

## **BHK Investment Advisors, LLC**

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March 25, 2015

This Brochure provides information about the qualifications and business practices of BHK Investment Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 205-322-2025. 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.

BHK Investment Advisors, LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Adviser.

Additional information about BHK Investment Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There have been no material changes since our last brochure dated March 31, 2014.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure may be requested by contacting Meredyth Roberts Hazzard or James Bailey Knight at the numbers above.

Additional information about BHK Investment Advisors, LLC ("BHK") is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site provides information about any persons affiliated with BHK who are registered, or are required to be registered, as investment adviser representatives of BHK.

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#### **Item 4 – Advisory Business**

BHK Investment Advisors, LLC (“BHK”) was established in 2006 and approved as a Registered Investment Adviser in 2006. The three shareholders and executive officers include Meredyth Roberts Hazzard (CEO), John Gurney Brock (President), and James Bailey Knight (CCO). Please refer to Item 10 for more information on BHK Securities, LLC which is an affiliated broker/dealer under common control.

BHK offers investment advisory products and services as detailed in this disclosure document. Such advisory products and services are offered through Investment Advisor Representatives (“IARs”). Under the various Programs, the client and the IAR compile pertinent financial and demographic information to develop an investment program that will meet the Client’s goals and objectives. IARs will analyze the client information and recommending an appropriate strategy based on the client’s needs and objectives, investment time horizon, risk tolerance, and any other pertinent factors. For its investment advisory clients, BHK may provide the following programs to each client:

- I. BHK Investment Advisory (BHK-IA)
- II. BHK Investment Consulting (BHK-IC)
- III. BHK Global Portfolio Strategies (BHK-GPS)
- IV. BHK Retirement Plan Consulting (BHK-RPC)

#### **I. BHK Investment Advisory and Fees (BHK-IA)**

Portfolio management is based on the individual objectives of each specific client portfolio and may or may not represent the overall objectives of the clients’ total investment assets. BHK Investment Advisors recommends and employs various investment strategies, any one or more of which may be suited to a particular client. There are basically four investment strategies that are offered to BHK Investment Advisory clients:

- 1. Income oriented strategies including investment in bonds, preferred stocks, certificates of deposits, mutual funds, exchange traded funds and other income oriented securities as may be viewed as appropriate for the particular client account;
- 2. Growth oriented strategies including investment in common stock, convertible bonds, mutual funds, exchange traded funds and other growth oriented securities as may be viewed as appropriate for the particular client account;
- 3. Balanced strategies including investment in securities included in strategies described in paragraphs 1 and 2 above; and,
- 4. Mutual Funds and Exchange Traded Funds (ETF) providing a broad level of diversification and tailored asset allocation to meet the clients’ investment goals in part or in total.

BHK seeks appropriate levels of diversity in each Investment Advisory account and designs these accounts to meet each client’s particular investment objectives and guidelines. Common stock portfolios are constructed with stocks across diversified sectors of the market. Fixed income securities selection is based on the client’s individual investment objectives and guidelines. Mutual fund and Exchange Traded Fund portfolios are diversified across various investment styles that match the client’s investment objectives and guidelines.

BHK-IA accounts are designed to provide discretionary management by an Advisor Representative of the firm. BHK assists each BHK-IA account client in formulating investment objectives and manages the account within established guidelines regarding, among other matters, diversification and designation of securities that may be purchased. BHK does not ordinarily engage in rapid turnover in an account, margin transactions, or option writing, except in appropriate situations where rapid changes in market conditions or client circumstances dictate such actions.

## **II. BHK Investment Consulting and Fees (BHK-IC)**

BHK Investment Advisors provides non-discretionary Investment Consulting that includes one or more of the following services:

1. Review of existing portfolio investments
2. Assisting in the development of a Spending Policy
3. Assisting in the development of an Investment Policy Statement
4. Overall asset allocation advice for all or part of the clients' investment assets
5. Recommendation of investment managers to manage client accounts on a non-discretionary basis
6. Ongoing monitoring of accounts
7. Portfolio monitoring reports

Recommended Registered Investment Advisers (Advisors/Managers) are evaluated for client use. BHK-IC services may include assisting clients in identifying their investment objectives and matching personal and financial data with a select list of investment advisors that meet the BHK-IC minimum quantitative and qualitative criteria. The intent of the program is to have high quality investment management firms from which a client selects one or more managers to handle the day-to-day management of the client's account(s). Among the criteria that may be considered is the manager's experience, assets under management, performance record, client retention, the level of client services provided, investment style, buy and sell disciplines, capitalization level and the general investment process. Following such recommendations, client will have final authority to select an advisor. Factors involved in BHK-IC recommendation of the termination of an advisor may include a failure to adhere to management style or clients' objectives, a material change in the professional staff of the advisor, unexplained poor performance, and dispersions of client account performance or other circumstances.

Clients are advised and should understand that: an advisor's past performance is no guarantee of future results; There is a certain market and/or interest rate risk which may adversely affect any advisor's objectives and strategies, and could cause a loss in a client's account(s); and client risk parameters or comparative index selections provided to the firm are guidelines only; there is no guarantee that they will be met or not be exceeded.

All accounts are managed by the selected independent advisors and BHK does not have any discretionary trading authority with respect to such accounts. Information collected by BHK regarding BHK-IC managers is believed to be reliable and accurate, but the firm does not necessarily independently verify it. Performance reports provided directly to the clients and the firm by investment advisors/managers are not audited or verified.

## **III. BHK Global Portfolio Strategies ("BHK-GPS")**

BHK-GPS accounts invest in a minimum of 9 asset classes. Exchange Traded (Index) Funds (ETFs) are used as portfolio building blocks. The initial allocation to various asset classes for a particular client

depends upon the amount of risk the client is willing to accept. Market leadership among the asset classes changes over time. We methodically rebalance to the initial allocation to maintain risk at approximately the agreed upon level.

Our asset allocation and ETF selection methodologies are based upon mathematics. This process allows us to allocate assets under our management to various parts of the global securities market, while striving to control risk. The BHK Global Portfolio Strategies methodology:

- Makes no predictions concerning the future behavior of the asset classes owned in the managed portfolios
- Requires very broad global securities diversification and
- Requires regular portfolio rebalancing.

Through our BHK-GPS accounts, we provide investment advice to corporations, retirement plans, foundations and individuals on portfolios made up primarily of exchange traded funds ("ETFs"). The foundation of the Program is a range of asset allocation portfolios strategically built to meet different investment time horizons, risk levels and objectives. We strive to achieve long-term risk, return and correlation objectives through diversification among multiple asset classes and multiple securities.

We will meet with you to develop your detailed investment profile in order to determine the suitability of the Program for you and the specific portfolio strategy that is appropriate. You may impose reasonable restrictions on the investments made in your account. Any account customization will be documented by a "Letter of Understanding" signed by all parties involved.

Once a strategy is selected, you will appoint a custodian/broker/dealer, complete necessary account opening documents and deposit initial funds into the account. We will purchase (through your chosen broker/dealer) investments required to implement the strategy and will monitor the portfolio on a monthly basis to ensure that it continues to reflect the selected strategy. We will rebalance and/or reallocate the portfolio on a discretionary basis as dictated by market conditions. Please note that transactions in the account, account reallocations and rebalancing may trigger taxable events for you, unless you own an IRA account, 403(b) account, a non-taxable foundation account or a qualified retirement plan account.

It is our responsibility to meet with you personally or speak with you on the phone, at least on an annual basis, to review any changes in your financial situation and/or your strategic investment requirements. The reviewer will be one of our designated portfolio managers. There is no minimum number of accounts assigned to a reviewer. In addition to the statements supplied by your account custodian we will provide you with quarterly reports showing securities owned and the performance of your portfolio versus the performances of pre-agreed-upon benchmarks.

#### **IV. BHK Retirement Plan Consulting Services and Fees (BHK-RPC)**

BHK Investment Advisors provides non-discretionary Retirement Plan Consulting Services that include one or more of the following services:

1. Review of existing portfolio investments
2. Assisting in the development of an Investment Policy Statement
3. Mutual Fund Search and Recommendation

4. Separately Managed Account Search and Recommendation
5. Diversification Review
6. Fund Analysis Reports
7. Advice to participants regarding investment options available to them in the Plan

The Disclosure Document for each separate Manager contains important information regarding conflicts of interest, compensation, risks, potential benefits, and other information that prospective investors should review and consider before investing.

BHK manages assets on a discretionary and non-discretionary basis. As of December 31, 2014 BHK held \$110,021,000 in discretionary assets and \$194,652,000 in non-discretionary assets.

## **Item 5 – Fees and Compensation**

For its investment advisory clients, BHK may provide the following programs to each client:

- I. BHK Investment Advisory (BHK-IA)
- II. BHK Investment Consulting (BHK-IC)
- III. BHK Global Portfolio Strategies (BHK-GPS)
- IV. BHK Retirement Plan Consulting (BHK-RPC)

### **I. BHK Investment Advisory and Fees (BHK-IA) Fee Schedule**

<b>Equity and Balanced Accounts</b>		<b>Fixed Income Accounts</b>	
<b>Total Account Value</b>	<b>Annual Fee</b>	<b>Total Account Value</b>	<b>Annual Fee</b>
First \$5,000,000	1.00%	First \$5,000,000	0.75%
Next \$5,000,000	0.75%	Next \$5,000,000	0.50%
Above \$10,000,000	0.50%	Above \$10,000,000	0.25%

A minimum annual fee may be charged. Accordingly, a client may pay an effective rate greater than the rate specified in the fee schedule shown above. The firm, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee. The fee schedule above represents annual fees that are to be paid quarterly in advance of service.

The initial fee payment is due in full on the date the client's account is accepted and opened by BHK Investment Advisors (the "Opening Date") and will be based on the asset value of the account on that date. The period for which such payment will be made will run from the Opening Date through the last day of the full calendar quarter (the "Initial Fee Period") and will be prorated as appropriate. Thereafter, the quarterly fee is based on the Program account asset value on the last day of the previous calendar quarter and is payable quarterly in advance of service.

### **II. BHK Investment Consulting and Fees (BHK-IC)**

Manager fees are outlined in each respective manager's Form ADV and Advisory Contract. The minimum account size will vary from Advisor to Advisor. All such minimums will be disclosed in the respective advisor's Form ADV document. The firm may have the ability to negotiate such minimums. A client may terminate his relationship in accordance with the respective manager's disclosure documents. Pre-paid fees will be refunded in accordance with the respective manager's agreement and disclosure documents.

## **BHK Investment Consulting Fee Schedule**

<b>Total Account Value</b>	<b>Annual Fee</b>
On the first \$5,000,000	1.00%
On the next \$5,000,000	0.60%
On the next \$10,000,000	0.50%
On the next \$10,000,000	0.15%
On the next \$10,000,000	0.10%
Over \$40,000,000	0.05%

A minimum annual fee may be charged. Accordingly, a client may pay an effective rate greater than the rate specified in the fee schedule shown above. The firm, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee. The fee schedule above represents annual fees that are to be paid quarterly in advance of service.

The initial fee payment is due in full on the date the client's account is accepted and opened by BHK Investment Advisors (the "Opening Date") and will be based on the asset value of the account on that date. The initial fee will be for a full quarter and will not be prorated. Thereafter, the quarterly fee is based on the Program account asset value on the last day of the previous calendar quarter and is payable quarterly in advance of service.

### **III. BHK Global Portfolio Strategies ("BHK-GPS")**

Fees for the initial quarter are based on the value of your cash and securities on the date the custodian/broker-dealer receives them and are prorated based upon the number of calendar days in the calendar quarter that our agreement is in effect.

The fees generally range between .0625% (6.25 basis points) and .25% (25 basis points) per quarter or .25% (25 basis points) to 1.00% (100 basis points) per year depending on various factors such as the amount of customization required to meet your requirements.

Advisory fees are generally paid directly by the client. All fees are negotiable solely at the discretion of BHK. Fees are charged based upon the market value of the account at the end of each calendar quarter. However, fee adjustments will be made for additional deposits or partial withdrawals made during the quarter in excess of \$100,000.

### **IV. BHK Retirement Plan Consulting Services and Fees (BHK-RPC)**

Fees for BHK Retirement Plan Consulting Services are negotiable and vary depending on the level of services to be provided. Fees may be based on the assets of the Plan, the number of Plan participants and/or the number of Plan investment options. Fees may be based on a percentage of assets or as a fixed annual fee. All fees are to be paid quarterly in advance of service.

The initial fee payment is due in full on the date the client's account is accepted and opened by BHK Investment Advisors (the "Opening Date") and will be based on the asset value of the account on that date. The initial fee will be for a full quarter and will not be prorated. Thereafter, the quarterly fee is based on the Program account asset value on the last day of the previous calendar quarter and is payable quarterly in advance of service.



### **General Fee Information**

The value of the account is calculated as the total market value as shown on the client custodial statement. Although the fees listed above are “default” fees, they may, in some circumstances, be negotiable. If the firm is assessed a transactions fee or custody and clearing fee, such fee may be passed on to the client at the cost to BHK.

The client will maintain or deposit sufficient funds in the account to cover payment of all fees authorized by the contract, and authorizes the firm and/or clearing firm to debit fees or redeem money market fund shares in the amount equal to the fee that is due. If funds are not available, then the firm may liquidate assets to cover fees.

In addition to our fee, you may be required to pay other charges such as: custodial fees; brokerage commissions; transaction fees; internal fees and expenses charged by mutual funds or exchange traded funds (“ETFs”); costs associated with any dealer markups and odd lot differentials, transfer taxes, exchange fees mandated by the Securities Exchange Act of 1934 and other charges imposed by law with regard to any account transactions; offering discounts; IRA fees; redemption fees; and other fees and taxes on brokerage accounts and securities transactions. None of these fees are paid to or are shared with BHK.

Some or all of the mutual funds in which client invests may, as allowed under the Investment Company Act of 1940, pay fees to broker-dealers with respect to the distribution of the mutual funds’ shares. The firm’s associated persons, as Registered Representatives, may receive such a fee from the mutual funds. Such fees are described in mutual fund prospectuses.

The client and/or the firm may initiate termination of the contract at any time by sending written notice to the contract party. Termination of the contract will not affect any liabilities or obligations of the parties from transactions initiated before termination of this agreement; including a client's obligation to pay advisory fees (pro-rated through end of the month in which termination is effective).

Although BHK Investment Advisors believes its fees are reasonable in light of the services provided, clients should be aware that such fees may be more or less than the fees and commissions associated with brokerage services purchased separately. The comparison is dependent upon a number of factors, including the frequency of brokerage activity in the client’s account, the size of the account under management, and any negotiated fee arrangements with respect to the account. An investor should consider these factors prior to opening a BHK Investment Advisory and/or Investment Consulting Account with BHK Investment Advisors.

Because BHK Securities, LLC serves as a broker-dealer for BHK Investment Advisor clients, federal laws, including the Employee Retirement Income Security Act of 1974 and the Securities Exchange Act of 1934, impose various restrictions relating to its execution of trades.

BHK Securities receives compensation from the custodian based on the value of credit balances in the accounts. If cash is swept into a money market fund, BHK Securities receives compensation based on the value of assets in these funds as broker-dealer. Thus, BHK has an incentive to recommend that clients select money market funds as a sweep vehicle that pays more compensation to BHK Securities than other funds.

**Account Termination**

If the ADV disclosure document was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then the client has the right to terminate the contract without penalty within five business days after entering into the contract. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, or in the case of an oral contract otherwise signified their acceptance, any other provisions of this contract notwithstanding.

Upon written receipt of notice to terminate its Client Agreement and unless specific transfer instructions are received, BHK and its agent will, in an orderly and efficient manner, proceed with liquidation of the client's account. There will not be a charge by us for such redemption; however, the client should be aware that certain mutual funds impose redemption fees as stated in each company's fund prospectus in certain circumstances. Clients must keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with the client's tax advisor. Factors that may affect the orderly and efficient manner would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate client's investment advisory service and communicate the instructions to client's Investment Advisor, termination orders received from clients are not market orders; it may take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. BHK and its agent are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

BHK does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

**Item 7 – Types of Clients**

BHK provides portfolio management services to individuals, corporations and business entities, pension and profit-sharing plans, charitable institutions, foundations, endowments, estates and trusts.

For BHK-GPS accounts we generally require a minimum portfolio size of \$100,000 as a condition for starting and maintaining an advisory relationship. For all other accounts, the minimum initial account size is \$250,000. We, at our sole discretion, may accept clients with smaller portfolios based upon certain factors including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing client relationships. We may consider the portfolios of your family members to determine if your portfolio meets the minimum size requirement.

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

Our investment strategy begins with an understanding of a client's financial goals. Advisors use demographic and financial information provided by the client on the Client Profile Form. Information includes detailed information regarding the client's financial condition, investment objectives and risk tolerance and is used in determining an appropriate plan for the client's assets. Investment strategies ordinarily include long- or short-term purchases of stock portfolios, mutual funds and fixed income securities.

Investment recommendations are based on an analysis of the client's individual needs, and are drawn from research and analysis. We use data provided by third parties including research reports, financial publications and regulatory filings to conduct analysis of the securities, sectors and asset classes that may be included in your portfolio. We undertake this research in order to determine the relative merit of the investments. Such analysis includes, but is not limited to, price/earnings ratio (P/E), projected PE, price-to-book ratio, dividend rate, earnings, projected earnings, and studies of the long term behavior of sectors and asset classes.

Our strategies and models help us to properly allocate securities to your portfolio while striving to maintain portfolio risk at a level that is appropriate for you. Our investment strategies may include long-term and short-term purchases and trading (securities sold within 30 days). You may place reasonable restrictions on the strategies to be employed in your portfolio and the types of investments to be held in your portfolio.

It is important to note that investing in securities involves certain risks that are borne by the investor. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks. Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- 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 not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- 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**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BHK or the integrity of BHK's management. BHK has no information applicable to this Item.

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

BHK Securities, LLC (BHKS) is affiliated through common control and is effectively registered as a broker/dealer, Registered Investment Adviser, and Insurance Agency. BHKS is owned by a holding company, BHK Holdings, LLC, which also owns 100% of BHK Investment Advisors, LLC. Clients of BHKS may also be clients of BHK Investment Advisors, LLC. All clients of BHKS are delivered a separate disclosure document which contains relevant information and related disclosures. Advisors spend an estimated 20% of their time on these business activities outside of being an Investment Adviser.

For those advisory clients who wish to use broker/dealer or insurance products to attain their goals, clients are reminded that such services are not offered as part of the advisory service and fees are separate. Advisory clients are under no obligation to purchase any broker/dealer or insurance products. As a broker/dealer, trade errors may occur on occasion and may result in profit or loss to the firm. The firm has controls in place to limit such trade errors. Individual Advisers will not participate in any profits resulting from such errors and the Chief Compliance Officer will review a trade error log to ensure that no conflicts and/or patterns exist.

For broker/dealer and insurance services, the Adviser or its associated persons may receive compensation for such transactions, where such compensation is separate and distinct from Adviser's compensation related to its investment advisory services. From time to time, associated persons of the Adviser may recommend that clients buy or sell securities or investment products that the Adviser also owns. In such circumstances, the Adviser shall adhere to the Code of Ethics.

BHK recommends that clients establish brokerage accounts with First Clearing, LLC ("First Clearing"), a broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Although BHK may recommend that clients establish accounts at First Clearing, it is the client's decision to custody assets with First Clearing. BHK is independently owned and operated and not affiliated with First Clearing.

Daniels Consulting, LLC will do analytical work BHK-GPS, trading and produce client performance reports. Daniels Consulting, LLC is not affiliated with BHKIA.

Item 12 includes additional details regarding brokerage practices and related disclosures.

### **Item 11 – Code of Ethics**

BHK has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at BHK must acknowledge the terms of the Code of Ethics annually, or as amended.

Advisors of BHK may buy or sell securities that are recommended to clients. BHK's employees and persons associated with BHK are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of BHK and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for BHK's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of BHK will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of BHK's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between BHK and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with BHK's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. BHK will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

BHK's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting James Bailey Knight or Meredyth Roberts Hazzard at our main number.

#### **Item 12 – Brokerage Practices**

For BHK client accounts maintained in its custody, First Clearing generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through First Clearing or that settle into First Clearing accounts. First Clearing may make products and services available to BHK that benefit BHK but may not directly benefit its clients' accounts. Many of these products and services are used to service all or a substantial number of BHK accounts. Some of these products and services provided by First Clearing includes software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitates trade execution and allocates aggregated trade orders for multiple client accounts; (iii) provides pricing, charts and other market data; (iv) facilitates payment of BHK fees from its clients' accounts; and (v) assists with back-office functions, recordkeeping and client reporting.

BHK-GPS accounts will trade, primarily, on the TD Ameritrade Institutional trading platform. TD Ameritrade is the primary custodian for GPS accounts. *The Morningstar Office Portfolio Management System* is used to monitor and report on client portfolio performance.

### **Item 13 – Review of Accounts**

On a quarterly basis, performance is reviewed to monitor consistency with appropriate benchmarks. Accounts are rebalanced and/or reallocated no less than annually to ensure that they remain in line with pre-determined risk strategy. More frequent rebalancing may occur at the discretion of management should market conditions dictate.

You will receive statements from the custodian/broker-dealer at least quarterly. These statements identify your current investment holdings, the cost of each of those investments, and their current market values. You will also receive reports prepared by us that will provide information on the transactions effected in the account and detail current positions as well as compare portfolio performance to relevant predetermined asset allocation models.

Performance reports may be sent quarterly to BHK Advisory Clients. Not less than annually, the IAR will contact the client and discuss the account and related performance. Such IAR will request current information to determine whether there have been any changes in their profile information. The client agrees to inform the IAR in writing of any material changes in their profile or the client's financial circumstances that might affect the manner in which the client's assets should be invested. The client may contact the IAR during normal business hours to consult with the IAR concerning the management of the client's account(s).

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

BHK does not compensate for client referrals.

### **Item 15 – Custody**

Clients should receive statements at least quarterly from First Clearing, the qualified custodian that holds and maintains your investment assets. BHK urges you to carefully review such statements and compare the official custodial records to the account statements that we may provide you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

BHK usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Clients must authorize such discretion in the advisory agreement. When selecting securities and determining amounts, BHK observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to BHK in writing.

Each client has the ability to impose reasonable restrictions on the management of his/her account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If a client's instructions are unreasonable or BHK, or, if applicable, an IAR believes that the instructions are inappropriate for the client, BHK will notify the client that, unless the instructions are modified, it may cancel the instructions in the client's account. A client will not be able to provide instructions that prohibit or restrict the Investment Adviser of an open-end or closed-end mutual fund or ETF with respect to the purchase or sale of specific securities or types of securities within the fund.

**Item 17 – Voting Client Securities**

BHK does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent. Clients should contact their IAR if they have any questions and/or to obtain this information.

**Item 18 – Financial Information**

Registered Investment Advisers are required to provide you with certain financial information or disclosures about BHK's financial condition. BHK has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

**Privacy Policy**

We collect nonpublic personal information about you from the following sources: information we receive on applications, questionnaires, web site, or other forms and information about your transactions with our affiliates, others, or us. We do not disclose any non-public information about our current or former customers to anyone, except as permitted by law or in order to provide the current services. Our employees have limited access to your personal information based on their responsibilities to provide products or services to you. Be assured that we maintain physical, electronic and procedural safeguards in compliance with federal standards to protect your information.