

## **Firm Brochure**

(Part 2A of Form ADV)

### **Harwood Advisory Group, LLC**

**13191 Starkey Road, Suite 1**

**Largo, FL 33773**

**Phone: 727-524-1427**

**Fax: 727-524-1837**

**EMAIL: Robert@TheHarwoodWay.com WEBSITE:  
www.HarwoodFinancialGroup.com**

This brochure provides information about the qualifications and business practices of Harwood Advisory Group, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at: 727-524-1427, or by email at: [Robert@TheHarwoodWay.com](mailto:Robert@TheHarwoodWay.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.

Additional information about Harwood Advisory Group, LLC (CRD #166585) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

July 11, 2014

### **Item 2: Material Changes**

---

Since the last filing of this brochure on March 28, 2014, there have been no material changes.

### Item 3: Table of Contents

## Contents

Item 2: Material Changes.....	1
Item 3: Table of Contents .....	2
Item 4: Advisory Business.....	1
Item 5: Fees and Compensation.....	4
Item 6: Performance-Based Fees and Side-by-Side Management .....	6
Item 7: Types of Clients .....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9: Disciplinary Information .....	9
Item 10: Other Financial Industry Activities and Affiliations .....	9
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12: Brokerage Practices.....	11
Item 13: Review of Accounts.....	12
Item 14: Client Referrals and Other Compensation.....	12
Item 15: Custody .....	13
Item 16: Investment Discretion .....	13
Item 17: Voting Client Securities.....	13
Item 18: Financial Information .....	13

## Item 4: Advisory Business

---

### **Firm Description**

Harwood Advisory Group, LLC ("Advisor") was founded in 2012. Robert Barry Harwood is 100% owner.

Advisor provides personalized confidential financial planning and investment management primarily to individuals, profit and pension plans, trusts, and corporations or business entities. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Advisor is a fee based financial planning and investment management firm. The firm does not sell annuities, insurance, or other commissioned products, but the firm's Managing Member is affiliated with entities that sell insurance products.

Advisor does not act as a custodian of client assets. Advisor places trades for clients under a limited power of attorney.

An evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement, risk analysis or similar document. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, tax preparers, insurance agents, etc.) are engaged directly by the client on an as-needed basis and may charge fees of their own. For example, tax preparation and to the extent your estate plan needs to be updated, the tax preparer and/or attorney will bill the client separately.

---

### **Types of Advisory Services**

Advisor provides investment supervisory services, also known as asset management.

#### ASSET MANAGEMENT

Advisor offers discretionary direct asset management services to advisory clients. Advisor will offer clients ongoing portfolio management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. The client will authorize Advisor discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

#### Employer-Sponsored Retirement Plan Consulting

Advisor provides service to qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit sharing plans, cash balance plans, and deferred compensation plans. Advisor may act as either:

- 1) *Limited Scope 3(21) Fiduciary.* Advisor typically acts as a limited scope 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions. The plan sponsor is still ultimately responsible for the decisions made in

their plan, though using Advisor can help mitigate that plan sponsor's liability by following a diligent process.

- 2) *3(38) Investment Manager*. Advisor can also act as an ERISA 3(38) Investment Manager in which it has discretionary management and control of a given retirement plan's assets. Advisor would then become solely responsible and liable for the selection, monitoring and replacement of the plan's investment options.

Advisor offers the following services to the Plan and the Plan participants:

1. Fiduciary Services:

- a. Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Client will make the final decision regarding the initial selection, retention, removal and addition of investment options.
- b. Assist the Client with the selection of a broad range of investment options consistent with ERISA Section 404(c) and the regulations thereunder.
- c. Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- d. Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- e. Meet with Client on a periodic basis to discuss the reports and the investment recommendations.
- f. Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5).

2. Non-fiduciary Services:

- a. Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands Advisor's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, Advisor is not providing fiduciary advice as defined by ERISA to the Plan participants. Advisor will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.

- b. Assist in the group enrollment meetings designed to increase perceived value and/or participation among retirement plan participants.

Advisor may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Advisor and Client.

A specific description of the scope of engagement and client deliverables will be outlined in the client engagement agreement.

3. Advisor has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- a. Employer securities;
- b. Real estate (except for real estate funds or publicly traded REITs);
- c. Stock brokerage accounts or mutual fund windows;
- d. Participant loans;
- e. Non-publicly traded partnership interests;
- f. Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- g. Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to Advisor under this Agreement.

#### FINANCIAL PLANNING AND CONSULTING

If financial planning services are applicable, the client will compensate Advisor a negotiable fixed fee basis described in detail under "Fees and Compensation" section of this brochure. Services include but are not limited to a thorough review of all applicable topics including Wills, Estate Plan/Trusts, Investments, Taxes, and Insurance. If a conflict of interest exists between the interests of the investment advisor and the interests of the client, the client is under no obligation to act upon the investment advisor's recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through Advisor. Financial plans will be completed and delivered inside of thirty (30) days.

#### SOLICITOR ARRANGEMENTS

Advisor solicits the services of Third Party Money Managers to manage client accounts. In such circumstances, Advisor receives a portion of the fees for asset management. This is detailed in Item 10 of this brochure.

---

#### **Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in our client files. Investment strategies are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without written client consent.

---

#### **Wrap Fee Programs**

Advisor does not sponsor any wrap fee programs.

---

## **Client Assets under Management**

As of July 3, 2014, Advisor had approximately \$100,944,806 assets under management on a discretionary basis.

## **Item 5: Fees and Compensation**

---

### **Method of Compensation and Fee Schedule**

#### ASSET MANAGEMENT

Advisor offers discretionary asset management services to advisory clients. The fees for these services will be based on a percentage of Assets Under Management as follows:

Portfolio Management		
Assets Under Management (AUM)*	Maximum Annual Fee	Quarterly Fee
\$0 - \$1,000,000	1.50%	.375%
Over \$1,000,000	1.00%	.250%

The annual Fee may be negotiable. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in arrears based on the amount of assets managed as of the close of business on the last business day of each quarter. Quarterly advisory fees deducted from the clients' account by the custodian will be reflected in a provided fee invoice as fees are withdrawn. The fees must be paid within 10 days following the conclusion of the calendar quarter which the account is being billed for. Lower fees for comparable services may be available from other sources. Advisor may at his discretion choose to not charge a fee to accounts recently established or accounts where the investment plan has not been decided or enacted or to accounts of a non-investment nature such as cash or passive management styles such as 529 accounts. Clients may terminate their account within five business days of signing the Investment Advisory Agreement with no obligation. Clients may terminate advisory services with thirty (30) days written notice. Advisor will be entitled to a pro rata fee for the days service was provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees, and client will acknowledge, in writing, any agreement of increase in said fees.

If customers of Harwood Advisory Group are not satisfied with services provided in their first year, Harwood Advisory Group will refund 100% of the client's advisory fees paid. This refund is specific to Investment Management fees paid to Harwood Advisory Group over the last 12 months and does not relate to Third Party management fees, mutual funds fees (i.e. 12(b)1 or expense ratios) or investment fees or commissions paid in relation to Insurance Products.

#### EMPLOYER-SPONSORED RETIREMENT PLAN CONSULTING

Based on the nature and scope of services desired by the client, fees charged may be any combination of A) an asset-based fee based on a percentage of the market value of included plan assets, B) flat fee, or C) hourly fee based on the scope of service desired by the client.

- Asset-based fee will not exceed 1% of the plan assets;
- Flat fee will range may range from \$1,000 and \$10,000; and/or

- Hourly fee of \$150 per hour.

Asset-based fees are billed quarterly in arrears. The initial fee will be based on the market value of the Plan assets as calculated by the custodian or record keeper of the Included Assets on the last business day of the initial fee period. Initial fees for partial quarters are pro-rated. Asset-Based Fees are typically paid by the Plan through deductions from participant accounts, but may also be paid directly by Plan Sponsor. If direct payment by the Plan Sponsor is desired, they may choose to pay Advisor directly via an ACH payment or have the amount deducted from another account managed by Advisor. Client must provide written authorization in advance to allow debiting of their account.

For hourly fees, Advisor will invoice the client for actual hours of service provided to the plan. Hourly Fees are invoiced and payable within (10) days of the mailing date of the Invoice.

Flat Fees are billed quarterly in advance. Initial fees for partial quarters are pro-rated. Flat Fees are typically paid directly by Plan Sponsor. If direct payment by the Plan Sponsor is desired, they may choose to pay Advisor directly via an ACH payment or have the amount deducted from another account managed by Advisor. Client must provide written authorization in advance to allow debiting of their account. It is the Client's responsibility to verify the accuracy of fees paid. Fees may also be deducted directly from participant accounts. Client must provide written authorization in advance to allow debiting of participant accounts.

The compensation of Advisor for the services is described in detail in Schedule A of the ERISA Plan Agreement. The Plan is obligated to pay the fees; however the Plan Sponsor may elect to pay the fees. Advisor does not expect to receive any additional compensation, directly or indirectly, for its services under this Agreement. If additional compensation is received, Advisor will disclose this compensation, the services rendered, and the payer of compensation. Advisor will offset the compensation against the fees agreed upon under this Agreement.

Clients may terminate services at any time with (30) days written notice. For service terminated mid-quarter, the client will be entitled to a pro rata refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees and such notice will be acknowledged in writing by both parties. The fee may be negotiable in very limited circumstances.

#### FINANCIAL PLANNING and CONSULTING

Advisor charges a negotiable fixed fee for financial planning depending upon the complexity of the plan and the unique needs of the client. Prior to the planning process the client will be provided an estimated plan fee. The services include, but are not limited to, a thorough review of all applicable topics including Wills, Estate Plan/Trusts, Investments, Taxes, and Insurance. Client will pay half of the estimated fee at the signing of the agreement. Services are completed and delivered inside of thirty (30) days. Client may cancel within five (5) business days of signing Agreement for a full refund. If the client cancels after five (5) business days, any unearned fees will be refunded to the client, or any unpaid earned fees will be due to Advisor.

#### FIXED FEES

Financial Planning Services are offered based on flat fees between \$750 and \$1,500.

### SOLICITOR FEES

Advisor may at times use the services of third party money. Advisor will be paid a portion of the advisory fee for asset management. This is detailed in Item 10 of this brochure.

---

### **Client Payment of Fees**

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three (3) month billing period has ended. Payment in full is expected within ten (10) days following the conclusion of the calendar quarter which the account is being billed for. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed in advance.

---

### **Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities, and exchange-traded funds. These charges may include mutual fund transactions fees, postage and handling and miscellaneous fees (fee levied to recover costs associated with fees assessed by self-regulatory organizations). These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Advisor, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

For more details on the brokerage practices, see Item 12 of this brochure.

---

### **Prepayment of Client Fees**

Financial planning fees will be at the signing of the agreement.

---

### **External Compensation for the Sale of Securities to Clients**

Advisor does not receive any external compensation for the sale of securities to clients.

---

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

---

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Advisor does not use a performance-based fee structure because of the conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7: Types of Clients**

---

### **Description**

Advisor generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, corporations or business entities.

Client relationships vary in scope and length of service.

---

### **Account Minimums**

Advisor does not require a minimum to open an account.

---

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

---

### **Methods of Analysis**

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns.

Fundamental analysis involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth. Technical analysis involves evaluating securities based on past prices and volume. Cyclical analysis involves analyzing the cycles of the market.

When creating a financial plan, Advisor utilizes fundamental analysis to provide review of insurance policies for economic value and income replacement. Technical analysis is used to review mutual funds and individual stocks. The main sources of information include Morningstar, client documents such as tax returns and insurance policies.

In developing a financial plan for a client, Advisor's analysis may include cash flow analysis, investment planning, risk management, tax planning and estate planning. Based on the information gathered, a detailed strategy is tailored to the client's specific situation.

The main sources of information include financial newspapers and magazines, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

---

### **Investment Strategy**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement, Risk Tolerance or similar form that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, and option writing (including covered options, uncovered options or spreading strategies).

---

### **Security Specific Material Risks**

All investment programs have certain risks that are borne by the investor. Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with Advisor:

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

## **Item 9: Disciplinary Information**

---

### **Criminal or Civil Actions**

The firm and its management have not been involved in any criminal or civil action.

---

### **Administrative Enforcement Proceedings**

The firm and its management have not been involved in administrative enforcement proceedings.

---

### **Self-Regulatory Organization Enforcement Proceedings**

The firm and its management have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of Advisor or the integrity of its management.

---

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

---

### **Broker-Dealer or Representative Registration**

Representatives of Advisor are not registered representatives of a broker-dealer.

---

### **Futures or Commodity Registration**

Neither Advisor nor its employees are registered or has an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

---

### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Managing Member Robert Harwood has a financial affiliated business as an insurance agent. Approximately 40% of Mr. Harwood's time is spent in these business practices. From time to time, he will offer clients advice or products from those activities.

These practices represent conflicts of interest because it gives Mr. Harwood an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that Mr. Harwood has a fiduciary responsibility to place the best interest of the client first and the clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

---

### **Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

Advisor may at times utilize the services of Third Party Money Managers to manage client accounts. In such circumstances, Advisor will share in the asset management fee. Advisor's portion of the fee is negotiable and will range from .5% to 1.5% of the assets under management. This situation creates a conflict of interest. However, when referring clients to a third party money manager, the client's best interest will be the main determining factor of Advisor. These fees do not include brokerage fees that may be assessed by the custodial broker dealer. Fees for these services will be based on a percentage of assets under management not to exceed any limit imposed by any regulatory agency. The final fee schedule will be attached to Advisor's Investment Advisory Agreement.

This relationship will be disclosed to the client in each contract between Advisor and Third Party Money Manager. Advisor does not charge additional management fees for Third Party managed account services. Client's signature is required to confirm consent for services within Third Party Investment Agreement. Client will initial Advisor's

Investment Advisory Agreement to acknowledge receipt of Third Party fee Schedule and required documents including Form ADV Part 2 disclosures.

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

---

### **Code of Ethics Description**

The employees of Advisor have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of Advisor employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of Advisor. The Code reflects Advisor and its supervised persons' responsibility to act in the best interest of their client.

One area which the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

Advisor's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of Advisor may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

Advisor's Code is based on the guiding principle that the interests of the client are our top priority. Advisor's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code applies to "access" persons. "Access" persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

---

### **Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

Advisor and its employees do not recommend to clients securities in which we have a material financial interest.

---

### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Advisor and its employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide Advisor with copies of their brokerage statements.

The Chief Compliance Officer of Advisor is Robert Harwood. He reviews all employee

trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

---

## **Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Advisor does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide Advisor with copies of their brokerage statements.

The Chief Compliance Officer of Advisor is Robert Harwood. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

## **Item 12: Brokerage Practices**

---

### **Factors Used to Select Broker-Dealers for Client Transactions**

Advisor may recommend the use of a particular broker-dealer or may utilize a broker-dealer of the client's choosing. Advisor will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. Advisor relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by Advisor.

- *Directed Brokerage*

In circumstances where a client directs Advisor to use a certain broker-dealer, Advisor still has a fiduciary duty to its clients. The following may apply with Directed Brokerage: Advisor's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among clients and conflicts of interest arising from brokerage firm referrals.

- *Best Execution*

Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

- *Soft Dollar Arrangements*

The Securities and Exchange Commission defines soft dollar practices as arrangement under which products or services other than execution of services are obtained by Advisor from or through a broker-dealer in exchange for direction

client transactions to the broker-dealer. As permitted by Section 28(e) of the Securities Exchange Act of 1934, Advisor receives economic benefits as a result of commissions generated from securities transactions by the broker-dealer from the accounts of Advisor. These benefits include both proprietary research from the broker and other research written by third parties.

A conflict of interest exists when Advisor receives soft dollars. This conflict is mitigated by the fact that Mr. Harwood has a fiduciary responsibility to act in the best interest of his clients and the services received are beneficial to all clients.

---

**Aggregating Securities Transactions for Client Accounts**

Advisor is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of Advisor. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

**Item 13: Review of Accounts**

---

**Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Account reviews are performed quarterly by Robert Harwood, Chief Compliance Officer. Account reviews are performed more frequently when market conditions dictate.

---

**Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

---

**Content of Client Provided Reports and Frequency**

Clients receive account statements no less than quarterly for managed accounts. Account statements are issued by the Advisor's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs.

**Item 14: Client Referrals and Other Compensation**

---

**Economic benefits provided to the Advisory Firm from External Sources and Conflicts of Interest**

Advisor receives a portion of the annual management fees collected by the Third Party Money Managers to whom Advisor refers clients.

This situation creates a conflict of interest because Advisor and/or its Investment Advisor Representative have an incentive to decide what Third Party Money Managers to use because of the higher solicitor fees to be received by Advisor. However, when referring clients to a third party money manager, the client's best interest will be the main determining factor of Advisor.

---

**Advisory Firm Payments for Client Referrals**

Advisor does not compensate for client referrals.

## **Item 15: Custody**

---

### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by Advisor. Advisor is deemed to have constructive custody solely because advisory fees are directly deducted from clients' account by the custodian on behalf of Advisor.

## **Item 16: Investment Discretion**

---

### **Discretionary Authority for Trading**

Advisor accepts discretionary authority to manage securities accounts on behalf of clients. Advisor has the authority to determine, with obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The client will authorize Advisor discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement. The client approves the custodian to be used and the commission rates paid to the custodian. Advisor does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

## **Item 17: Voting Client Securities**

---

### **Proxy Votes**

Advisor does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent. When assistance on voting proxies is requested, Advisor will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

## **Item 18: Financial Information**

---

### **Balance Sheet**

A balance sheet is not required to be provided because Advisor does not serve as a custodian for client funds or securities and Advisor does not require prepayment of fees of more than \$500 per client and six months or more in advance.

### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Advisor has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

### **Bankruptcy Petitions during the Past Ten Years**

Neither Advisor nor its management has had any bankruptcy petitions in the last ten years.