

Firm Brochure

**Harbor Springs Financial Management, LLC**

202 S. Michigan St., Suite 903

South Bend, IN 46601

574-287-5000

January 23, 2014

This brochure provides information about the qualifications and business practices of Harbor Springs Financial Management, LLC (“HSFM”, “We”, “Us”, and “Our”). If you have any questions about the contents of this brochure, please contact us at 574-287-5000. 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. Although HSFM is registered with the SEC as an investment adviser, such registration does not imply any level of skill or training.

Additional information about HSFM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 162381.

## **Item 2 - Material Changes**

This brochure is a new document prepared according with HSFM's registration with the Securities and Exchange Commission ("SEC"). In the future, you can look to this section of the brochure for a summary of specific material changes that have been made since its last update.

On January 23, 2014 we updated the assets under management figure in Item 4.E. This is not a material change.

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## **Item 4 - Advisory Business**

HSFM is an SEC registered investment adviser with its principal place of business located at 202 S. Michigan St., Suite 903 South Bend, Indiana 46601. HSFM was organized in February of 2012 as a limited liability company under the laws of Indiana and is controlled by Al Brasseur.

### **Advisory Services Offered**

HSFM is newly registered with the SEC and provides Asset Management and Financial Planning Services.

***Asset Management Services*** – We provide discretionary and non-discretionary asset management to high net worth individuals, pension and profit sharing plans, banks, institutional investors. We also serve as a sub-investment adviser to the Dunham Alternative Income Fund (SEC File No. 811-22153). Our asset management service provides client with continuous and on-going supervision over designated accounts. Investments generally include, but not limited to, stocks, bonds, mutual funds, exchange traded funds and outside money managers.

We tailor our advisory services to the individual needs of our clients. Clients may communicate their individual needs to us while negotiating an investment management agreement. Clients may also impose reasonable restrictions on investing in certain securities and we seek to maintain a continuous dialogue with our clients about their individual investment needs.

We use various model portfolios consisting of mutual funds and individual securities. We determine the client's investment objectives and risk tolerance, by using a risk tolerance questionnaires and profiling. Once determined, the client's assets are invested according to the appropriate model. We provide on-going portfolio management utilizing research and our asset allocation models.

***Financial Planning Services*** – We provide investment advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses on a client's overall financial situation. We pride ourselves in helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. Under this program, the role of your investment adviser representative as a financial planner is to find ways to help you understand your overall financial situation and help you set financial objectives.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to

implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Our investment analysis is not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include analysis of the following types of securities; exchange-listed securities, securities traded over-the-counter, foreign issuers, warrants, corporate debt securities (other than commercial paper), commercial paper, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares, United States governmental securities, options contracts on securities, options contracts on commodities, and interests in various types of partnerships.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within ninety days (90) days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **Amount of Assets Managed**

As of January 21, 2014, we had \$15,073,233 of discretionary and \$16,308,923 non-discretionary assets under management.

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

### **Asset Management Fees**

We charge an asset-based fee for our Asset Management Services. The fee arrangement, termination, and refund policies are negotiated with each client and described in the client's advisory agreement.

Our investment advisory fees are generally expressed as a percentage of assets under management and are negotiable. While the basic investment advisory fee may vary, fees typically range from .5% to 1.5% of assets under management on an annual basis depending on the specific nature of the strategy the needs of the client.

The following is an investment rate schedule by asset class:

	EQUITY AND BALANCED		FIXED INCOME	
First	\$1,000,000	1.50%	\$ 500,000	.75%
Next	\$3,000,000	1.25%	\$ 500,000	.70%
Next	\$4,000,000	1.00%	\$1,000,000	.50%
Over	\$8,000,000	Negotiable	\$2,000,000	Negotiable

Our fees are billed and payable monthly in arrears, unless a client agrees otherwise, generally based upon the average of the month-end net assets. Clients will authorize us to directly debit fees from their accounts directly with the custodian through the advisory agreement.

In the case of the Dunham Alternative Income Fund (SEC File No. 811-22153) of which we are a sub-investment adviser, the fee information will be in the prospectus and Statement of Additional Information (SAI).

### **Financial Planning Fees**

Planning service fees may vary based on the type of plan needed and the complexity of the client's situation. The fees for services are based on the type of plan and the amount of time required to complete the plan. Flat fees are available ranging from \$125 to \$10,000, and Hourly rates are available from \$125 to \$250 per hour. All fees may be negotiable.

We reserve the right, in our sole discretion, to negotiate and charge different advisory fees for different accounts. Advisory fees may vary due to the specific details of the strategy traded for the client's account (including, for example, the costs and risks associated with a particular strategy), the inception date of a client's account, the initial or potential size of the account, the entirety of the client's and its affiliates' relationship with us, and account-specific requirements such as non-standard reporting obligations and compliance with laws not generally applicable to our activities. Accordingly, we may charge a higher or lower fee than the standard fees set forth above.

### **Commission Compensation**

Management and certain employees of our firm are separately licensed as registered representatives of Berthel Fisher & Company Financial Services, Inc., (Berthel Fisher) a broker dealer and/or licensed as insurance agents or brokers of various companies. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12-b1 fees or other sales-related forms of compensation). We do not reduce or waive our advisory fee in lieu of commissions earned.

This arrangement presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering

implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. Please see additional disclosures in Item 10 below.

## **General Fee Information**

### ***Fulcrum Fees***

We may receive fulcrum fees for certain intuitional and investment company accounts in which we manage. These fees are generally negotiated and detailed in each investment company's prospectus and SAI. Please see the *Performance Fee* section below (Item 6) below for further discussion about potential conflicts of interests related to performance based fees.

### ***Account Termination***

An advisory contract may be terminated without penalty by the client with written notification, within ten business days of the contract being signed. Thereafter, clients may terminate the advisory relationship at any time upon written notice to our firm and we will unwind your portfolio in an orderly fashion as may be required. In the event our services are terminated, the client's fees are pro-rated to the extent that its services have been provided for less than the full quarter (or other billing period). The client is expected to pay only the pro-rated charge for the advisory service actually rendered.

### ***Additional Fees and Expense Information***

Client accounts typically bear certain additional expenses other than investment advisory fees, including custodial fees, brokerage costs, trade correction costs, out-of-pocket costs for ERISA-mandated fidelity bonds (If applicable) or fees for plan administrator/Trustee-directed special projects or reports. We receive no payment or remuneration from institutional clients with respect to such other expenses (except as described in *Brokerage Practices*), and any such charges, fees and commissions are exclusive of, and in addition to HSFM's advisory fees. No portion of such charges, fees or commissions shall be applied as an offset to reduce the amount of advisory fees owed by a client to HSFM. In addition, when client assets are invested in a Mutual Fund or in an Exchange-Traded Fund (ETF), the client indirectly bears a prorated share of operating expenses incurred by the Mutual Fund or the ETF, including without limitation, brokerage fees and transaction costs, trade correction costs, transfer agency fees and custodial expenses. These expenses are described in greater detail in the Prospectus and/or Statement of Additional Information for the relevant Mutual Fund or ETF. Please refer to the *Brokerage Practices* section of this brochure for a discussion of fees related to HSFM's selection of brokers and order allocation practices.

### ***Limited Prepayment of Fees***

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

### **Item 6 - Performance Based Fees and Side by Side**

In connection with the management of certain investment company portfolios, we may receive a fulcrum fee. A fulcrum fee is a type of performance based fee which has a base fee plus a performance fee element. A fulcrum fee has two parts, 1) the base fee and 2) the performance fee. In a typical fulcrum fee arrangement, the base fee is the pre-determined rate at which the adviser is paid when its net performance is in line with that of a pre-selected benchmark. The base fee is adjusted up or down by the performance fee, which is derived by comparing net account performance versus that of the pre-selected benchmark over a rolling 12-month period, in accordance with pre-determined rates of adjustment.

Clients should be aware that performance-based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because the compensation we receive from these clients is more directly tied to the performance of their accounts.

We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser; accordingly, we take the following steps to address these conflicts:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and employees to earn more compensation from advisory clients who pay performance-based fees;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to that client's needs and circumstances;
- We have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client account;
- We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment;



- We periodically review trading frequency and portfolio turnover rates to identify possible patterns of “window dressing,” “portfolio churning,” or any intent to manipulate trading to boost performance near the reporting period.
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

We will charge Performance-Based Fees only in accordance with the applicable federal and/or state regulations. We will not offer to charge such fees to any client residing in a state that prohibits such fees.

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

We provide investment advisory services to clients consisting of individuals, pension and profit sharing plans, banks, institutional investors and registered investment companies. Our services generally require a minimum account size of \$150,000 which varies by product type. We may waive this minimum from time to time at our discretion.

Client relationships are governed by investment advisory agreements that set forth the terms under which we will provide our services.

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

### **Methods of Analysis**

Our primary investment philosophy focuses on investing primarily in domestic and foreign income-producing equity securities which we believes will pay above-average, sustainable, dividends. We typically use common stock or securities convertible to common stock of companies traded on U.S. stock exchanges or in the over-the-counter markets, as well as preferred stocks, common or preferred interests or units of real estate investment trusts (REITs) and Master Limited Partnerships (MLPs). MLPs are typically publicly traded partnerships engaged in the transportation, storage, processing, refining, marketing, exploration, production, and mining of minerals and natural resources.

In addition we also may recommend investments in foreign securities similar in structure and nature as described above.

We generally analyze a company's financial statements, the company's business model, the company's management track record, the company's debt structure, and the sustainability and growth of its distributed dividend income. In general, we attempt to buys securities when the

company is providing above-average dividend income and cash flow growth. We seek to sell a security when we believe the company may have difficulty sustaining its dividend distributions, as measured by slowing revenue growth or slowing cash flow growth, or when we seek to take advantage of what it believes to be a better investment opportunity. Our analysis does not attempt to anticipate market movements.

### ***Risks associated with Method of Analysis***

Our method of analysis presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating a company's financials.

Additionally, our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Investment Strategies**

We may use any of the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

***Short sales.*** We may borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. We then sell the shares we have borrowed. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares.

***Margin transactions.*** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

### **Underlying Securities Risks**

Real Estate Investment Trusts (REITs) and Master Limited Partnerships (MLPs) investment products may have certain risk characteristics not found in other exchange traded securities and mutual funds. These risks may include (but not necessarily found in all funds):

- High degree of risk
- Leverage
- Speculative investment practices
- Illiquidity
- No periodic valuation information
- Complex tax structures or delays in distributing important tax information
- Loose regulatory oversight
- High fees
- Underlying investments may be not transparent

The investment performance of REITS and MLP can be volatile. An investor could lose all or a substantial amount of their investment. Often, REITS and MLP have total controlling authority over their funds; the use of a single adviser applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. There is often no secondary market for an investor's interest in these products, and none may develop. There may be restrictions on transferring interests in any of these products. Clients are encouraged to read the offering memorandum issued by a private investment before investing.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

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

We do not have any criminal or civil actions to report or any self-regulatory organization proceedings to report.

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

### **Management Personnel Registrations**

#### ***Registered Representative Activities***

Our President Al Brasseur and certain employees are associated persons of Berthel Fisher & Company Financial Services, Inc., (Berthel Fisher), an unaffiliated FINRA member broker-dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

While we endeavor at all times to put the interest of our client's first, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and this may affect the judgment of the individuals making recommendations when additional compensation is involved. Our advisory clients are not obligated to purchase any product, service or effect any securities transaction with these individuals in these separate capacities.

#### ***Insurance Licenses***

Management personnel and certain employees of our firm, in their individual capacities, are agents for various insurance companies or carriers. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

#### ***How We Handle Conflicts of Interests***

Clients should be aware that the receipt of additional compensation outside of your advisory relationship with HSFM by an individual creates a conflict of interest that may impair the objectivity of the individual when making advisory recommendations. We endeavor at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;

- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

We and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Our Code of Ethics further includes the HSFM's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling us at 574-287-5000.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.

8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker dealer, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 - Brokerage Practices**

### ***Factors Considered when Selecting Brokers***

We may consider a number of factors in utilizing brokers-dealers for client brokerage transactions. Among the factors considered are:

- Net transaction costs
- Clearance and settlement practices
- Ease of execution
- Integration with existing systems
- Interface applications for monitoring client investments
- Firm commitment to regulatory compliance
- Industry reputation
- General financial strength and stability
- Breadth of products and services
- Research capabilities

The foregoing factors are expected to enhance our portfolio management capabilities. We do not attempt to demonstrate that such factors are of a direct benefit to all clients on all trades. Research and brokerage service received may be used to service some, or in certain circumstances, all clients, subject to compliance with applicable law.

We do not have any soft-dollar arrangements and do not receive any soft-dollar benefits.

### ***Asset Management Services***

We require that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

We recommend that advisory clients seeking our Asset Management Services establish their account(s) with Berthel Fisher & Company, Inc. (Berthel Fisher), an unaffiliated FINRA member broker-dealer. As previously disclosed in Item 10 our management and employees are also registered representatives of this broker-dealer. Berthel Fisher is an introducing broker-dealer that custodies client accounts at National Financial Services, LLC (NFS), an unaffiliated SEC-registered broker-dealer and FINRA member. Additionally, in making this recommendation there is an inherent conflict of interest as previously disclosed in Item 10.

We may have limited ability to service an Asset Management advisory client who chooses a broker-dealer other than Berthel Fisher. If we believe that the use of another broker would hinder our ability to meet our fiduciary obligations, we will not be able to accept the account.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through Berthel Fisher.

### ***Financial Planning Services***

As disclosed in Item 10, our management and employees are also registered representatives of a FINRA-member broker-dealer. We may recommend Berthel Fisher for the implementation of financial planning recommendations, provided that this recommendation is consistent with our fiduciary duty to the client. Any commissions or other compensation received from the implementation of financial planning recommendations is separate and distinct from our advisory fee. No financial planning client is obligated to use Berthel Fisher to implement any recommended transactions and is free to use any broker-dealer. Please see the disclosures in Item 5 for additional information regarding the additional compensation earned by our employees who are registered representatives if clients purchase securities through Berthel Fisher.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through Berthel Fisher.

### ***Aggregation of Client Trades***

We will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.



Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Our block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with HSFM, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

- 8) Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

## **Item 13 - Review of Accounts**

### **Asset Management**

While the underlying securities within each client portfolio are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. These accounts are reviewed by Al Brasseur.

In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, we provide annual reports summarizing account performance, balances and holdings. More frequent reports may be available upon the client's request.

### **Financial Planning**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

These clients will not receive any regular reports unless specifically contracted for at the inception of the advisory relationship or as provided by the third-party service provider selected by the client.

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

It is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 - Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 - Investment Discretion**

Clients generally retain us on a discretionary basis and authorize us to make the following determinations in accordance with clients' specified investment objectives without client consultation or consent before a transaction is effected:

- which securities or other financial instruments to buy or sell;
- the total amount of securities or other financial instruments to buy or sell;
- the broker or dealer through which securities or other financial instruments are bought or sold;
- the commission rates at which securities or other financial instrument transactions will be effected; and
- the prices at which securities or other financial instruments are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Before assuming discretionary authority, we require a client to enter into a written investment management agreement with HSFM. Any limitations on our discretion in the case of a particular client will be agreed in advance and set forth in the investment management agreement between HSFM and such client.

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

We only accept proxy voting authority from registered investment companies who require us to vote proxies. Otherwise we do not accept proxy voting authority for any other client and do not offer any consultation with regard to these matters.

When we have discretion to vote proxies for our clients, we will vote those proxies in the best interests of its clients and in accordance our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting us directly. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 - Financial Information**

We are not required to provide a balance sheet for its most recent fiscal year, as it does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.