



Brochure Form ADV Part 2  
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Please note that this brochure has not been approved by the Securities  
Exchange Commission or any state securities authority.

## **Part 2A**

### **Material Changes**

There have been no material changes to the Heritage Capital Advisors Form ADV Part 2 since last year.

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### **Advisory Business**

Heritage Capital Advisors, LLC (hereinafter HCA) provides personalized investment advisory services to individuals, trusts, individual retirement accounts, estates and other business entities. Such services are generally provided pursuant to an agreement under which we offer continuous advice, on a discretionary or non-discretionary basis, as to the investment and reinvestment of the cash and securities in a client's account, subject to the objectives and limitations provided by the client.

The principals of HCA are Michael J. Barrett & Scott F. Moller (see part 2B of this brochure for more biographical information on the principals).

As of December 31, 2014 HCA had \$138,643,880 of discretionary assets under management.

Additional information about HCA is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using our unique identifying number, known as a CRD number. HCA's CRD number is 115308.

## **Fees and Compensation**

Generally, HCA charges an annual percentage fee for discretionary and non-discretionary investment advisory services based on a percentage of assets under management at the beginning of each calendar year according to the following schedule:

<u>Types of Client Accounts</u>	<u>Percentage Fee</u>
Fixed Income Accounts	0.50%-1.25%
Equity Accounts	0.50%-1.25%

Fees for providing these services may be negotiated on an individual basis and are determined based on the scope of services provided and the type and amount of assets being managed. Assets may be added to the client's account at any time and may result in a fee adjustment prorated through the balance of the calendar year. However, there is no reduction in fees for an interim withdrawal after the beginning of a calendar year. If an account is opened or closed during the interim period after the beginning of the calendar year, fees will be prorated on a daily basis and any unused portion of any fees paid in advance will be returned to the client. Fees are deducted directly from client's accounts by the qualified custodian (usually Charles Schwab Institutional) holding the client assets. Fees are payable quarterly, semi-annually or annually, in advance, in arrears, or partially in advance and partially in arrears, depending on the negotiated arrangement with each client.

In limited circumstances, upon request, HCA may agree to directly invoice clients for advisor fees. In such cases, fees will be payable as invoiced instead of being directly debited.

In limited circumstances HCA may negotiate with the client a fixed annual or quarterly fee for advisory services.

For equity accounts, HCA may from time to time engage sub-advisers to provide investment advice with respect to a part or all of such accounts. Client investments with sub-advisors will be charged any applicable management fees by the sub-advisor in addition to the advisory fees paid directly by the client to HCA.

HCA may invest client funds in open-end or closed-end investment companies, including short-term money market funds, mutual funds, and exchange traded funds. Client investments in such funds will bear a proportionate share of the management fees borne by such investment company (and indirectly by shareholders of such investment company) in addition to the advisory fees payable directly by the client to HCA.

Clients may also incur brokerage and other transactional costs charged by the account custodian (usually Charles Schwab Institutional).

HCA may also collect an annual accounting and tax preparation fee on behalf of Moller & Barrett, LLP or Heritage Capital Advisors, LLC.

### **Performance-Based Fees and Side-By-Side Management Fees**

All HCA clients have unique circumstances and needs. Therefore, HCA does not charge any performance-based fees or Side-By-Side Management fees as all accounts are managed separately.

### **Types of Clients**

HCA clients are individuals, trusts, estates, individual retirement accounts, and other business entities. HCA will generally require a minimum account size of \$1,000,000. This minimum account size may be waived in individual instances, including, but not limited to, treating related accounts on a consolidated basis for purposes of calculating the account size.

### **Methods of Analysis, Investment Strategies & Risk of Loss**

HCA utilizes informational and analytical services from ValueLine, Standard & Poors, and other services to evaluate investment fundamentals as well as technical and cyclical characteristics.

The core of the HCA investment strategy is a buy-and-hold philosophy. However, HCA may make short term purchases and trade in securities and options where such practice is in the best interest of the client account. HCA reserves the right to invest client assets in any type of investment deemed appropriate based on the client's stated goals and objectives.

Buy-and-hold investment strategies have a long term vision, and investments are made with a time horizon of five or more years. When implementing a buy-and-hold strategy there can be periods of time when an account is losing money as market fluctuations, inflation, and downturns in the economy may cause a portfolio to lose value.

HCA may implement a "Covered Call" option strategy in client accounts. When using the covered call strategy, an investor writes a call option contract while at the same time owning an equivalent number of shares of the underlying stock. This strategy can offer limited protection from a decline in the price of the underlying stock and limited profit participation with an increase in stock price. It generates income because the investor keeps the premium received from writing the call. At the same time, the investor can appreciate all benefits of underlying stock ownership, such as dividends and voting rights, unless he is assigned an exercise notice on the written call and is obligated to sell his shares. The risk of real financial loss with this strategy comes from the shares of stock held by the investor. This loss can become substantial if the stock market price declines as the written call expires. At the call's expiration, loss can be calculated as the original purchase price of the stock less its current market price, less the premium received from initial sale of the call. Any loss accrued from a decline in stock price is offset by the premium received from the initial sale of the call option. As long as the underlying shares of stock are not sold, this would be an unrealized loss. Assignment on a written call is always possible. An investor holding shares with a low cost basis should consult his tax advisor about the tax ramifications of writing calls on such shares.

HCA may invest client assets in illiquid securities where it is in the best interest of the client account. Illiquid investments may appear on client statements with a market value that may not be reflective of the value of the investment that would be realized should the security be sold. Additionally, market conditions may make it impossible to close positions in illiquid investments in a time frame desired by the advisor or by the client.

Most investments are NOT FDIC insured and are subject to investment risks including possible loss of principal invested.

Investments in money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in money market funds.

### **Disciplinary Information**

None of HCA's officers or employees has been subject to any legal or disciplinary events by clients, the SEC, or by any professional organization.

### **Other Financial Industry Activities and Affiliations**

Michael J. Barrett and Scott F. Moller, HCA Principals, are also the Partners of Moller & Barrett, LLP (f/k/a Brown & Moller LLP), a Minneapolis accounting firm. As Partners, our Principals spend the majority of their business days attending to the affairs of Moller & Barrett, LLP, which include tax consulting and estate planning services.

HCA may provide services to Moller & Barrett, LLP's clients, and Moller & Barrett, LLP may provide services to HCA clients or their related persons. In some cases, Moller & Barrett, LLP provides HCA with client billing and accounting services. In addition, Moller & Barrett, LLP provides office space, services and other miscellaneous overhead items to HCA for a fee based primarily on our proportional utilization of these items.

As partners of Moller & Barrett, LLP, HCA Principals act as trustees for certain trusts. When acting in this capacity, they may have the authority to enter into investment advisory agreements with HCA, subject to their fiduciary duties as trustees. We expect these trusts to constitute a significant number of HCA's investment advisory clients.

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

HCA, as a firm, does not engage in securities transactions for its own account. However, HCA directors, officers (including Principals) and employees and certain affiliated persons will, at times, purchase and sell for their own accounts securities which we purchase and sell for our clients. In accordance with the SEC rule 204A-1, HCA has adopted a formal Code of Ethics, which is available to clients and potential clients upon request. The purpose of the Code of Ethics is to reinforce the fiduciary principles that must govern the conduct of this firm and its advisory personnel. Each Principal and all other affiliated persons must, at

all times, act in the best interest of the client, avoid any real or potential conflicts of interest and conduct their personal activities with the utmost integrity.

To this end, HCA has distributed a Code of Ethics Manual to each person affiliated with the firm. The following is a summary of the policies outlined in the manual:

1. Standards of business conduct
2. Compliance with federal securities laws required
3. Personal securities transactions of certain persons must be reviewed and, in some cases, pre-approved
4. Prohibited from buying or selling securities from clients
5. Obligation to report violations and enforcement of sanctions
6. Annual employee certification required

### **Brokerage Practices**

As Partners of Moller & Barrett, LLP, HCA Principals act as trustees for certain trusts. When acting in this capacity, they may have the authority to determine the broker-dealer to be used or the commission rates paid, subject to their fiduciary duties as trustees. HCA does not, however, have discretion to determine which broker-dealer will be used or the commission rates paid. The client either maintains or establishes an account with a broker-dealer of the client's choosing. The client then instructs us to execute all transactions through or with the selected broker-dealer. It is the client's responsibility to negotiate commission rates with the broker-dealer, although, if the client selects Charles Schwab Institutional to act as its broker-dealer, the client may benefit from the commission rates Charles Schwab Institutional makes available to HCA clients. These directed brokerage arrangements may result in higher commissions, greater spreads or less favorable net prices than would be the case if we selected the broker-dealers to execute transactions. HCA may from time to time recommend a broker-dealer to a client if the client requests us to do so. In such cases, we typically recommend Charles Schwab Institutional, both because of its execution capabilities, and because it makes competitive commission rates available to our clients.

Neither HCA nor any related person receives any compensation from any broker-dealers that our clients select. The broker-dealer selected by the client may provide HCA with research and other services that may enhance our portfolio management capabilities with respect to HCA clients generally, although the research and other services will not necessarily directly benefit the client's account. However, HCA does not

direct brokerage transactions to broker-dealers, or recommend broker-dealers to clients, to pay for research or services. Specific types of research provided to HCA are JP Morgan and Standard & Poor's equity research reports and generic market commentary reports. These products are typical of other products provided by other broker-dealers.

All HCA client accounts are managed separately and distinctly from other clients. As such, HCA does not aggregate the purchase or sale of securities for client accounts.

### **Review of Accounts**

All client accounts are managed directly by the HCA Principals. Each Principal will interview his or her prospective clients and perform comprehensive due diligence and complete documents that will enable HCA to obtain information with respect to personal and financial circumstances of each client, as well as each client's personal investment requirements and objectives. HCA may maintain additional financial information needed to ascertain investment suitability for the client such as tax returns, financial projections, trusts, wills, and financial plans (if such documents are available).

Depending on the size and complexity of a client account, the Principals will review the accounts daily, weekly or monthly and make changes to the portfolio deemed to be in the best interest of the client. This review consists of an overall evaluation of the portfolio, evaluation of individual holdings, current market conditions, tax considerations, and the goals and objectives that clients have communicated.

HCA provides activity reports to clients on a monthly or quarterly basis as agreed upon with clients. These activity reports include account holdings, cash activity, and cash reconciliation. HCA also provides annual reports summarizing account activity, account balances, and gain/loss reporting.

### **Client Referrals and Other Compensation**

HCA Principals, employees, and related persons are prohibited from providing or receiving any economic benefit for client referrals or for providing investment advice to someone who is not a client.



## **Custody**

All client financial investments are held by a third party custodian (typically Charles Schwab Institutional). As previously disclosed, as Partners of the accounting firm Moller & Barrett, LLP, the principals of HCA may act as trustees for client accounts. As trustees, HCA is deemed to have custody of client assets.

Since, as trustees, HCA is deemed to have custody of client assets and has the ability to withdraw funds from client accounts, HCA is required to undergo an annual surprise examination by an independent CPA.

All HCA clients receive monthly account reporting directly from the third party custodian (typically Charles Schwab). We strongly encourage all clients to compare reporting they receive from HCA with account reporting they receive directly from the broker-dealer.

## **Investment Discretion**

HCA has authority to determine which securities are to be bought or sold and the amount of securities to be bought or sold for all client accounts managed on a discretionary basis. However, this authority may be limited with respect to some accounts by investment guidelines or restrictions imposed by the client. With respect to clients who enter into non-discretionary arrangements, HCA will make investment recommendations to the client, but must receive approval from the client prior to executing a recommended investment transaction.

To grant HCA the discretionary authority to manage accounts on behalf of clients, the client will execute a power of attorney. This power of attorney directs the broker-dealer to allow HCA to take any actions with respect to the client account in the same manner and to the same extent as the client is permitted to do.

## **Voting Client Securities**

HCA will vote any proxy or other beneficial interest in an equity security prudently and solely in the best long-term economic interest of advisory clients and their beneficiaries, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote.

The voting of proxies on securities held in employee benefit plan investment portfolios is governed by the Employee Retirement Income

Security Act of 1974 ("ERISA"). Accordingly, those who vote such proxies are subject to ERISA's fiduciary duty provisions. In general, an ERISA fiduciary who votes proxies has a duty of loyalty, a duty of prudence, a duty to comply with plan documents and a duty to avoid prohibited transactions. The Proxy Committee, which consists of Kristen Christensen, Mike Barrett and Scott Moller, reasonably believes that HCA's policies satisfy ERISA's fiduciary duty requirements generally and, in particular, the Department of Labor's 1994 interpretive bulletin discussing ERISA's fiduciary duty provisions in the proxy voting context.

Clients may request a copy of HCA's proxy voting policy as well as a record of how client proxies have been voted.

### **Financial Information**

There are no impairments to the financial condition of HCA and its Principals that could reasonably prevent their ability to meet contractual commitments to clients.

## **Part 2B**

Scott Fred Moller

Date of Birth: 1/17/1964

Education: B.A. Accounting, Bethel College, Arden Hills, MN (1986)

Business Background: Principal and Director, Heritage Capital Advisors, LLC, Minneapolis, MN, November 2001 to present; Partner, Moller & Barrett, LLP (f/k/a Brown & Moller LLP), Minneapolis, MN, November 1993 to present

Disciplinary Information:

There are no legal or disciplinary events or information with regard to Scott Moller.

Other business activities:

Scott is a Partner in Moller & Barrett, LLP. Moller & Barrett, LLP is a Minneapolis based accounting firm that provides a substantial amount of Scott's income. Most clients of HCA are also clients of Moller & Barrett, LLP.

Scott is also a minority owner in Summit Equipment Leasing (SEL). SEL owns a trucking company and a finance company which provides financing to truck owner operators.

Michael James Barrett

Date of Birth: 5/25/1965

Education: B.A. Accounting, Bethel College, Arden Hills, MN (1987)

Business Background: Principal and Director, Heritage Capital Advisors, LLC, Minneapolis, MN, November 2001 to present; Partner, Moller & Barrett, LLP (f/k/a Brown & Moller LLP), Minneapolis, MN, November 1999 to present

Disciplinary Information:

There are no legal or disciplinary events or information with regard to Michael Barrett.

Other business activities:

Mike is a Partner in Moller & Barrett, LLP. Moller & Barrett, LLP is a Minneapolis based accounting firm that provides a substantial amount of Mike's income. Most clients of HCA are also clients of Moller & Barrett, LLP.

Mark Scott Barrett

Date of Birth: 01/03/1967

Education: B.A. Accounting, Bethel College, Arden Hills, MN (1989)

Business Background: Chief Compliance Officer, Heritage Capital Advisors, LLC, Minneapolis, MN, November 2001 to present; Owner, Mark Barrett CPA, LLC, June 2010 to present; Tax Manager, Moller & Barrett, LLP, Minneapolis, MN, March 2001 to June 2010

Disciplinary Information:

There are no legal or disciplinary events or information with regard to Mark Barrett.

Other business activities:

Mark owns Mark Barrett CPA, LLC (MBCPA). MBCPA is a Minneapolis based accounting firm that provides a substantial portion of Mark's income.