

# HFI Wealth Management

SEC File Number: 801 – 62954

## **ADV Part 2A, Firm Brochure**

**Dated: March 3, 2015**

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This Brochure provides information about the qualifications and business practices of HFI Wealth Management (“HFI Wealth”). If you have any questions about the contents of this Brochure, please contact us at (304) 876-2619 or [Rhoxton@HFIWealth.com](mailto:Rhoxton@HFIWealth.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 HFI Wealth also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to HFI Wealth as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes to HFI Wealth Management's Brochure since its last annual amendment on February 24, 2014.

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#### **Item 4            Advisory Business**

- A. Hoxton Financial, Inc., doing business as HFI Wealth Management, is a corporation formed on January 11, 2002 in the State of West Virginia. HFI Wealth became registered as an Investment Adviser Firm on July 8, 2002. HFI Wealth is principally owned by Archibald R. (Rob) Hoxton IV, HFI Wealth's Principal and Chief Compliance Officer.
- B. As discussed below, HFI Wealth offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, business entities, governmental entities, etc.) investment advisory services on a discretionary basis and, to the extent specifically requested by a client, financial planning and services.

#### **INVESTMENT MANAGEMENT SERVICES**

The client can determine to engage HFI Wealth to provide discretionary or non discretionary investment management services on a *fee-only* basis. HFI Wealth's annual investment advisory fee is generally based upon a percentage (%) of the market value of the assets placed under HFI Wealth's management. Prior to engaging HFI Wealth to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with HFI Wealth setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by the client, HFI Wealth *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Prior to engaging HFI Wealth to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with HFI Wealth setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HFI Wealth commencing services. If requested by the client, HFI Wealth may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HFI Wealth. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify HFI Wealth if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising HFI Wealth's previous recommendations and/or services.

## RETIREMENT PLAN CONSULTING

HFI Wealth also provides non-discretionary retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans and defined benefit plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, HFI Wealth shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between HFI Wealth and the plan sponsor.

## REPORTING SERVICES AND AGGREGATE DATA STORAGE

HFI Wealth may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by HFI Wealth (the "Excluded Assets"). The client and/or his/her/its other advisors that maintain trading authority, and not HFI Wealth, shall be exclusively responsible for the investment performance of the Excluded Assets.

HFI Wealth's service relative to the Excluded Assets is limited to reporting and non-discretionary consulting services only, which does not include investment implementation. HFI Wealth does not have trading authority for the Excluded Assets. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not HFI Wealth, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. HFI Wealth shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that HFI Wealth provide discretionary investment management services (whereby HFI Wealth would have trading authority) with respect to the Excluded Assets, the client may engage HFI Wealth to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between HFI Wealth and the client.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent specifically requested by a client, HFI Wealth *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither HFI Wealth, nor any of its representatives, serves as an attorney, accountant, or insurance agent, and no portion of HFI Wealth's services should be construed as same. To the extent requested by a client, HFI Wealth may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HFI Wealth. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Trade Error Policy.** HFI Wealth shall reimburse accounts for losses resulting from HFI Wealth's trade errors, but shall not credit accounts for such errors resulting in market

gains. The gains and losses are reconciled within HFI Wealth's custodian firm account and HFI Wealth retains the net gains and losses.

**Please Note: Retirement Rollovers-No Obligation/Conflict of Interest:** A client or prospective client is under absolutely no obligation to engage Registrant as the investment adviser for his/her employer sponsored retirement account. Rather, a client can continue to self-direct his/her retirement account at his/her employer. If the client determines that he/she would like the Registrant's assistance, the Registrant may charge a separate and additional advisory fee for its ongoing advisory services. The client will not incur this separate and additional advisory fee if he/she determines to continue to self-direct his/her account. As a result, any recommendation by the Registrant that a client engage Registrant to manage his/her retirement account presents a conflict of interest since the Registrant shall derive an economic benefit from such engagement. Again, a client is under absolutely no obligation to engage the Registrant as the investment adviser for his/her retirement account. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Archibald R. (Rob) Hoxton IV, remains available to address any questions that a client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), HFI Wealth *may* maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating HFI Wealth's advisory fee.

**Client Obligations.** In performing its services, HFI Wealth shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify HFI Wealth if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising HFI Wealth's previous recommendations and/or services.

**Non-Discretionary Service Limitations.** Clients that determine to engage HFI Wealth on a non-discretionary investment advisory basis must be willing to accept that HFI Wealth cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, HFI Wealth will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**Disclosure Statement.** A copy of HFI Wealth's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. HFI Wealth shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser

representative will ascertain each client's investment objective(s). Thereafter, HFI Wealth shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on HFI Wealth's services.

- D. HFI Wealth does not participate in a wrap fee program.
- E. As of December 31, 2014, HFI Wealth had \$287,516,998 in assets under management on a discretionary basis and \$73,206,837 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage HFI Wealth to provide discretionary investment management services on a negotiable *fee-only* basis. HFI Wealth's annual investment advisory fee shall generally be based upon a percentage (%) of the market value of the assets placed under HFI Wealth's management (between 0.30% and 1.50%), as follows:

<u>Account Size</u>	<u>Annual Fee</u>
\$0 to \$500,000	1.50% *
\$500,001 to \$1,000,000	1.25%
\$1,000,001 to \$2,000,000	1.00%
\$2,000,001 to \$3,000,000	0.75%
\$3,000,001 to \$5,000,000	0.50%
\$5,000,001 and above	0.30%

\* subject to an additional 0.25% for financial planning services (*see* below)

HFI Wealth's annual investment advisory fee shall include both discretionary investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. HFI generally requires a minimum quarterly investment advisory fee of \$1,875. If the client desires planning services, HFI Wealth shall generally charge an additional annual fee \$1,250 per year. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of HFI Wealth), HFI Wealth may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client. Please Note: Clients with assets under management of less than \$500,000 that desire financial planning services will generally be required to engage HFI on an hourly rate basis.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, HFI Wealth *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. HFI Wealth's planning and consulting fees are negotiable, but are generally provided on an hourly rate basis at \$250 per hour.

## RETIREMENT PLAN CONSULTING

The terms and conditions of the retirement plan consulting engagement shall be set forth in a *Retirement Plan Consulting Agreement* between HFI Wealth and the plan sponsor. HFI Wealth charges a negotiable annual fee for retirement plan consulting services which generally ranges from \$4,000 to \$50,000, depending on the services requested and the size of the plan. The fee is prorated and is usually paid quarterly in advance.

## REPORTING SERVICES AND AGGREGATE DATA STORAGE

HFI Wealth may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets," including those investment assets that are not part of the assets managed by HFI Wealth (the "Excluded Assets"). In the event the client desires that HFI Wealth provide discretionary investment management services (whereby HFI Wealth would have trading authority) with respect to the Excluded Assets, the client may engage HFI Wealth to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between HFI Wealth and the client.

- B. Clients may elect to have HFI Wealth's advisory fees deducted from their custodial account. Both HFI Wealth's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of HFI Wealth's investment advisory fee and to directly remit that management fee to HFI Wealth in compliance with regulatory procedures. In the limited event that HFI Wealth bills the client directly, payment is due upon receipt of HFI Wealth's invoice. HFI Wealth shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, HFI Wealth shall generally recommend that Fidelity Investments ("Fidelity") and/or Charles Schwab and Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* and/or *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to HFI Wealth's investment management fee, brokerage commissions and/or transaction fees, clients will incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. HFI Wealth's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between HFI Wealth and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, HFI Wealth shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither HFI Wealth, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

Neither HFI Wealth, nor any supervised person of HFI Wealth, accepts performance-based fees.

## **Item 7            Types of Clients**

HFI Wealth's clients shall generally include individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, business entities, governmental entities.

For investment advisory services, HFI Wealth generally requires: \$500,000 aggregate client assets under management; and a minimum quarterly advisory fee of \$1,875.

HFI Wealth, in its sole discretion, may waive and/or modify, \$500,000 client aggregate asset minimum, \$1,875 minimum quarterly investment advisory fee, 0.25% planning fee, or charge a lesser investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. HFI Wealth may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

HFI Wealth may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HFI Wealth) will be profitable or equal any specific performance level(s).



- B. HFI Wealth's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis HFI Wealth must have access to current/new market information. HFI Wealth has no control over the dissemination rate of market information; therefore, unbeknownst to HFI Wealth, certain analyses may be compiled with outdated market information, severely limiting the value of HFI Wealth's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

HFI Wealth's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, HFI Wealth may also implement and/or recommend the use of margin.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by HFI Wealth in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to HFI Wealth may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to HFI Wealth. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

- C. Currently, HFI Wealth primarily allocates client investment assets primarily among various individual fixed income securities, individual equity securities, exchange traded funds, and mutual funds, on a discretionary basis in accordance with the client's designated investment objective(s). HFI Wealth generally manages client assets consistent with one or more of its core investment strategies, which are then reviewed and customized to meet an individual client's specific needs or requirements.

## **Item 9            Disciplinary Information**

HFI Wealth has not been the subject of any disciplinary actions.

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

- A. Neither HFI Wealth, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither HFI Wealth, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. HFI Wealth has no other relationship or arrangement with a related person that is material to its advisory business.
- D. HFI Wealth does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. HFI Wealth maintains an investment policy relative to personal securities transactions. This investment policy is part of HFI Wealth's overall Code of Ethics, which serves to establish a standard of business conduct for all of HFI Wealth's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

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

- B. Neither HFI Wealth nor any related person of HFI Wealth recommends, buys, or sells for client accounts, securities in which HFI Wealth or any related person of HFI Wealth has a material financial interest.
- C. HFI Wealth and/or representatives of HFI Wealth *may* buy or sell securities that are also recommended to clients. This practice may create a situation where HFI Wealth and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if HFI Wealth did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of HFI Wealth's clients) and other potentially abusive practices.

HFI Wealth has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of HFI Wealth's "Access Persons." HFI Wealth's securities transaction policy requires that an Access Person of HFI Wealth must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an

Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date HFI Wealth selects; provided, however that at any time that HFI Wealth has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. HFI Wealth and/or representatives of HFI Wealth *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where HFI Wealth and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, HFI Wealth has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of HFI Wealth's Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that HFI Wealth recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct HFI Wealth to use a specific broker-dealer/custodian), HFI Wealth generally recommends that investment management accounts be maintained at *Fidelity* and/or *Schwab*. Prior to engaging HFI Wealth to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with HFI Wealth setting forth the terms and conditions under which HFI Wealth shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that HFI Wealth considers in recommending *Fidelity* and/or *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with HFI Wealth, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by HFI Wealth's clients shall comply with HFI Wealth's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where HFI Wealth determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although HFI Wealth will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, HFI Wealth's investment management fee. HFI Wealth's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, HFI Wealth may receive from *Fidelity* and/or *Schwab* (or another broker-dealer/custodian investment

platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist HFI Wealth to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by HFI Wealth may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by HFI Wealth in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist HFI Wealth in managing and administering client accounts. Others do not directly provide such assistance, but rather assist HFI Wealth to manage and further develop its business enterprise.

HFI Wealth's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* and/or *Schwab* as result of this arrangement. There is no corresponding commitment made by HFI Wealth to *Fidelity* and/or *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**HFI Wealth's Chief Compliance Officer, Rob Hoxton, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. HFI Wealth does not receive referrals from broker-dealers.
3. HFI Wealth does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and HFI Wealth will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by HFI Wealth. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

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

**HFI Wealth's Chief Compliance Officer, Rob Hoxton, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that HFI Wealth provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless HFI Wealth decides to purchase or sell the same securities for several clients at approximately the same time. HFI Wealth may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among HFI Wealth’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. HFI Wealth shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom HFI Wealth provides investment supervisory services, account reviews are conducted on an ongoing basis by HFI Wealth's representatives. All investment supervisory clients are advised that it remains their responsibility to advise HFI Wealth of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with HFI Wealth on an annual basis.
- B. HFI Wealth *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian/program sponsor for client accounts. Those clients to whom HFI Wealth provides investment supervisory services may also receive a periodic report from HFI Wealth summarizing account activity and performance.

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

- A. As referenced in Item 12.1 above, HFI Wealth may receive an indirect economic benefit from *Fidelity* and/or *Schwab*. HFI Wealth, without cost (and/or at a discount), may receive support services and/or products from *Fidelity* and/or *Schwab*.

HFI Wealth’s clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* and/or *Schwab* as result of this arrangement. There is no corresponding commitment made by HFI Wealth to *Fidelity* and/or *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**HFI Wealth’s Chief Compliance Officer, Rob Hoxton, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. Neither HFI Wealth nor its representatives compensate any person for client referrals

## **Item 15 Custody**

HFI Wealth shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian/program sponsor for client accounts. Those clients to whom HFI Wealth provides investment supervisory services may also receive a periodic report from HFI Wealth summarizing account activity and performance.

**Please Note:** To the extent that HFI Wealth provides clients with recent account statements or reports, the client is urged to compare any statement or report provided by HFI Wealth with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of HFI Wealth's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage HFI Wealth to provide investment advisory services on a discretionary basis. Prior to HFI Wealth assuming discretionary authority over a client's account, the client shall be required to execute *Investment Advisory Agreement*, naming HFI Wealth as the client's attorney and agent in fact, granting HFI Wealth full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name for found in the discretionary account.

Clients who engage HFI Wealth on a discretionary basis may, at anytime, impose restrictions, **in writing**, on HFI Wealth's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe HFI Wealth's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. HFI Wealth does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact HFI Wealth to discuss any questions they may have with a particular solicitation.

**Item 18      Financial Information**

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

**ANY QUESTIONS: HFI Wealth's Chief Compliance Officer, Rob Hoxton, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**