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HBK Sorce Advisory LLC doing business as



Disclosure Brochure Dated:  
June 24, 2016

HBK Sorce Advisory LLC maintains its main offices at:  
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814-836-5776 • 866-536-5776

The information contained in this document covers HBK Sorce Advisory LLC's, doing business as HBKS® Wealth Advisors, client relationships, management services, fees, business operations, and structure. The disclosures are designed to provide clients with sufficient information to decide whether to begin or continue a business relationship with the HBKS® Wealth Advisors.

If you have any question about HBKS® Wealth Advisors or the information contained in this document, please contact Michael Wassmann, Chief Compliance Officer, via the following phone numbers or email.

814-836-5776  
866-536-5776  
mwassmann@hbkswealth.com

Additional information is available on the Internet at [www.hbkswealth.com](http://www.hbkswealth.com), and at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by conducting a search using the HBK Sorce Advisory LLC name or CRD number of 112139.

THIS BROCHURE HAS NOT BEEN APPROVED BY THE SECURITIES EXCHANGE COMMISSION ("SEC") OR BY ANY STATE SECURITIES AUTHORITIES. REGISTRATION WITH THE SEC OR ANY STATE SECURITIES AUTHORITY DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

## 2. MATERIAL CHANGES FROM PREVIOUS VERSION

During the last 12 months, HBK Sorce Advisory LLC, doing business as HBKS® Wealth Advisors (“HBKS”), has made the following material changes to our ADV Part 2A disclosure brochure:

- a. HBKS discloses in Section 8 that certain portfolio management services provided through and in connection with the unified managed account program and the use of overlay portfolio management are now being obtained through a contract with Adhesion Wealth Advisor Solutions, Inc.
- b. HBKS now provides back office services to third-party investment advisers, including affiliated investment advisers, through consultation or similar agreements.
- c. HBKS has entered into a custodian and sub-adviser relationship with Raymond James Financial Services, Inc. Pursuant to the sub-adviser relationship, Raymond James Financial may provide asset management services under a wrap fee program sponsored by Raymond James.

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## 4. ADVISORY BUSINESS

HBK Sorce Advisory LLC, doing business as HBKS® Wealth Advisors (hereinafter “HBKS” or the “Firm”), was established in March of 2001, and is a limited liability company formed under the laws of the State of Ohio. It is a wholly owned subsidiary of HBK Sorce Financial LLC. In turn, HBK Sorce Financial LLC is wholly owned by HBK Sorce Holdings LLC of which Hill, Barth & King Financial Holdings LLC is a majority owner. Some of the investment advisor representatives (“IARs”) of HBKS are also employees, principals or certified public accountants of Hill, Barth & King LLC, an accounting firm owned by Hill, Barth & King Financial Holdings LLC. Certain officers of HBKS may spend up to 95% of their time with these other business activities.

**Investment Management:** HBKS is an investment advisor registered with the Securities Exchange Commission (“SEC”). HBKS’s main business is providing personalized investment management services. The Firm works with clients to learn their financial circumstances and create investment portfolios to fit their financial goals, then continues to monitor and manage those portfolios to keep them in line with the clients’ goals. The Firm gathers information through interviews and questionnaires to understand clients’ financial situation and determine their financial goals. Information gathered includes income, retirement plans, assets, taxes, investments, insurance policies, trusts, wills, education needs, future goals, attitudes towards risk and related documents. HBKS does not specialize in any given area of investments or any specific strategy.

Clients who want investment management services from HBKS enter into Investment Management Agreements (“Agreements”), which establish the terms by which the Firm will create and manage client portfolios. HBKS provides clients with a copy of this disclosure brochure (“Brochure”) either before or at the same time the Agreement is signed. Under the HBKS Agreements, clients have 5 days to terminate the Agreement without penalty. Either party may terminate the agreement upon prior written notice to the other.

As of August 31, 2014, the Firm provided asset management services as a registered investment advisor for \$1,826,321,899.20 in assets on a discretionary basis and \$9,713,105.39 in assets on a non-discretionary basis. The amount of assets being managed may be materially different at the time you receive this disclosure based on the growth or loss of clients, and/or changes in the values of assets being managed.

**Financial Planning:** HBKS also offers financial planning services pursuant to financial services agreements. Based on information and documents obtained from clients, a written financial plan is designed to help the clients pursue their stated financial goals and objectives. Financial plans will cover areas chosen and agreed upon by the client based on discussions with the advisor. In general, the financial plan will address any or all of the following areas of concern as chosen by the client, including but not limited to:

**RETIREMENT:** providing clients’ current balance sheets and cash flows, along with net worth and cash flow projections that run through clients’ life expectancies. If there is a shortfall in current savings, the plans may project additional savings needed.

**INVESTMENTS:** analyzing clients’ portfolio allocation based on current account statements. Clients’ risk tolerance is measured through an assessment by the planner. Based on clients’ risk tolerance, investment horizon and goals, portfolios are suggested. If clients provide general annual lifestyle expense figures, a Monte Carlo simulation can be run to determine the probability that clients can achieve financial independence until the second to die period.

**EDUCATION:** providing suggested savings or lump sum calculations to achieve education goals based on client input and assumptions about college costs, tuition inflation, and how many years the child(ren) will attend school.

**PROTECTION PLANNING:** providing an analysis of clients' current lifestyle expenses, assets, and existing insurance. This analysis helps determine whether clients and co- clients have enough life insurance to take care of survivor's needs. This analysis determines insurance needs generally by assuming that clients (co-clients) will die in the current year.

**ESTATE PLANNING:** providing an estate tax analysis at either the first or second death. Reviews current documents and may recommend possible strategies and/or reviews by estate professionals. May recommend basic estate tax savings strategies and provide hypothetical results.

**INCOME TAX PLANNING:** providing an analysis of planning options based on their potential tax impact and recommendations designed to reduce the affect of taxes. (Note: HBKS is not an accounting firm or law firm and does not render opinions on tax matters or otherwise give tax advice.)

**ONGOING PLANNING:** providing on-going planning services to periodically review and/or update clients' financial plans based on changing needs. Clients help determine the frequency of these reviews (quarterly, semi-annually or annually).

If clients adopt the recommendations in the financial plan, the Firm suggests clients work closely with their attorneys, accountants, insurance agents, financial advisors, and/or stockbrokers as needed. Use of recommendations is entirely at clients' discretion. Clients are not obligated to use an HBKS affiliate to obtain any accounting, insurance, or brokerage services (HBKS does not have any affiliates who provide legal advice or services). If clients use HBKS or an affiliate for any such services, HBKS or its affiliate would have a conflict of interest in evaluating product recommendations involving advisory services or products offered by HBKS.

**Other Financial Services:** When clients wish to retain HBKS for services other than investment management services, including financial planning services, they enter into Financial Services Agreements which establish the nature of the services and the fees to be charged. Either party may terminate a Financial Services Agreement upon written notice. Termination will be effective upon receipt of such notice. If services are terminated within five days of clients executing a Financial Services Agreement, services will be terminated without penalty. However, fees for services provided during those five days will be billed to clients and any additional fees paid in advance will be refunded. After the initial five business days, clients will be responsible for the payment of fees for services provided prior to termination. If the initial retainer fee is not enough to cover the amount due, clients will be responsible for payment of the additional fees upon receipt of a billing notice from HBKS. Any collected but unearned fees will be promptly refunded to clients.

Due to the nature of some of these other services and the affiliate relationship of some of the businesses, conflicts of interests between clients and HBKS may arise. As set forth herein, HBKS addresses these potential conflicts by monitoring activity through its compliance department. A key goal of compliance is to make sure that client interests are protected and always come first.

**Pension Consulting Services:** HBKS will contract with and provide pension-consulting services to employee benefit plans and their fiduciaries based on the needs of the plan. The services may include an existing plan review, asset allocation advice, money management services, investment recommendations, investment performance monitoring, and ongoing consulting. HBKS will also provide education based services for the plan participants and provide information on the plan specifics and allocation choices. They may also meet with individual plan participants and offer guidance based on that individual's risk tolerance and objectives.

HBKS will also contract with and provide services to individual plan participants. The types of services provided pursuant to contracts with individual plan participants include the same as those listed above, depending on the individuals' needs.

The services provided in connection with employee benefit plans are subject to the Employee Retirement Income Security Act ("ERISA"). Depending on the nature of the services provided, HBKS may or may not be considered a fiduciary under ERISA.

The specific pension consulting services and related fees shall be negotiated with the plan or the individual plan participant on a case-by-case basis and documented in a written agreement.

**Newsletters:** HBKS provides educational and informational newsletters to clients. These newsletters are generally issued quarterly and are free of charge to clients requesting them.

**Custodial Services:** When providing investment management and other services, HBKS does not hold client assets. Rather, HBKS works with clients to establish accounts with "Custodians" who hold the assets. The Custodians charge clients a fee for their services. The Firm currently has custodial arrangements with various independent Custodians. The Custodians most often used by HBKS include:

- a. Charles Schwab & Company, Inc. ("Schwab")
- b. Fidelity Institutional Wealth Services, a division of Fidelity Investments®, and its affiliates National Financial Services LLC and/or Fidelity Brokerage Services LLC ("Fidelity"), and
- c. Raymond James Financial Services, Inc.

HBKS has a couple of accounts with TD Ameritrade Institutional ("Ameritrade"). HBKS is phasing out the use of Pershing LLC as a Custodian, but still has a limited amount of non-transferable assets with Pershing. The Firm may use other Custodians as agreed with clients. Except as otherwise disclosed in this brochure, HBKS does not share in the brokerage fees or transaction charges imposed by Custodians.

Although HBKS may recommend that clients establish accounts with the above referenced Custodians, clients choose the Custodian.

**Back Office Services for Third-Party Advisers:** HBKS provides back office services to third-party investment advisers, including investment advisers affiliated with HBKS. The back office services include providing trade and rebalance services, allocation services, model development, proposal and report preparation, compliance consulting, administrative services, and other related services. HBKS provides these services pursuant to consulting or similar agreements, and does not act as a representative or agent of the third-party investment advisers. Please Note: Some of the third-party investment advisers for which HBKS provides back office services may also be considered affiliated entities of HBKS, and may also have investment adviser representatives who are dually registered with HBKS. Since dually registered investment adviser representatives are providing services through a third-party investment adviser, conflicts of interest exist as the adviser representatives may have the incentive to recommend the services of one firm over the other based on the amount of compensation they can earn individually, or based on the compensation to be received by HBKS.

### Miscellaneous:

*Non-Investment Consulting/Implementation Services.* To the extent requested by the client, the Firm may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Firm, nor any of its representatives, serves as an attorney, and no portion of the Firm's services should be construed as legal advice. To the extent requested by a client, the Firm may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of the Firm in their separate licensed capacities as discussed below. 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 the Firm. **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 the Firm if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising the Firm's previous recommendations and/or services.

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

**PLEASE NOTE:** *Inverse and Enhanced Market Strategies.* The Firm *may* utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and/or (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Firm, in writing, not to employ any or all such strategies for his/her/their/its accounts.

### Affiliated Private Funds:

HBKS is an affiliate entity of Park Shore Partners LLC, an SEC registered investment adviser serving as General Partner and/or Investment Manager of the Park Shore Opportunity Fund Ltd., and its feeder funds, including the Park Shore Opportunity US Fund LP and the Park Shore Opportunity Offshore Fund Ltd. (together, the "*affiliated funds*"). Condensed descriptions of the risks involved are set forth below (the complete description of the terms, conditions, risks and fees, including incentive compensation, associated with each of the *affiliated funds* is set forth in their offering documents). The Chief Compliance Officer of HBKS also serves in that position for Park Shore Partners LLC. Certain IARs of HBKS are also investment advisor representatives of Park Shore Partners LLC and may recommend to their respective clients (on a non-discretionary basis) that qualified clients allocate a portion of their investment assets to the *affiliated funds*.

The Firm and its representatives, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the *affiliated funds*. The terms and conditions for participation in the *affiliated funds* including management and incentive fees, conflicts of interest, and risk factors, are set forth in the *affiliated fund's* offering documents. HBKS's clients are under absolutely no obligation to consider or make an investment in any private investment fund(s), including the *affiliated funds*.

**PLEASE NOTE:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each *affiliated fund's* offering documents, which will be provided to each *affiliated fund* investor for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each



prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the *affiliated fund*, and acknowledges and accepts the various risk factors that are associated with such an investment.

**PLEASE ALSO NOTE: CONFLICT OF INTEREST.** Because the Firm and/or its affiliates can earn compensation from the *affiliated funds* (both management fees and incentive compensation) that may exceed the fee that the Firm would earn under its standard asset based fee schedule referenced in Item 5 below, the recommendation that a client become an *affiliated fund* investor presents a conflict of interest. No client is under any obligation to become a Fund investor. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions regarding this conflict of interest.**

*Client Obligations.* In performing its services, HBKS 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 the Firm if there is ever any change in his/her/ its financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising the Firm's previous recommendations and/or services.

The market value of assets is determined by the Custodian or other fair pricing methods. In the rare case where the Custodian cannot obtain a price, where HBKS strongly believes the Custodian's price is not accurate, or where a security has halted trading, the Firm will determine fair value based on appropriate factors, including its knowledge of the security and current market conditions.

Cash positions are included as part of assets under management when calculating the management fee, unless specifically excluded in writing in the Agreement.

Other investment advisors may provide similar services as HBKS for lower fees. In any case, the fee shall not exceed 2.75% of assets under management.

The fees are not charged based on capital gains, or capital appreciation, of the assets of an advisory Client (15 U.S.C. §80b-5(a)(1)).

Clients may incur other fees for other services provided by HBKS beyond the management fees discussed in this section. Clients may also incur fees for services provided by third parties such as Custodians, broker dealers who execute transactions, mutual fund managers, sub-advisors, separate account managers, and others. The management fees charged by HBKS are not reduced to offset any commissions or other fees incurred by clients. For a more detailed description of these other fees see sections 8, 10 and 12.

Conflicts of interest that arise between clients and HBKS are disclosed in this section and elsewhere in the Brochure. HBKS has in place a compliance program and has appointed a Chief Compliance Officer to monitor all activity and protect client interests. Part of the responsibilities of the compliance department is to make sure that client interests come first when potential conflicts of interest exist.

## 5. FEES AND COMMISSIONS

As part of its fiduciary duties, HBKS puts the interests of clients first. Clients should be aware, however, that the receipt of any fees or benefits by HBKS, in and of itself, creates a conflict of interest.

**Investment Management Fees:** Pursuant to the Firm's investment management agreements, clients are charged a fee based on a percentage of assets under management. The management fees are based on several factors such as the nature of the assets, the services provided, the practice group involved, and the amount of assets being managed. Generally, the percentage fee decreases as the amount of assets under management increases. Fees may be negotiated in limited circumstances.

The fee is prorated and paid quarterly based upon the market value of the assets on the last day of the previous quarter. In most cases, the fees are paid in advance at the beginning of the quarter. There are a few exceptions which are billed in arrears based on past practices, including certain accounts managed by the Firm formerly doing business as Presque Isle Capital Management. The use of the Presque Isle Capital Management name has been eliminated, but the historical practice of billing in arrears will continue. Fees are either invoiced or debited from client accounts based on written permission to Custodians.

The fee for the initial quarter is pro-rated starting on the date you open an account with a Custodian. The initial fee shall be based on the market value of the account assets on the first month-end after the Agreement is signed and billable assets are posted to the Custodian account.

If the Agreement is terminated, the management fee will be pro-rated for the quarter in which the cancellation notice was given and any unearned fees will be refunded to the clients. An exception to this policy is the Firm's Retirement Planning Unit, which does not refund fees upon termination, but keeps such fees to cover the costs of closing down the management relationship.

HBKS may allow accounts from the same household to be grouped to meet fee breakpoints. For example, accounts may be grouped for clients and their children, for spouses that have individual and joint accounts, or for similarly related accounts. The key factor in deciding if accounts can be grouped is whether the clients live in the same household. Management fees may be discounted if clients also have other assets under management with the Firm pursuant to a separate agreement.

Some of the investment management services provided may include retaining sub-advisors, overlay managers or third-party service providers as described elsewhere in this Brochure. Clients will pay fees for services provided by sub-advisors, overlay managers and third-party service providers which are separate from and in addition to investment management fees charged by HBKS. The amount of the additional fees will depend on the nature of the services being provided and the number of third parties involved, and may change over time based on changed circumstances.

**Third-Party Sponsored Wrap Fee Program:** Sub-advisory services provided by Raymond James may be managed under a wrap fee program sponsored by Raymond James as part of its managed account programs. **Please Note (Wrap Account programs):** Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in the sponsor's wrap fee program brochure. **Conflict of Interest:** Because wrap program transaction fees and/or commissions are being paid by the wrap program sponsor, the sponsor could have an economic incentive to minimize the number of trades in the client's account and to otherwise choose options in managing the assets that are less costly to the wrap program sponsor, regardless of whether these are the best options for the client or provide optimal service and outcome for the client. Please note that HBKS's investment advisory fee shall be separate from, and in addition to, any wrap program fee. For further information on the Raymond James managed account programs and corresponding wrap fee program, please see Section 8 below. **The Firm's Chief Compliance Officer, Michael G. Wassmann, JD, remains available to address any questions that you may have regarding the above.**

**Financial Planning Fees:** Fees for comprehensive, modular and single-issue financial planning services and consulting services will be charged in one of the following ways:

- As a fixed fee, typically ranging from \$500-\$20,000.
- On an hourly basis, ranging from \$100-\$500 per hour.

Fees for on-going financial consulting will be charged in one of the following ways:

- As a fixed annual fee, starting at \$500.
- As a percentage of the amount of assets under advisement with 2.75% being the maximum annual fee.

Fees for financial planning are determined by the IAR providing the services. The fees will be based on the complexity of clients' financial situations and the nature of work provided. Up to 50% of the fixed or estimated hourly fee may be due upon signing the Financial Services Agreement, with the balance due upon completion of the services. For fees charged on an hourly basis, the amount due in advance is based on estimated time needed to complete the services. The IAR will determine the amount to be paid in advance. The balance due is based on actual hours needed to complete the work.

Fees charged as a percentage of assets under advisement will be charged in advance on a quarterly basis. Fees will be based on the value of the assets for which HBKS provided planning services. The value of the assets used for fee calculations will be the billable asset value on the last day of the previous calendar quarter. Quarterly planning fees for initial and last quarters that are not full quarters will be prorated based on the number of days that services were or will be provided during the calendar quarter. Planning fees may be discounted if the client also has other assets under management, pursuant to a separate agreement, with HBKS. Any discount to planning fees will be at the discretion of the IAR.

Fees may be billed directly to clients and will be due and payable upon receipt of such billing notice. Fees may also be deducted directly from the client accounts and paid directly to HBKS by the account custodian. Prior to any fees being deducted from client accounts, clients will provide the account custodian with authorization to deduct fees and pay them directly to HBKS.

**Securities Commission Transactions.** In the event that the client desires, the client can engage certain of HBKS's representatives, in their individual capacities, as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through PKS, PKS will charge brokerage commissions to effect securities transactions, a portion of which commissions PKS shall pay to HBKS's representatives, as applicable. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, PKS, as well as HBKS IARs, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment. HBK Sorce Brokerage LLC and/or HBKS IARs (in their capacity as PKS registered representatives) may also receive from PKS fees in connection with referrals of clients to investment bankers for purposes of raising capital through the sale of securities or selling ownership interests in companies.

**Conflict of Interest:** The recommendation that a client purchase a commission product through PKS or use a particular investment banker presents a conflict of interest, as the receipt of commissions or investment banking referral related fees may provide an incentive to recommend investment products or investment bankers based on commissions or fees to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from HBKS's IARs or use an investment banker referred by HBKS's IARs. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**PLEASE NOTE:** Clients may purchase investment products recommended by HBKS through other, non-affiliated broker dealers or agents.

The Firm does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Firm recommends to its clients.

Except as provided elsewhere in this Brochure, when HBKS's representatives sell an investment product on a commission basis, the Firm does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Firm's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However**, a client may engage the Firm to provide investment management services on an advisory fee basis and separate from such advisory services purchase an

investment product from HBKS's representatives on a separate commission basis.

If clients own variable annuities and want HBKS to manage the investment sub-divisions, the Firm will include the market value of the annuity in assets under management. This fee will be charged even if clients paid a commission when the annuities were purchased, including commissions to HBKS representatives in their capacity as registered representatives of a broker dealer. *See discussion in sections 5 and 9.* The advisory fee charged by the Firm is separate and in addition to the commission received by the representative who sold the variable annuity.

**Back Office Services Fees:** In connection with providing back office services for third-party investment advisers, HBKS will receive compensation based on a fixed fee for services, a percentage of assets under management by the third-party adviser, an hourly rate, or a combination of these fees as agreed by the parties. Given that some of the third-party investment advisers who pay fees to HBKS may be affiliated entities and may register individual representatives who are dually registered with HBKS, a conflict of interest exists in connection with the receipt of fees by HBKS because the representatives may have the incentive to recommend the services of one firm over the other based on the amount of compensation to be received by HBKS.

## 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

HBKS does not charge performance-based fees.

## 7. TYPES OF CLIENTS

HBKS provides investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, partnerships, limited liability companies, and other business entities.

HBKS does not have any account minimum. However, other advisors or independent sub-advisers retained by the Firm may impose minimum account size requirements or minimal annual fees. Clients participating in these programs should consult the appropriate advisors' disclosure documents for complete disclosure on such requirements and fees.

## 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

HBKS does not represent, warrant, or imply that the services, methods of analysis, model portfolios, or strategies used by the Firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses. Different types of investments involve varying degrees of risk. It should not be assumed that future performance of any specific investment, strategy or model will be profitable or equal any performance levels. Clients using HBKS's investment management services should be prepared to bear the risk of loss of assets that is inherent in each of the investment methods and strategies used.

Under the Agreements, HBKS will develop portfolios tailored to clients' needs and objectives based on their circumstances. HBKS may allocate client assets among one or more proprietary investment model portfolios ("Model Portfolios") constructed by HBKS. The Model Portfolios are recommended or used based upon client circumstances, objectives and risk profile, and are subject to reasonable written restrictions or guidelines agreed to by clients and the Firm.

Portfolios may be built with a variety of investment vehicles including mutual funds, exchange traded funds ("ETFs"), equity

and debt securities, investment contracts, insurance, annuities, alternative investments, and other investment vehicles. Types of investments can include long term and short term purchases, short sales, margin transactions and option writing. HBKS can use a variety of tools and strategies designed to provide investment management services. These products, tools and strategies (individually or in combination) help develop portfolios and allocations to fit clients' needs and objectives. The Firm may also use products beyond those listed in this section if deemed appropriate.

**PLEASE NOTE:** Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase.

Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

**PLEASE NOTE:** 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 the Firm 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 the Firm 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 the Firm. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

**PLEASE NOTE:** The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Firm shall be with the intent of offsetting or "hedging" a potential market risk in a client's portfolio.

**PLEASE NOTE:** Although the intent of the options-related transactions that may be implemented by the Firm is to hedge against principal risk, certain of the options- related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Firm, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Securities:** Some of the investment vehicles used by HBKS include equity securities such as exchange-traded securities, securities traded over-the-counter, and foreign issues. The Firm may also invest client assets in warrants, corporate debt securities, commercial paper, certificates of deposit, United States government securities, options on securities, and municipal securities, as well as partnership interests in real estate, oil and gas.

**Insurance and Annuities:** HBKS invests client assets in various insurance and annuity products through its representatives who are properly licensed and registered. HBK Sorce Insurance LLC is an affiliate of HBKS, and some insurance products sold to clients are offered through HBK Sorce Insurance LLC. Because of the affiliation, any insurance products offered or sold through HBK Sorce Insurance LLC present an inherent conflict of interests. A Firm representative who offers and sells an insurance product may also receive separate and additional compensation for such sale, raising another conflict of interest. The decision whether or not to purchase an insurance product through HBK Sorce Insurance LLC or elsewhere is fully within client discretion.

HBKS also offers annuities to their clients as part of investment portfolios. An HBKS representative who offers and sells an annuity product may receive separate and additional compensation for such sale, raising a conflict of interest. The decision whether or not to purchase an annuity product is fully within client discretion.

If any insurance or annuity product has a variable component, the offer and sale of that product may be processed through a registered broker dealer, and the individual representative must be properly licensed and registered with that broker dealer. As a registered representative of the broker dealer, the individual may receive separate and additional compensation in connection with the sale of the variable product, creating an inherent conflict of interest. The decision whether or not to purchase the variable product is fully within client discretion.

**Mutual Funds and ETFs:** HBKS invests client assets in mutual funds and ETFs. If client portfolios can benefit from investing in a particular market segment or by following a specific strategy, the Firm buys mutual funds or ETFs focused on those areas to meet client goals. All fees paid to HBKS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs as described in each of their prospectuses or disclosure documents. Mutual fund and ETF fees will generally include a management fee and other expenses. There also may be transaction charges involved with buying or selling mutual funds or ETFs. HBKS may recommend and purchase no-load mutual funds if they are available and appropriate to reduce costs to clients. Clients should review all fees charged by mutual funds, ETFs, HBKS, and others to fully understand the total amount of fees to be paid by clients for these types of investments.

**Alternative Assets Classes:** HBKS may also recommend that certain clients invest in other non-public alternative investment vehicles (e.g., private placements, investment partnerships, hedge funds, etc.) to which the Firm has access through affiliate relationships. The affiliates may receive compensation or have other financial interests in connection with such investments as disclosed in the offering documents. These financial interests may create a conflict of interest in recommending such investments.

**Consideration of All Potential Investments, Tools and Strategies:** HBKS reserves the right to advise clients on any other type of investment deemed appropriate based on stated client goals and objectives. This includes investments in which an affiliate of the Firm may have financial or other interests. HBKS may give advice on any type of investment already held in client portfolios at the start of the advisory relationship, or on any investment for which clients request advice.

**Methods of Analysis:** When analyzing how to invest client assets, HBKS will look at, among other things, individual investment products, market segments, investment strategies, and the market as a whole. Methods of analyzing investments include, among other things, reviewing stock and market charts, reviewing the underlying fundamentals of securities, conducting a technical analysis of a security or the market, and determining where the market stands as part of the overall business and market cycles.

**Sources of Information:** To conduct analyses, HBKS will review and rely on financial newspapers, financial magazines, corporate reports and activities, third party research materials, third party experts, corporate ratings services, annual and periodic reports filed with the SEC, prospectuses, and corporate press releases.

**Sub-Advisors and Separate Managed Accounts:** If requested by clients, HBKS may recommend the services of other professionals for implementation purposes. Clients are under no obligation to engage the services of any recommended professional. Clients retain discretion over all such decisions and can accept or reject any recommendation.

HBKS may retain sub-advisors or separate account managers to manage portions of client portfolios which would benefit from their expertise in a discrete asset class or specialized method of asset management.

If HBKS retains sub-advisors or separate account managers, it will be pursuant to direct sub-advisory and/or separate account management agreements with HBKS. Clients will also be asked to enter into agreements with these third parties to approve their services. The Firm provides clients with a copy of the proper filings and disclosure documents of each sub-adviser and separate



account manager. Generally, agreements with sub-advisers and separate account managers will have termination provisions similar to the Firm. However, certain sub-advisers and separate account managers may have different termination provisions and advisory fee refund policies, which shall be explained in their disclosure documents and their written agreements.

Sub-advisers and separate account managers will charge clients an advisory fee according to their respective filings, disclosures and written agreements. These fees may or may not be included in HBKS's management fee, and may be billed in a manner different from HBKS. Most often the fees charged by sub-advisers directly engaged by HBKS are included in the Firm's management fees. However, when the fees charged by the sub-advisers are separate and in addition to HBKS's management fees, full disclosure of the fees and billing practices will be made to clients. Fees charged by separate account managers are separate and in addition to HBKS's management fee and shall be disclosed at the time of engaging the independent manager. Where sub-advisers and separate account managers are independently engaged by the Client at HBKS's recommendation, the total management fees for all management services combined shall not exceed 2.75%.

**Model Portfolios:** The Firm may allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its Model Portfolio programs (which range from conservative through moderate and aggressive) as described in the *Investment Management Agreement* and/or a client suitability profile. HBKS's proprietary programs have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to HBKS's management of client assets:

1. **Initial Interview** – at the opening of the account, HBKS, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. **Individual Treatment** – the client's account is managed on the basis of the client's financial situation and investment objectives;
3. **Annual Notice** – at least annually the Firm will contact and seek to meet with the client to determine whether the client's financial situation or investment objectives have changed, or if then client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account;
4. **Annual Contact** – at least annually, the Firm shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account.
5. **Consultation Available** – the Firm shall be reasonably available to consult with the client relative to the status of the client's account;
6. **Quarterly Statement** – the client shall be provided with a report at least quarterly for the account for the preceding period;
7. **Ability to Impose Restrictions** – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Firm not to purchase certain mutual funds;
8. **No Pooling** – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account;
9. **Separate Account** – a separate account is maintained for the client with the Custodian; and
10. **Ownership** – each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

HBKS's annual investment management fee may be higher or lower than that charged by other investment advisers offering

similar services/programs. HBKS's investment programs may involve above-average portfolio turnover which could negatively impact the net after-tax gain experienced by an individual client in a taxable account.

**Adhesion Wealth Advisor Solutions:** HBKS also offers our discretionary investment management services in a managed account program ("UMA Program") through an overlay manager, Adhesion Wealth Advisor Solutions, Inc. ("Adhesion"). This UMA Program may consist of using model portfolio advisers, model portfolios or other investment options such as mutual funds and/or exchange-traded funds ("ETFs") to represent different investment strategies for managing your account. Each of these investment strategies is designed to meet a specific goal.

Prior to investing in the UMA Program, you will execute a discretionary investment management agreement with HBKS setting forth the terms and conditions of our management of your investments within the UMA Program. Depending on the management services the client selects, the client will grant HBKS limited discretionary authority to manage the client account through selection of an overlay manager (Adhesion), a third party strategist and/or third party managers (collectively, "Third-Party Service Providers"). In addition, the client will authorize the custodian to follow our instructions as well as instructions given by Adhesion to effect transactions, deliver securities, deduct fees and take other actions with respect to the client account. The client will not have a direct contractual relationship with Adhesion or any other Third-Party Service Provider.

The timing of trades in the client account will primarily depend upon the model or changes in the model and, generally, will not take into consideration how long a client may have held the position indicated by the model.

HBKS retains the right to replace any Third-Party Service Provider on a discretionary basis. Depending on the service a client has selected, HBKS will separately provide the client with the firm brochure (Part 2 of Form ADV) for the applicable Third-Party Service Provider(s) which includes information about their services, model portfolios, and investment strategies at or before the execution of our discretionary investment management agreement.

Clients will pay fees for services provided by Adhesion and Third-Party Service Providers which are separate from and in addition to investment management fees charged by HBKS. The amount of the additional fees will depend on the nature of the services being provided and the number of Third-Party Service Providers involved, and may change over time based on changed circumstances.

### **Tax Overlay Manager Services**

Tax overlay management services are available as an option for accounts utilizing the UMA Program through Adhesion. If you elect tax overlay management services, the portion of your fee paid as the management fee on your account will increase. Adhesion will develop a tax strategy for your account based on the information and instructions provided by HBKS on your behalf.

Tax overlay management services in an investment account offer benefits and limitations, as described below. The tax strategy developed for you by Adhesion is provided solely in connection with your account and Adhesion does not provide general tax planning services. If you do elect the tax overlay management services option, please consider the following:

- Adhesion will implement tax overlay management services based on the information and instructions provided for your account(s).
- Adhesion does not provide general tax advice, tax return preparation or tax planning services.
- Adhesion will seek to reduce the overall tax burden of the account while seeking to maintain the risk and return characteristics of the model portfolios received from Third-Party Service Providers.
- When providing tax overlay management services to the account, short-term gains are avoided where possible, but long-term gains are not limited unless you have requested a mandate to limit realized long-term gains.

Adhesion will provide tax overlay management services with the assumption that Adhesion will continue to provide services to the account for an entire tax year. The termination or removal of the overlay management services before the completion of an entire



tax year may result in adverse tax consequences, including without limitation realization of short-term capital gains.

Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

The Tax Overlay Management Services are offered at an additional cost to you.

**Envestnet:** HBKS may utilize separate account managers available through the Managers Resource Network offered by Envestnet Asset Management, Inc. (“Envestnet”), a SEC registered investment adviser. HBKS will select one or more separate account managers available through the Envestnet platform. Once selected, the Firm will monitor the separate account managers.

The Firm shall have discretion to add, remove, and change managers, as well as change the allocation of assets among managers based on client investment needs, goals and objectives. HBKS will provide clients using the Envestnet platform with the required disclosure document of Envestnet and each independent manager.

Separate and apart from HBKS’s management fee, Envestnet and the independent money managers will charge clients a fee according to Envestnet’s and the independent money manager’s filings, disclosures, and any written agreements with clients.

**Schwab Managed Accounts:** HBKS may utilize account management services available through the Schwab Managed Accounts platform that offers a selection of options including separately managed accounts, multi-strategy portfolios, asset management programs, and unified managed accounts. HBKS uses these options on the Schwab platform to implement the clients’ selected allocation and investment strategy. Once selected, HBKS can monitor the portfolios and manager choices, as well as change the selections on a discretionary basis, to make sure clients’ needs are being met.

Separate and apart from HBKS’s management fee, Schwab will charge clients a fee according to Schwab’s filings, disclosures, and any written agreements with clients.

If the Agreement is terminated, HBKS’s management fee will be pro-rated as set forth above. However, certain sub-advisers and separate account managers may have different termination provisions and advisory fee refund policies, which shall be disclosed in their Form ADV brochure or equivalent disclosure document and their written advisory or management agreements.

**PLEASE NOTE:** Some entities which provide or market the investment products listed above including, but not limited to, mutual fund companies, broker dealers, custodians, investment advisors, and insurance companies have in the past provided, and may continue in the future to provide, HBKS with benefits and/or certain support services and/or products that may assist the Firm in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Firm to manage and further develop its business enterprise. In particular, HBKS has received in the past, and may continue to receive, discounted or free attendance and paid expenses for seminars or conferences sponsored by these entities which give HBKS relevant information regarding industry practices, industry services, regulatory matters, market conditions, or investments. **PLEASE NOTE:** The receipt of these benefits creates a conflict of interests in that they create the incentive to use the products or services offered by the entity providing the benefits. **The Firm’s Chief Compliance Officer, Michael Wassmann, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

**Raymond James Consulting Services Program:** HBKS may utilize the Raymond James Consulting Services (“RJCS”) separately managed account (SMA) program, whereby HBKS retains Raymond James as a subadvisor for part or all of the clients assets being managed by HBKS. Through RJCS, Raymond James enters into a subadvisory agreement with select investment advisers registered with the SEC (“SMA Manager(s)”), which includes SMA Managers affiliated with Raymond James. These SMA Managers’ services are made available to clients based on Raymond James’s familiarity with the SMA Managers’ firm, portfolio management personnel, investment disciplines offered, portfolio

construction and Raymond James's overall belief that the participation of these SMA Managers in the program will provide prospective clients access to high quality investment management firms. SMA Managers have historically exercised investment discretion within the RJCS program, which generally means that, in addition to developing the portfolio of securities to invest in, they establish the trade plan, execute the trades through their selected brokerage firms, and allocate shares/proceeds to client accounts upon completion of the order. As a result of competitive and regulatory forces in the financial services industry, beginning in September 2014, Raymond James began transitioning equity and balanced investment disciplines offered by certain SMA Manager's to a model delivery arrangement under which the SMA Manager supplies their model portfolio to Raymond James and Raymond James, rather than the SMA Manager, is responsible for organizing and effecting portfolio trades. There are distinct differences between the two portfolio management methods, particularly with respect to the SMA Managers' and Raymond James' differing responsibilities for trade implementation. Raymond James does not intend to transition any fixed income investment disciplines to model delivery. This transition is largely complete, although additional conversions for specific discretionary SMA Managers may occur over time. Raymond James is now operating the RJCS program primarily under a model delivery arrangement with participating SMA Managers for the available equity investment disciplines. A list of participating SMA Managers and available investment disciplines is available through your financial advisor.

**Raymond James Freedom UMA Account Program:** HBKS may utilize the Raymond James Freedom UMA Account program where the UMA typically holds multiple SMA Managers and Funds in one "unified" account. This is in contrast to SMA which typically holds the model portfolio securities associated with a single investment manager's investment discipline in an individually segregated account. The Freedom UMA program offers clients both a broad selection of Strategies and allocation options within a given Strategy. The SMA Managers selected by Raymond James in the Freedom UMA program are generally available individually through the RJCS Program. However, some of these SMA Managers may participate in only the Freedom UMA program. Clients choosing to participate in the Freedom UMA program will retain Raymond James as a sub-adviser to recommend compatible strategies, selecting SMA Managers and Funds for investment, and managing the investments of client accounts participating in the selected Strategy. As sponsor of the Freedom UMA program, Raymond James enters into a sub-advisory agreement with select SMA Managers registered with the SEC, some of which are affiliated with Raymond James. These SMA Managers' services are made available to clients based on Raymond James's familiarity with the SMA Managers' firms, portfolio management personnel, investment disciplines offered, portfolio construction and its overall belief that the participation of these SMA Managers in the program will provide clients access to high quality investment advice. In addition to SMA Managers, Raymond James may also select Funds to populate the asset allocation (if its investment committee believes the Fund's investment discipline aligns with the allocation). The Raymond James investment committee will typically make a Fund selection when it believes an SMA allocation would be impractical due to the relatively small allocation percent or asset class fit, such as alternatives/commodities, fixed income, international and small- to mid-cap oriented sectors. For example, a Fund may be selected instead of an SMA Manager to fill the allocation if the amount being invested in the asset class could not be economically invested in the SMA Manager's model portfolio (which may be comprised of 100+ individual securities holdings), or if the asset class itself is not available in an SMA format due to capacity constraints (such as liquidity in small cap and international securities), diversification constraints (such as fixed income minimum investments), and/or general availability (such as alternatives/commodities). While the Freedom UMA program offers access to a wide array of SMA Managers and investment disciplines, these offerings are limited to those SMA Managers that agree to participate at the negotiated terms of the sub-advisory agreement with Raymond James. In addition, the Raymond James investment committee will only consider for potential investment those Funds with which Raymond James has entered into a selling agreement with the fund company managing or distributing the Fund. Leveraging off the research performed by AMS Manager research & due diligence, the Raymond James investment committee constructs multiple strategies comprised of a combination of SMA Managers and Funds representing a broad array of asset classes and investment styles. The Raymond James investment committee identifies asset classes and investment styles that perform differently under varying market conditions, yet are considered complementary to one

another. The composition of a given strategy may include domestic and international equities, and where applicable, fixed income, real estate investment trusts, commodity and other alternative investment funds to enhance diversification. A list of available strategies and allocation options is available through your financial advisor. Raymond James, AMS and/or the investment committee may develop and offer additional strategies in the future, discontinue previously offered strategies, may add or remove SMA Managers and/or Funds, or modify the target allocations of the Strategies at any time.

Clients will pay fees for services provided through the RJCS SMA program and Freedom UMA program which are separate from and in addition to investment management fees charged by HBKS. The amount of the additional fees will depend on the nature of the services being provided, the Raymond James program being used, and the number of Third-Party Service Providers involved, and may change over time based on changed circumstances. Pursuant to the Raymond James RJCS SMA program and Freedom UMA program, the fees paid beyond the management fee to HBKS will be based on the amount of assets under management and will cover all management fees for the SMA Managers, management fees for Raymond James, transaction costs, and other fees and charges related to holding and managing your assets. As such, the fees charged under these programs constitute WRAP fee programs under the federal securities laws. Clients using either the Raymond James RJCS SMA program or the Freedom UMA program will be provided a copy of the Raymond James Form ADV, Part 2A, Appendix 1 WRAP Fee Program Brochure which will disclose the issues relevant to the WRAP Fee programs.

**Please Note (Wrap Fee programs):** Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in the sponsor's wrap fee program brochure. **Conflict of Interest:** Because wrap program transaction fees and/or commissions are being paid by the wrap program sponsor, the sponsor could have an economic incentive to minimize the number of trades in the client's account and to otherwise choose options in managing the assets that are less costly to the wrap program sponsor, regardless of whether these are the best options for the client or provide optimal service and outcome for the client. HBKS's investment advisory fee shall be separate from, and in addition to, the wrap program fee. **ANY QUESTIONS: HBKS's Chief Compliance Officer, Michael G. Wassmann, JD, remains available to address any questions that you may have regarding the above.**

## 9. DISCIPLINARY INFORMATION

There are no material disciplinary proceedings.

## 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In addition to the investment management services listed above which make up the majority of its business, HBKS also provides a limited amount of other investment related services.

**Limited Use Broker/Dealer:** HBK Sorce Brokerage LLC, a limited use broker/dealer registered with FINRA and the State of Ohio, is an affiliate of the Firm. HBK Sorce Brokerage LLC is currently approved for limited activity related to the purchase and sale of mutual funds in Ohio. Only a limited number of existing accounts have been established and are currently serviced through

this broker/dealer. HBK Sorce Brokerage LLC may expand its activities to other investment related areas in the future as permitted under federal and state law.

Phillip L. Wilson, an associated person of HBKS, is also the President and a registered representative of HBK Sorce Brokerage LLC. When placing securities transactions through HBK Sorce Brokerage LLC in his separate capacity as a registered representative, he may earn sales commissions. He spends a small portion of his time on these activities.

**Conflict of Interest:** The recommendation by HBKS's representatives that a client engage the services of HBK Sorce Brokerage LLC, in its capacity as a limited use/broker dealer, presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend commission products based on commissions to be received by HBK Sorce Brokerage LLC, rather than on a particular client's need. No client is under any obligation to purchase any commission products from HBK Sorce Brokerage LLC or any of its registered representatives. Clients are reminded that they may purchase commission products recommended by HBKS through other, non-affiliated broker-dealers. No client is under any obligation to engage HBK Sorce Brokerage LLC in its capacity as a limited use/broker dealer. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

**Accounting Activity:** The accounting firm of Hill, Barth & King LLC is an affiliate of HBKS and provides accounting and other consulting services. Some HBKS IARs are also accountants with Hill, Barth & King LLC. Many Hill, Barth & King LLC employees are not HBKS IARs and, therefore, will not provide advisory services through the HBKS. However, in their capacities as Certified Public Accountants, these individuals may provide advice about securities that is incidental to their accounting practices. Some of the clients of Hill, Barth & King LLC may be referred to HBKS for advisory services. Some clients of HBKS may be referred to Hill, Barth & King, LLC for accounting or consulting services. No direct solicitor/referral fees are paid as a result of this relationship. HBKS emphasizes that clients are under no obligation to use Hill, Barth & King LLC for accounting or consulting services.

**Conflict of Interest:** The recommendation by HBKS's representatives that a client engage the services of Hill, Barth & King LLC, in its capacity as a CPA firm or as a consultant, presents a **conflict of interest**. No client is under any obligation to engage Hill, Barth & King LLC, in its capacity as a CPA firm or as consultants. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

**Insurance Activity:** HBKS is an affiliate of HBK Sorce Insurance LLC. Some of HBKS's IARs are also licensed as independent insurance agents with several life, disability and other insurance companies. HBKS may recommend insurance products offered by these companies. If clients of HBKS purchase insurance products through HBK Sorce Insurance LLC, the agents and HBK Sorce Insurance LLC will receive compensation. Thus, a conflict exists between HBKS interests and those of HBKS clients. Clients are under no obligation to purchase insurance products through HBK Sorce Insurance LLC.

**Conflict of Interest:** The recommendation by HBKS's Representatives that a client purchase an insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from HBK Sorce Insurance LLC or any of its licensed insurance agents. Clients are reminded that they may purchase insurance products recommended by HBKS through other, non-affiliated insurance agents. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

**Investment Banking Referrals:** HBKS has entered into an agreement as part of an established relationship with a broker-dealer where HBKS can refer clients who need investment banking services to another third-party broker dealer that is licensed to provide such services. Investment banking services include conducting securities transactions such as raising capital through the issuance and sale of securities, the purchase or sale of a business that involves the sale of securities, or similar transactions. HBKS only refers this type of business, and does not conduct any investment banking activity. HBKS receives compensation if a referral leads to a successful investment banking transaction.

**PLEASE NOTE: Conflicts of Interest.** The ability of HBKS to receive compensation by referring clients to a third-party broker dealer for investment banking services creates a *conflict of interest*, as it creates the incentive to make such referrals to obtain compensation rather than because it is in the client's best interests. Clients are under no obligation to use investment banking services referred by HBKS. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions regarding this conflict of interest.**

**PLEASE NOTE: Conflicts of Interest.** One of HBKS's IARs is also an investment banking representative of the non-affiliated, third-party investment banker who provides the investment banking services pursuant to the above referenced referrals. As such, that IAR could obtain compensation pursuant to a referral to the third-party investment banker. This creates a **conflict of interest** in that a referral could be made to benefit that IAR rather than because it is in the client's best interests. Clients are under no obligation to use investment banking services referred by HBKS. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions regarding this conflict of interest.**

**Back Office Services for Third-Party Advisers:** HBKS provides back office services to third-party investment advisers, including investment advisers affiliated with HBKS. The back office services include providing trade and rebalance services, allocation services, model development, proposal and report preparation, compliance consulting, administrative services, and other related services. HBKS provides these services pursuant to consulting or similar agreements, and does not act as a representative or agent of the third-party investment advisers. **Please Note:** Some of the third-party investment advisers for which HBKS provides back office services may also be considered affiliated entities of HBKS, and may also have investment adviser representatives who are dually registered with HBKS. Since dually registered investment adviser representatives are providing services through a third-party investment adviser, conflicts of interest exist as the adviser representatives may have the incentive to recommend the services of one firm over the other based on the amount of compensation they can earn individually, or based on the compensation to be received by HBKS.

## 11. CODE OF ETHICS, INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

HBKS has adopted a Code of Ethics containing guidelines and standards for all Firm IARs. Through this Code of Ethics the Firm is committed to complying with all applicable laws and regulations governing its business. The Firm pledges to protect client interests at all times consistent with fiduciary duties owed to clients of honesty, good faith, and fair dealing. All IARs are expected to adhere strictly to the guidelines, procedures, and high standards of practice established in the Code of Ethics.

Obligations under the Code of Ethics include reporting and avoiding conflicts of interest in connection with personal securities transactions as described below. HBKS also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by HBKS and all employees.

Firm policy is that client accounts shall have priority over HBKS employee accounts in connection with the purchase or sale of

investments. Firm employees also cannot use knowledge of actual or potential client trades to benefit their accounts. This policy is to prevent actions by Firm employees that could adversely affect, or gain advantage from, client investment activity. Only in limited circumstances (set forth below) can HBKS employees buy or sell investments for their personal accounts that are identical to recommendations to, or trades by, clients.

The limit on employee personal account activity has a few exceptions where the risk of harm to clients is alleviated, and/or the opportunity for improper benefit to employees does not exist.

One exception is for securities that trade in sufficiently broad and active markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Another exception is for obligations of the U.S. Government. Employees may also purchase shares in open-end mutual funds, which are purchased or redeemed at a fixed net asset value price specific to the date of purchase or redemption. As such, transactions in mutual funds are not likely to have an impact on the prices of the fund shares in which clients invest. Firm personnel may also trade if the timing is distant enough from clients' trades that the employees' activity cannot benefit from or cause harm to the clients' trades.

Under certain circumstances, exceptions may be made to the policies stated above by the Chief Compliance Officer. Records of any exceptions, including the reasons, will be maintained with HBKS's records.

Recommending an investment to clients when an HBKS affiliate has a financial interest in the investment, or will receive compensation in connection with the investment (beyond the fees and commissions disclosed elsewhere in this Brochure), presents a conflict of interest. Such transactions are not permitted unless given prior approval. Clients are advised that they are under no obligation to follow such recommendations.

Protecting client private information is a top priority for HBKS. Pursuant to the requirements of the Gramm-Leach-Bliley Act, HBKS has instituted policies and procedures so that customer information is kept private and secure. It is also HBKS's policy not to share information unless required to process a transaction, at the request of clients, or as required by law. In the course of servicing client accounts, HBKS may share some information with its service providers, such as transfer agents, Custodians, broker-dealers, technology solution providers, accountants, and lawyers. We may also share information with the Firm's affiliate companies to offer or provide further products or services. For a list of our affiliates, please refer to the Firm's Privacy Policy.

HBKS restricts internal access to nonpublic personal information about clients to those employees who need to know that information to provide products or services to clients. It has always been and is HBKS's policy not to sell information about current or former clients or their accounts to anyone.

A copy of HBKS's Privacy Policy notice will be provided to all clients prior to, or contemporaneously with, the execution of an Agreement. Thereafter, HBKS will deliver a copy of the current Privacy Policy notice to clients on an annual basis. The full text of the Code of Ethics is available to clients upon request.

## 12. BROKERAGE PRACTICES

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

Factors that the Firm considers in recommending Schwab, Fidelity, Raymond James, and/or Ameritrade (or any other broker-



dealer/custodian to clients) include historical relationship with the Firm, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by HBKS's clients shall comply with the Firm'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 the Firm 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 HBKS 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, HBKS's investment management fee. The Firm's best execution responsibility is satisfied if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### 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, HBKS receives from Schwab, Fidelity, Raymond James, and/or Ameritrade (or another broker-dealer/custodian) without cost and/or at a discount, support services and/or products, certain of which assist the Firm to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Firm are investment-related research, pricing information, 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, educational events, marketing support, computer hardware and/or software, and/or other products used by HBKS in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products received may assist the Firm in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Firm to manage and further develop its business enterprise. In particular, HBKS has received in the past, and may continue to receive, discounted or free attendance at seminars or conferences sponsored by custodians, broker dealers or service providers which give HBKS relevant information regarding industry practices, industry services, regulatory matters, market conditions, or investments.

HBKS's clients do not pay more for investment transactions effected and/or assets maintained at Schwab, Fidelity, Raymond James, and/or Ameritrade as a result of this arrangement.

When the Firm receives these products and services they will be used generally for all Firm business, not just for those accounts which paid commissions to the broker/dealer who provided the products or services. Other products and services received do not directly provide such client assistance, but rather assist HBKS to manage and further develop its business enterprise.

**PLEASE NOTE:** The receipt of these benefits creates a conflict of interests in that they create the incentive to use the products or services offered by the entity providing the benefits. **The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

In limited circumstances, clients may instruct HBKS to use particular broker/dealers for transactions in their accounts. Clients who want to direct the Firm to use a specific broker/dealer should understand that this may prevent the Firm from effectively negotiating brokerage compensation and other transaction terms on their behalf, and may cost the client more money or result in lost opportunity. This may also prevent HBKS from obtaining the most favorable net price and execution. Thus, clients should

consider whether the commission expenses, execution, clearance, and settlement capabilities they obtain are favorable compared to those that HBKS would otherwise obtain on the clients' behalf. Clients are encouraged to discuss available alternatives with their IARs.

When appropriate and allowed by the custodian, trades in client accounts will be aggregated into block trades. These accounts are managed on a limited discretionary basis. Block trades can be made for stocks and bonds. Trades are entered in an average price account and, following execution, the shares are allocated to the appropriate accounts. Block trades are initiated pursuant to account objectives (as determined by the investment advisor representative), and trades are divided among client accounts based on the quantity desired in each account relative to the size of the account (also as determined by the investment advisor representative). All accounts are treated equally when receiving the average price determined. If a block trade is not filled on the day the order is placed, it expires or is canceled and then is reviewed the next day to consider re-entry. HBKS keeps copies of block trade tickets and custodian confirmations. Neither HBKS nor its investment advisor representatives will receive additional compensation as a result of block trading.

When beneficial to clients, individual debt or equity transactions may be effected through broker/dealers with whom HBKS or clients have arrangements for prime brokerage clearing services. In these cases, clients will incur both the transaction fee charged by the executing broker/dealer and a "trade-away" fee charged by the Custodian.

HBKS may utilize independent brokers/dealers to facilitate the purchase and sale of fixed income securities for certain client portfolios. These accounts may incur fees and charges from the independent brokers and dealers including, but not limited to, prime brokerage, trade-away services, markups, commissions, and other transactional and account servicing fees.

If an error is made or caused by HBKS while placing trade orders in a client's account, HBKS, working in coordination with the appropriate Custodian, will rectify that error. The policy of HBKS is to put clients in the same position they would have been had the error not taken place. Clients will not suffer any loss and will not be permitted to retain any gain resulting from a trade error by the Firm. While HBKS will work at the clients' direction to correct trade errors resulting due to mistakes made by clients, HBKS will not be responsible for any losses suffered as a result of those errors. The full policy is detailed in the HBKS Advisory Policies and Procedures Manual.

When an account is transferred from one broker-dealer to another, the client may incur fees in connection with the transfer of the account. Sometimes the new Custodian receiving the account will reimburse those transfer related charges to the client's account.

## 13. REVIEW OF ACCOUNTS

HBKS IARs will meet with clients (and designated third parties such as accountants and attorneys) to gather information regarding clients' financial situations, investment objectives, risk tolerance, time horizons, and other relevant information. The information is compiled using various methods and sources, including interviews, correspondence, questionnaires, review of other information provided by the client or third parties, and client suitability profiles. Client portfolios are developed based on client circumstances and objectives.

HBKS monitors client accounts continuously to ensure management services are consistent with clients' ongoing investment needs and objectives. The Firm provides supervision and balancing of portfolios and monitors separate account managers as changes in market conditions and client circumstances require.

An IAR of the Firm will contact and seek to meet with clients at least annually, at the Client's specific request, or upon changed circumstances to reevaluate the clients' needs and objectives. While meeting in person is preferred and expected, depending on circumstances, the meetings may be held via telephone if it is not practicable to meet in person. In the rare occasion where the client chooses not to meet with an IAR, client information may be confirmed or updated through phone calls and/or



correspondence. Other factors that may trigger a review include, but are not limited to, significant market corrections, large deposits or withdrawals from accounts, and client requests for an additional review. Client portfolios can be adjusted based on any changes.

HBKS is not required to verify any information received from clients or from their designated professionals. The Firm is expressly authorized to rely thereon. Moreover, clients are advised that it remains their responsibility to promptly notify HBKS of any changes in their financial situation or investment objectives that require reevaluating and/or revising previous recommendations and/or services.

## 14. CLIENT REFERRALS AND OTHER COMPENSATION

**Participation in Fidelity Wealth Advisor Solutions®.** HBKS participates in the Fidelity Wealth Advisor Solutions Program (the “WAS Program”), through which HBKS receives referrals from Strategic Advisers, Inc. (“SAI”), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. HBKS is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control HBKS, and SAI has no responsibility or oversight for HBKS’s provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for HBKS, and HBKS pays referral fees to SAI for each referral received based on HBKS’s assets under management attributable to each client referred by SAI or members of each client’s household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to HBKS does not constitute a recommendation or endorsement by SAI of HBKS’s particular investment management services or strategies. More specifically, HBKS pays the following amounts to SAI for referrals: If HBKS retains a client referred by SAI, the referral fee is the sum of (a) an annual percentage of 0.10% of any and all assets in the client’s account(s) where such assets are identified as fixed income assets (as defined in the agreement between HBKS and SAI), and (b) an annual percentage of 0.25% of all other assets held in the client’s account(s) for a period of 7 years, with a total minimum annual referral fee to SAI of \$10,000. These referral fees are paid by HBKS and not the client. To receive referrals from the WAS Program, HBKS must meet certain minimum participation criteria, but Advisor may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, HBKS may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and Advisor may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to HBKS as part of the WAS Program. Under an agreement with SAI, HBKS has agreed that HBKS will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, HBKS has agreed that representatives of HBKS who are eligible to receive referrals from SAI will not solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when their fiduciary duties would so require; therefore, HBKS and these individual representatives may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit HBKS’s duty to select brokers on the basis of best execution.

**Other Solicitors.** HBKS has entered into formal agreements with certain individuals or entities who act as solicitors for the Firm. Solicitors refer clients and receive compensation for their referral services. Such compensation shall be determined by mutual agreement between HBKS and the solicitor. If HBKS retains a client referred by a solicitor, the referral fee is typically between 5% and 25% of the first year asset management fees actually collected, and between 5% and 25% of fees collected for years two through a mutually agreed upon term. These referral fees will be paid on a quarterly basis no later than the end of the month following the month in which HBKS earns and receives fees from the Client.

The first year referral fee includes the first four full calendar quarters, as well as the partial quarter in which the account was established. If additional amounts are to be invested by clients over an implementation period (generally the first six months of the relationship), the first years' rate may, at the Firm's discretion, be extended until four calendar quarters after the implementation period. If the payment rate is extended, the payments will continue for a mutually agreed upon term after the end of the first year payment term. Compensation will only be paid by HBKS to the solicitor if the asset management fee is actually paid by the referred Client.

At the time of any solicitation activities, each solicitor is required to provide prospective clients with a copy of the Brochure. The solicitor must also provide a Firm approved Agent Disclosure Statement disclosing that the individual/ entity is a solicitor for HBKS. Any resulting Agreement between clients and HBKS will be arms-length in nature and will be based on the Firm's current fee schedule.

**Other Benefits.** HBKS has entered into an agreement with Schwab whereby Schwab pays technology, research and/or marketing related expenses incurred by HBKS. Schwab will pay these expenses only if HBKS has a minimum of \$1.3 billion in client assets held in Schwab accounts during the term of the agreement. The expenses will be paid up to \$162,500 per year for two years. **PLEASE NOTE:** Because HBKS receives an economic benefit from this agreement, HBKS has a *conflict of interest* in recommending to clients that they use Schwab as custodian. HBKS clients do not pay more for trades or assets held at Schwab due to this arrangement. HBKS is not obligated to recommend Schwab as the custodian for its clients, or otherwise require that clients use Schwab as their custodian. Clients may direct HBKS not to use Schwab as custodian for their accounts.

## 15. CUSTODY

HBKS is deemed to have custody of client assets as defined by the amended SEC Rules 206(4)-2 and 204-2 because of (i) the Firm's ability to deduct management fees directly from client accounts; (ii) certain affiliated entities and persons of HBKS are either trustees or have power of attorney on client accounts; and/or (iii) possession of client access credentials for certain client accounts. As a result of certain of these custody relationships, HBKS is subject to an annual surprise examination conducted by an independent public accountant and filing Form ADV-E as set forth by the SEC.

Clients will receive standard account statements on holdings (monthly or quarterly) from their Custodians, as well as confirmations of transactions. HBKS may provide clients with an additional report of positions, activity, and/or performance. Clients should carefully review all statements and confirmations received, and compare statements received from Custodians with any statements received from HBKS.

## 16. INVESTMENT DISCRETION

A significant term in each Agreement is whether clients grant HBKS discretionary authority over management of the client assets. In most cases HBKS is given discretionary authority through the signing of the Investment Management Agreement which includes a grant of Limited Power of Attorney. When discretionary authority is given, HBKS can perform various functions without further approval from the clients such as (i) determining which securities will be purchased or sold and the amount of such purchases or sales, (ii) selecting independent managers to manage all or a portion of the clients' assets, (iii) reallocating assets and re-balancing portfolios, and/or (iv) choosing which brokers to use and the commission rates to be paid. However, HBKS's investment authority may be subject to specified investment objectives, guidelines, and/or conditions imposed by the clients.

Clients may engage the Firm on a non-discretionary basis. In cases where HBKS does not have discretionary authority, clients will be contacted prior to any reallocation or re-balancing for approval of the transactions. By not giving discretionary authority, clients accept that the inability to affect any account transactions without prior client approval may have adverse effects during times

of market correction or limit performance during times of market growth. Clients may amend the granted trading authority in writing only.

If you select management services that utilize an overlay manager, you will grant the overlay manager complete and unlimited discretionary trading authority with respect to your account. The overlay manager will be solely responsible for implementing the day-to-day investment management decisions for your account.

## 17. VOTING CLIENT SECURITIES

HBKS and its IARs will not vote proxies on behalf of clients, and does not make any elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, spin-offs or other shareholder actions. Clients are instructed to read through the information provided with the proxy documents or in connection with other shareholder actions and make a determination based on the information provided. If requested by clients, IARs may give additional information or clarifications based upon their understanding of the issues presented in the proxy materials or in connection with other shareholder actions. They may also conduct additional research on issues if they believe it to be appropriate. However, clients will be solely responsible for all proxy voting decisions. This same policy applies to all shareholder actions which involve the vote or exercise of shareholder rights in situations such as mergers, tender offers, spin-offs, bankruptcies, and similar situations.

From time to time, securities held in clients' accounts will be the subject of class action lawsuits. HBKS has no obligation to determine if securities held by client are subject to a pending or resolved class action lawsuit. HBKS also has no duty to evaluate clients' eligibility, to submit a claim to participate in the proceeds of a securities class action settlement or verdict, or to choose to opt out of a class action proceeding. Furthermore, HBKS has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients. Where HBKS receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by clients, it may (but is not required to) forward all notices, proof of claim forms, and other materials, to clients. Electronic mail is acceptable where appropriate, and clients have authorized contact in this manner.

## 18. FINANCIAL INFORMATION

The Firm does not solicit fees of more than \$1,200.00, per client, six months or more in advance.

The Firm 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.

The Firm has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Firm's Chief Compliance Officer, Michael Wassmann, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**