strategy, the investment of portfolio income and additional cash flows. In the course of providing Investment Advisory Services, the Client may receive some incidental non-comprehensive financial planning suggestions.

Hufford offers its Clients a choice among diversified portfolio allocation models of varying risk levels using mutual funds, including institutional mutual funds. Institutional funds are a class of funds that are generally not available to the public and usually have expenses lower than retail mutual funds. Clients select from a variety of different model options. Within each model’s equity/fixed income division, there are a variety of sub-asset classes to ensure maximum diversification. The mutual funds and sub-asset classes within these models are subject to change. A registered professional from Hufford, acting as a fiduciary advisor, will work with the Client to help determine which of the models is appropriate for their needs. On a very limited basis and under special circumstances Hufford may construct a custom portfolio for the Client.

As stated above, Hufford's Investment Advisory Services are provided to its Clients on a discretionary basis. That means that after the Client has agreed to an investment strategy, Hufford may implement that strategy without receiving additional Client approval provided that Hufford may not change the Client's basic allocation between equity and fixed income without specific Client approval. Hufford's Clients are free to change their basic equity/fixed income allocation at any time and are encouraged to review their allocation should there be changes in the Client's personal or financial situation. Clients' portfolios are generally rebalanced to the specified equity/fixed income ratio on no less than an annual basis.

The discretionary Investment Advisory Services provided to Hufford's Clients are described in the written Investment Management Agreement provided to and signed by the Client. Clients are informed that investment allocations and/or strategies employed by Hufford may not prove to be profitable and may in fact lose money. Hufford's investment program is not a guaranteed rate program and is not bank or FDIC insured.

Hufford's Investment Management Services to its Clients are implemented via the Schwab Institutional Custody platform or the Schwab Trust Custody Platform. As a condition of having Hufford provide investment advisory services via the Schwab Institutional or Schwab Trust Custody platform, Clients will enter into the appropriate written account agreements with Charles Schwab & Co. ("Schwab"). Hufford has negotiated an asset based pricing schedule with Schwab that enables Hufford's Clients to obtain all mutual funds without payment of brokerage commissions charges. Some of the mutual funds used in the portfolios may charge other fees such as short-term redemption fees for certain mutual funds if they are sold less than 30, 60, or 90 days after they are purchased. The negotiated asset based pricing is generally considered substantially discounted from customary Schwab retail transaction charges and commission rates. The fees charged by Schwab may be higher or lower than those charged by other custodians.

Clients with qualified retirement plans generally hire a third party qualified retirement plan administrator to track contributions and apportion and track the assets among the plan participants. Such third party administrators operate entirely independently from Hufford. Hufford receives no fee, or commission or other benefit from any third-party service provider. For clients with qualified retirement plans who have entered into a separate investment management agreement directly with Nyhart, Hufford provides Nyhart with intended portfolio allocation guidelines and Nyhart places those trades consistent with the stated allocation.

Hufford will also act in an advisory role for accounts held outside their investment program on a limited basis. Using tools offered via the affiliation with BAM, Hufford can gain visibility on assets held at multiple custodians and will not have discretionary authority. The client authorizes this through an external vendor and this allows Hufford to monitor the account(s) and take them into consideration when helping the client to make investment decisions.

Please see Item 5 below for a detailed description of Hufford's Investment Advisory fees.

### **Financial Planning and Consulting Services**

Hufford offers its Clients a variety of programs within its Financial Planning Services. These programs range from Hufford's comprehensive The Financial Breakthrough Program™ to various return financial planning engagements. The twelve month The Financial Breakthrough Program™ provides a comprehensive review and analysis of a Client's entire financial status including an analysis of the Client's financial goals and objectives, establishing current income, assets, business and personal cash flow expectations, debt structure, review of estate planning and insurance needs, and tax and retirement planning. Return financial planning engagements review a Client's progress and discuss issues that may have arisen since the initial plan was developed. Hufford also offers its Clients the opportunity for focused consulting sessions on issues such as debt financing and retirement planning. Clients should be aware that neither Hufford nor any of its employees serve them as a licensed attorney, CPA or insurance agent. Prior to engaging Hufford to provide any financial planning services, the Client will be required to enter into a written Financial Planning Engagement Letter setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, the total fee and the portion of the fee that is due from the Client prior to Hufford commencing services. Hufford may recommend the services of other professionals for implementation purposes, including Hufford's Accounting affiliate, Hufford & Associates P.C. (Please see the disclosure at Item 10 C.) The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Hufford. The Client is under no obligation to engage the services of any such recommended professional. Hufford receives no fee, commission or other benefit by making such recommendations. Hufford does not offer any insurance or other products for which it receives any kind of fee or commission. Please see Item 5 below for a detailed description of Hufford's Financial Planning and Consulting fees.

### **Client Service Teams**

Hufford employs a team approach to implement its Client service for its Investment and Financial Planning process. Each team is led by a registered Senior Consultant and supported by two to four consulting and support staff members. In addition, each team is supported by Hufford's investment operations team. Currently, Client accounts are divided across members of the Senior staff.

### **Transition Consulting Services**

Hufford offers Transition Consulting Services to dental Clients who want to purchase or sell a dental practice, are bringing new doctors into the practice, or who are contemplating forming or joining a group practice. Hufford's consulting services can assist Clients in realizing the value of a practice they wish to buy or sell as well as analyzing other issues involved in transitioning various kinds of ownership interests. Generally, these services are preformed on an hourly basis. It is also possible that some level of transition consulting may be provided within the scope of a

wider financial planning engagement. Please see Item 5 below for a detailed description of Hufford's Transition Consulting Service fees.

### **Sub-Advisory Arrangements**

#### **BAM Advisor Services, LLC**

Hufford may exercise discretionary authority provided by a client to select an independent third party investment manager for the management of portfolios of individual fixed income securities. Hufford selects BAM Advisors Services, LLC for such fixed income management. Hufford also contracts with BAM Advisor Services, LLC for back office services and assistance with portfolio modeling. Hufford has a fiduciary duty to select qualified and appropriate managers in the client's best interest, and believes that BAM Advisor Services, LLC effectively provides both the back office services that assist with its overall investment advisory practice and fixed income portfolio management services.

The management of Hufford continuously makes this assessment. While Hufford has a contract with BAM Advisor Services, LLC governing a time period for back office services, Hufford has no such fixed commitment to the selection of BAM Advisor Services, LLC for fixed income management services and may select another investment manager for clients upon reasonable notice to BAM Advisor Services, LLC.

### **Client's Obligations and Responsibilities**

- A. Hufford offers its Clients a selection of services. Clients who engage Hufford for one of the services it provides are under no obligation to use any of Hufford's other services.
- B. In performing its services, Hufford shall not be required to verify the information received from the Client or from the Client's other professionals. Hufford is authorized to rely on the accuracy of this information. Moreover, Clients are informed that it remains their responsibility to promptly notify Hufford if there is ever any change in their financial or personal situation or investment objectives. Hufford needs to know of such changes in order to review/evaluate/revise previous recommendations.

If the Client engages any third party for professional services recommended by Hufford and a dispute arises thereafter relative to such engagement, the Client agrees to seek recourse exclusively from and against the third party.

### **Disclosure Statement**

A copy of this written brochure known as Part 2A of Form ADV shall be provided to each new and prospective Client prior to, or contemporaneously with, the execution of the Investment Management Agreement or Financial Planning or Consulting Agreement, and will be provided annually if there are material amendments. New and prospective Clients will also receive a supplemental brochure known as Part 2B of Form ADV, which describes the background and experience of each of employee that serves on its Investment Committee and who provides the Client with direct investment advice.

### **Wrap Fee Programs**

Hufford does not participate in a wrap fee program.

## **Item 5      FEES AND COMPENSATION**

In certain circumstances, all fees, account minimums and their applications to family circumstances may be negotiable.

### **Investment Advisory Services**

Hufford provides its discretionary Investment Advisory Services on a “fee-only” basis. “Fee-only” means that the sole revenue Hufford receives is from charging its Clients for the advisory services it renders. Hufford receives no other fees, no referral fees and no commissions. Neither Hufford, nor any of its employees receive compensation from the sale of any security, other investment products, or any products of any kind, (like insurance policies). See Item 12 for further discussion regarding benefits received by Hufford from Schwab.

Hufford’s annual Investment Advisory fee is based upon a percentage (%) of the market value of assets placed under Hufford’s management (between 1.00% and 1.25 %) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$500,000 in Account value	1.25% per year
Next \$500,000 in Account value	1.15% per year
Account value above \$1,000,000	1.00% per year

Hufford’s Investment Advisory fee shall include only its Investment Advisory Services and those services may include some limited incidental financial planning. If a Client requires extensive Financial Planning or specific Consulting Services, those services require a separate Agreement and incur a separate fee as described below in this Item 5. Hufford, in its sole discretion, may

determine when incidental financial planning services become sufficiently specific and extensive to require a separate Agreement and fee.

Hufford's annual Investment Advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. In any partial calendar quarter, the Advisory Fee will be pro-rated based upon the number of days that the Account was open during the quarter. Clients may elect to have Hufford's advisory fees deducted directly from their custodial account or a designated fee account held at the same custodian. Both Hufford's Investment Management Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Hufford's investment advisory fee and to directly remit that management fee to Hufford in compliance with regulatory procedures. In the limited event that Hufford bills the Client directly, payment is due upon receipt of Hufford's invoice.

The fees charged by Hufford are separate and distinct from the fees charged by any recommended sub-advisers (other Investment Managers). A description of any Investment Manager fees is available in each mutual fund's prospectus and investment manager's disclosure documents.

Similarly, Hufford's fees are separate and distinct from the fees and expenses charged by mutual funds. These fees are also separate from any custodial fees. A description of these fees and expenses is available in each fund's prospectus and applicable disclosure document. Clients will also incur any applicable brokerage and other transaction costs.

As described above in Item 4, Hufford has contracted with BAM Advisor Services, LLC ("BAM") for services including trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. Hufford has also contracted with BAM for sub-advisory services with respect to Clients' fixed income accounts. Hufford pays a fee for BAM services based on management fees paid to Hufford on accounts that use BAM Advisor Services. The fee paid by Hufford to BAM consists of a portion of the fee paid by Clients to Hufford and varies based on the total Client assets administered by BAM through Hufford.

For investment management and employee benefit plan services, Hufford will request authority from the Client to receive quarterly payments directly from the Client's account held by an independent custodian. Clients may provide written limited authorization to Hufford or its designated service provider, BAM, to withdraw fees from the account. Clients will receive custodial statements showing the advisory fees debited from their account(s). Certain third party administrators will calculate and debit Hufford's fee and remit such fee to Hufford.

For marketable securities, the prices provided by custodians are used for client reporting and fee billing. Hufford, in its sole discretion, may charge a lesser management fee and/or waive or modify its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with Client, etc.).

The Investment Management Agreement between Hufford and the Client will continue in effect

until terminated by either party with notice in accordance with the terms set forth in that Agreement. Upon termination, Hufford shall refund to the Client any unearned pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

### **Financial Planning and Consulting Services**

To the extent the Client requires comprehensive Financial Planning Services or Consulting Services, Hufford's fees can either be a fixed amount or determined on an hourly basis. Hufford's fees are negotiable, but for Financial Planning, they generally range from \$3,600 to \$13,500 on a fixed fee basis, and from \$75.00 to \$250.00 on an hourly basis. The exact amount depends upon the level and scope of the services required and the professionals rendering the services. Fixed fees are frequently paid on a monthly schedule and are paid in arrears. Hourly fees are billed monthly to the Client as the services are rendered during the term of the engagement. Clients may elect to pay Financial Planning fees via an authorized deduction from their credit card account. Hufford will not require any payment greater than \$1,200 more than six (6) months in advance of services to be rendered.

### **Transition Consulting Services**

Hufford's Transition Consulting Services are billed monthly as the services are rendered on an hourly basis at \$250.00 per hour. There may be a specified not-to-exceed dollar amount. Hufford charges will be based upon the complexity of the issues presented, the expertise of the professionals involved and the amount of time it takes to resolve the issues. Hufford will not require any payment greater than \$1,200 more than six (6) months in advance of services to be rendered.

## **Item 6                    PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Neither Hufford nor any employee of Hufford charges any performance-based fees. Hufford does not engage in side by side management.

## **Item 7                    TYPES OF CLIENTS**

Hufford's Clients include individuals, defined contribution and defined benefit plans, business entities, trusts, estates and charitable organizations. Hufford's target market consists of Dental Professionals, and its marketing activities are directed towards this Client base. Hufford generally requires a minimum asset level of \$25,000 for its investment advisory services.

**Item 8                    METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

- A. As part of its mutual fund selection due diligence process, Hufford utilizes research and other due diligence-related information provided by such strategic partners as Callan & Associates, Charles Schwab & Co., Steele Mutual Fund Expert, FI360, Ned Davis Research, Dimensional Fund Advisors, Hulbert Financial Digest, and BAM Advsiior Services (a firm Hufford utilizes for back office technology as it relates to trading and portfolio accounting.
- B. Hufford may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)
- C. Hufford may utilize the following general investment strategies when implementing investment advice given to Clients:
- Long Term Purchases (securities held at least a year)
  - Short Term Purchases (securities sold within a year)
  - Trading (securities sold within thirty (30) days)

**Other Specific Investment Strategies**

Hufford uses a primary investment methodology of a Diversified Allocation Strategy Series that uses Resampled Efficiency™ to achieve an efficient global portfolio allocation among numerous asset classes comprised of mutual funds or exchange traded funds based upon long-term expected return and risk factors. It is designed for those Clients who wish to invest in a globally diversified mix of stocks and bonds.

**Please Note: Investment Risk**

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Hufford) will be profitable or equal any specific performance levels. All investments represent some level of risk and an investor should understand that losses can and do occur. Significant losses of invested capital are possible. Investing in securities involves risk of loss that clients should be prepared to bear.

- D. Hufford's methods of analysis and investment strategies do not present any unusual risks other than as outlined above. However, every method of analysis has its own inherent risks. Market analysis is inherently limited in that no one can predict the potential for large unexpected outcomes of future events and the resultant impact on Client investments. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

As stated above, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy and may also result in wider short-term gains or losses than a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

#### **Item 9            DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Hufford or the integrity of Hufford's management. Hufford has no information applicable to this Item. Neither Hufford nor its management persons have been the subject of any disciplinary actions.

#### **Item 10          OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. Hufford is part of the Focus Financial Partners, LLC ("Focus") network. As such, Hufford is a wholly-owned subsidiary of Focus Operating, LLC, which is a wholly-owned subsidiary of Focus Financial Partners, LLC (Focus). Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the Focus Partners). The Focus Partners provide wealth management, benefit and investment consulting services, serving individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV Schedule Ds.
- B. Hufford's Clients are not solicited to invest in any other Focus Partners' advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus Partner firms, unless so disclosed on their respective Form ADVs and with the Clients' informed consent, nor are any transactions executed through another Focus Partner's affiliated broker dealer. Further, the Focus Partners do not market their services or

share Client information amongst each other without prior client consent, and management personnel from the other Focus Partners are not involved in the management of Hufford.

- C. A list of the affiliated investment advisers and broker dealers can be found on Hufford's Form ADV Part 1 Schedule D and additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).
- D. Neither Hufford, nor its employees, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- E. Neither Hufford, nor its employees, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- F. Certified Public Accountant and Accounting Firm

Hufford's President, Chief Executive Officer, and managing partner, Brian Hufford, is also a certified public accountant ("CPA"), and President of the accounting firm of Hufford & Associates, P.C., which is a separate legal entity from Hufford. To the extent that Hufford Clients specifically request accounting advice and/or tax preparation services, Hufford may recommend the services of a CPA firm including Hufford's affiliated firm of Hufford & Associates, P.C. Any such accounting advice and/or tax preparation services will be rendered, pursuant to a separate agreement between the Client and the CPA firm (who may or may not be Hufford & Associates P.C.). Any relationship between a Hufford Client and any CPA Firm is completely independent from any relationship with Hufford. Hufford does not receive, directly or indirectly, any compensation of any kind from any CPA firm, including Hufford & Associates, P.C., which it recommends for its Clients. Conversely, a Client of Hufford & Associates, P.C. may be referred to Hufford for Investment Advisory/Financial Planning Services. Hufford will not pay either directly or indirectly any fee to its affiliated firm if such a Client becomes a Client of Hufford.

- G. Conflict of Interest

The recommendation by a Hufford employee that a Client engage the services of Hufford & Associates, P.C. presents a conflict of interest, regardless of the fact that no fees are paid or received. No Hufford Client is under any obligation to engage Mr. Hufford as a CPA or engage the services of the accounting firm Hufford & Associates, P.C.

- H. BAM Advisor Services, LLC

As described above in Item 4, Hufford may exercise discretionary authority provided by a client to select an independent third party investment manager for the management of portfolios of individual fixed income securities. Hufford selects BAM Advisors Services, LLC for such fixed income management. Hufford also contracts with BAM Advisor Services, LLC for back office

services and assistance with portfolio modeling. Hufford has a fiduciary duty to select qualified and appropriate managers in the client's best interest, and believes that BAM Advisor Services, LLC effectively provides both the back office services that assist with its overall investment advisory practice and fixed income portfolio management services. The management of Hufford continuously makes this assessment. While Hufford has a contract with BAM Advisor Services, LLC governing a time period for back office services, Hufford has no such fixed commitment to the selection of BAM Advisor Services, LLC for fixed income management services and may select another investment manager for clients upon reasonable notice to BAM Advisor Services, LLC.

**Item 11      CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

Hufford maintains an investment policy relative to personal securities transactions. This investment policy is part of Hufford's overall Code of Ethics, which serves to establish a standard of business conduct for all of Hufford's employees and is based upon fundamental principles of openness, integrity, honesty and trust. A copy of Hufford's Code of Ethics is available to anyone upon request by contacting us at the phone number or email address listed on the cover page of this brochure. In accordance with Section 204A of the Investment Advisers Act of 1940, Hufford also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Hufford or its employees.

Neither Hufford nor any of its employees recommends, buys, or sells for Client accounts, securities in which Hufford or any employee of Hufford has a material financial interest.

Hufford and/or its employees may buy or sell securities that are also recommended to its Clients. This practice could create a situation where Hufford and/or its employees are in a position to materially benefit from the sale or purchase of those securities which creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Hufford did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Hufford's Clients) and other potentially abusive practices. However, since Hufford's investment strategy is primarily implemented through the use of a diversified selection of mutual funds, scalping and front running are very unlikely.

In order to further address this potential conflict of interest, Hufford has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Hufford's employees.<sup>1</sup> Hufford's securities transaction policy requires that employees of Hufford must provide the Chief Compliance Officer with a written report of their current securities holdings within ten (10) days after becoming an employee. Additionally, each

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<sup>1</sup> Hufford has chosen to designate all its employees as "Access Persons" for the purpose of this regulation

employee must provide the Chief Compliance Officer with a written report of the employee's current securities holdings at least annually.

## **Item 12      BROKERAGE PRACTICES**

Hufford arranges for the execution of securities transactions with the assistance of BAM Advisor Services. Through BAM, Hufford may participate in the Schwab Advisor Services (SAS) program offered to independent investment advisors by Charles Schwab & Company, Inc., Schwab is a FINRA registered broker dealer.

The Schwab brokerage program will generally be recommended to advisory clients for the execution of mutual fund and equity securities transactions. Hufford regularly reviews these programs to ensure that its recommendations are consistent with its fiduciary duty. These trading platforms are essential to Hufford's service arrangements and capabilities, and Hufford may not accept clients who direct the use of other brokers. As part of these programs, Hufford receives benefits that it would not receive if it did not offer investment advice (See the disclosure under Item 14 of this Brochure).

As Hufford will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for mutual fund and equity securities transactions, clients must direct Hufford as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that Hufford will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisors require clients to direct the use of specific brokers.

Hufford will not exercise authority to arrange client transactions in fixed income securities. Clients will provide this authority to a fixed income manager retained by Hufford on client's behalf by designating the portfolio manager with trading authority over client's brokerage account. Clients will be provided with the Disclosure Brochure (Form ADV Part 2) of such fixed income portfolio manager.

Schwab does not generally charge clients a custody fee and are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the broker or that settle into the clients' accounts at the brokers. Trading client accounts through other brokers may result in fees (including mark-ups and mark-downs) being charged by the custodial broker and an additional broker. While Hufford will not arrange transactions through other brokers, the authority of the fixed income portfolio manager includes the ability to trade client fixed income assets through other brokers.

Hufford does not have any arrangements to compensate any broker dealer for client referrals.

When trading client accounts, errors may periodically occur. Hufford does not maintain any client trade error gains. Hufford makes client whole with respect to any trade error losses incurred by client and caused by Hufford.

Hufford generally does not aggregate any client transactions in mutual fund or other securities. Client accounts are individually reviewed and managed, and transaction costs are not saved by aggregating orders in almost all circumstances in which Hufford arranges transactions. BAM Advisor Services, LLC, in the management of fixed income portfolios, will aggregate certain transactions among client accounts that it manages, in which case a Hufford client's orders may be aggregated with an order for another client of BAM Advisor Services, LLC who is not a Hufford client. See BAM Advisor Services, LLC Form ADV Part 2.

### **Participant Directed Retirement Plan Services**

Hufford does not arrange for the execution of securities transactions for participant-directed retirement plans. Transactions are executed directly through employee plan participation and a third party administrator/custodian.

**Please Note:** In the event that the Client directs Hufford to effect securities transactions for the Client's accounts through a specific broker-dealer, the Client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the Client determined to effect account transactions through alternative clearing arrangements that may be available through Hufford.

## **Item 13      REVIEW OF ACCOUNTS**

- A. For those Clients to whom Hufford provides Investment Advisory services, account reviews are conducted on an ongoing basis by Hufford's employees. All Investment Advisory Clients are repeatedly advised that it remains their responsibility to advise Hufford of any changes in their investment objectives and/or financial or personal situation. All Clients (in person or via telephone) are encouraged to review financial planning issues, investment objectives and account performance with Hufford at least on an annual basis.
- B. Hufford may also conduct account reviews upon the occurrence of a triggering event, such as a change in Client investment objectives and/or financial situation, market corrections, cash inflows and outflows or Client request.
- C. All clients other than those utilizing participant-directed retirement plan services will receive quarterly performance reports, prepared by BAM and reviewed by Hufford, that summarize the client's account and asset allocation. Clients will also receive statements from qualified account custodians. Plan sponsors of participant-directed reports will receive annual reports regarding investment performance from Hufford.

## **Item 14      CLIENT REFERRALS AND OTHER COMPENSATION**

### Other Compensation

As indicated under the disclosure for Item 12, SAS provides Hufford with access to services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them.

These services benefit Hufford but may not benefit its clients' accounts. Many of the products and services assist Hufford in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Hufford's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Hufford accounts. The recommended broker also makes available to Hufford other services intended to help Hufford manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. Hufford does not, however, enter into any commitments with the broker for transaction levels in exchange for any services or products from the broker. While as a fiduciary, Hufford endeavors to act in its clients' best interests, Hufford's requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Hufford of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.

On a very limited basis, Hufford uses web-based tools provided by Dimensional Fund Advisors (DFA) to help form asset allocation strategies and produce performance reports. DFA provides continuing education for other BAM member-firms but Hufford is not participating in these educational pieces at this time. These educational sessions are designed to assist firms in planning and designing their services for business growth.

Hufford does not have arrangements to compensate persons for client referrals.

## **Item 15      CUSTODY**

Under recent amendments to the SEC's Custody Rule, Hufford is deemed to have technical custody of Client assets as Hufford has the ability each quarter, to deduct its Investment Advisory fees directly from its Client's accounts. As a convenience, Hufford offers clients the ability to pay for its financial planning services by credit card. Hufford is therefore also deemed to have custody under the SEC's Custody Rule by virtue of its possession of the credit card account information of

those financial planning clients who have contracted with Hufford for payment via credit card, and its contractual billing authority with respect to these clients. Through a service offering by the affiliated accounting firm, Hufford & Associates, PC, affiliated persons have access credentials to client account information for personal accounts held away from Schwab. Hufford is deemed to have implied custody because of the connection of the two firms.

In order to protect Clients' access information and to minimize the risk of misappropriation of its Clients' assets, Hufford has adopted certain required policies and procedures, and subjects these accounts to a surprise examination conducted by Berkow, Schechter, & Company, LLP, an independent public accountant registered with the Public Company Accounting Oversight Board ("PCAOB").

Hufford's Client assets are custodied at Schwab who is a qualified custodian under SEC regulations. As discussed above, Schwab sends directly to Hufford's Clients monthly account statements. On a quarterly basis, these Schwab account statements will reflect the deduction of Hufford's advisory fee. Hufford sends quarterly reports to its Clients which contain a statement urging its Clients to compare these account statements with those sent by Schwab as well as reminding Clients that it is their responsibility, not Schwab's, to verify that Hufford's fees are correct.

#### **Item 16      INVESTMENT DISCRETION**

As discussed above, Hufford provides its Investment Advisory Services to its Clients on a discretionary basis. Included in the Investment Management Agreement that the Client signs, is a provision which names Hufford as the Client's attorney and agent in fact, and grants Hufford full authority to buy, sell, or otherwise effect investment transactions involving the assets in the Client's discretionary account with the noted exception that Hufford will not change a Client's equity/fixed income allocation without securing the Client's approval.

#### **Item 17      VOTING CLIENT SECURITIES**

- A. Hufford's Investment Management Agreement reiterates its policy that Hufford does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Hufford at the phone number or email address listed on the cover page of this brochure to discuss any questions they may have with a particular solicitation.

**Item 18      FINANCIAL INFORMATION**

- A.      Hufford does not solicit fees of more than \$1,200, per Client, six months or more in advance.
- B.      Hufford is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over Client accounts.
- C.      Hufford has not been the subject of a bankruptcy petition.

**IF YOU HAVE QUESTIONS:**

**Hufford's Chief Compliance Officer, Jeffrey Berridge, remains available to address any questions that a Client or prospective Client may have regarding the above disclosures and arrangements.**