

HERITAGE WAY ADVISORS

Heritage Way Advisors, LLC

Form ADV Part 2A – Disclosure Brochure

January 21, 2016

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Item 1 – Brochure Information

This Brochure provides information about the qualifications and business practices of Heritage Way Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 815-397-0900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Heritage Way Advisors, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Heritage Way Advisors, LLC also is available on the SEC's website: www.adviserinfo.sec.gov.

Item 2 – Material Changes

The United State Securities and Exchange Commission (SEC) rules require investment advisers to provide a disclosure Brochure, also known as Form ADV Part 2, to clients when a new account is opened with the adviser, and to deliver to clients a summary of any material changes to the Brochure. This Brochure is prepared according to the SEC's rules.

Heritage Way Advisors will deliver to you a summary of any material changes to our Brochure within 120 days after the end of every calendar year. Also, if there are material changes to our Brochure that could affect our client relationships, Heritage Way Advisors will disclose these changes to you promptly.

Our Brochure may be requested at any time, for delivery to you at no charge, by contacting Joan G. Ollmann, Vice President and Chief Compliance Officer, at 815-394-0556 or via email: Joan.Ollmann@heritagewayadvisors.com. Our Brochure is available on our website: www.heritagewayadvisors.com, also free of charge.

Our firm's current Form ADV Part 2 is available via the SEC's Investment Adviser Public Disclosure website: www.adviserinfo.sec.gov. The SEC's website also provides additional information about the investment advisory services of Heritage Way Advisors, LLC and information about anyone affiliated with our firm or registered as an investment adviser representative of our firm.

Item 3 -Table of Contents

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

Item 4 – Advisory Business

THE COMPANY

Heritage Way Advisors, LLC (hereinafter “Heritage Way Advisors” or “the firm”) is a privately owned investment management firm, established in 2003 by Gary Ollmann and Joan Ollmann. The firm is registered as an investment adviser with the SEC. The principal owner of Heritage Way Advisors is The Gary F. Ollmann Revocable Trust, Gary F. Ollmann and Joan G. Ollmann, Trustees.

INVESTMENT SERVICES

Heritage Way Advisors provides investment management services to:

- individuals
- high net worth individuals
- trusts and estates
- businesses
- foundations
- charitable organizations

Heritage Way Advisors interviews new clients and analyzes their existing assets. We then suggest changes in the allocation of assets, and select specific individual securities (bonds and stocks) and/or funds (exchange traded funds or mutual funds) to assist our clients in reaching their financial objectives. Heritage Way Advisors’ investment practices and types of securities used are explained in Item 8 of this Brochure.

Heritage Way Advisors can assist you with wealth transfer planning, by collaborating with your estate planning attorney and income tax preparer. This investment management approach is designed to build wealth during your lifetime, and to then provide an uninterrupted transfer of these assets to your heirs.

Every portfolio is individually tailored to meet your needs, within your stated level of risk tolerance. Heritage Way Advisors will, on an ongoing basis, review your portfolio and monitor the investments to ensure that the arrangement of the portfolio is still in line with your goals and objectives.

Most clients of Heritage Way Advisors grant us discretionary authority over their portfolio. This means that Heritage Way Advisors directs the investment of your accounts, and prior notification to you regarding investment changes is not required. If requested, Heritage Way Advisors may consider a non-discretionary relationship on an exception basis.

You have the right to impose certain restrictions on Heritage Way Advisors, such as prohibiting the inclusion of certain types of stocks (for example, tobacco or alcohol company stocks) in a portfolio or prohibiting the sale of certain stocks held in an account when we begin to manage it. Such restrictions will affect the composition and performance of your portfolios. Your accounts are treated individually, with very specific consideration given to the decisions made for each account. For these and other reasons, performance of portfolios that have the same investment objective may differ, and you should not expect that the performance of your portfolios will be identical with that of other clients of Heritage Way Advisors.

ASSETS UNDER MANAGEMENT

As of December 31, 2015 Heritage Way Advisors managed \$153,640,847 of client assets. All of these assets are discretionary assets.

Item 5 – Fees and Compensation

GENERAL INFORMATION ON FEES

Heritage Way Advisors establishes the fees charged for managing your account in the written agreements between you and our firm. Fees are generally payable quarterly, at the beginning of the calendar quarter, and are either deducted directly from your account or billed to you for payment, at your discretion. Fees are calculated based on the value of your portfolio on the last day of the previous quarter.

If our management of your account begins after the start of a calendar quarter, the fees are prorated for the remainder of the quarter.

The Investment Advisory Agreement between Heritage Way Advisors and you may be terminated by either party upon written notice. In the event of termination, any paid but unearned fees will be promptly refunded to you on a prorated basis.

Our fees are not prorated for each capital contribution and withdrawal made in your account.

FEES

The annual fees for our management services are as follows:

First \$1,000,000	1.00%
Next \$1,000,000	0.75%
Remainder over \$2,000,000	0.50%

The minimum portfolio size is \$1,000,000 and the minimum annual fee is \$10,000. Fees and minimums may be negotiable at the sole discretion of Heritage Way Advisors.

ADDITIONAL CHARGES AND FEES

Heritage Way Advisors' investment advisory services fees are separate from the brokerage commissions, transaction fees, and other expenses which will be paid from your account. You may pay charges by custodians, brokers, and other third parties. These fees can include fund manager fees, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees. Mutual funds may also impose initial or deferred sales charges, which are disclosed in a fund's prospectus.

These charges are in addition to Heritage Way Advisors' fees, and our firm does not receive any portion of these charges. You should review all fees charged by mutual funds, exchange traded funds, Heritage Way Advisors and others to fully understand the total amount of fees you are paying, and to evaluate the value of our firm's advisory services.

Item 12 describes the factors that Heritage Way Advisors considers in selecting or recommending broker-dealers for securities transactions and determining the reasonableness of their compensation (for example, commissions).

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

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

Item 7 – Types of Clients

Heritage Way Advisors provides investment management services to individuals, high net worth individuals, trusts and estates, businesses, foundations and charitable organizations. The minimum portfolio size is \$1,000,000 in assets. This minimum may be negotiable at the sole discretion of Heritage Way Advisors.

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

METHODS OF ANALYSIS

Heritage Way Advisors concentrates its investment research efforts on the fundamental analysis of bonds and stocks to review current and potential investments for your accounts. Fundamental analysis focuses on the underlying factors that affect a company's actual business performance and its potential growth. Efforts are concentrated on reviewing a company's financial statements, financial strength, management, markets, competitors, and sustainable competitive advantage.

To a much lesser degree, some technical analysis is utilized to determine stocks that are currently trading with relatively higher levels of relative strength. Relative strength rankings indicate the recent movement of a particular stock as compared to a large basket of stocks.

INVESTMENT STRATEGIES

Heritage Way Advisors generally invests your accounts in individual securities, such as bonds and common stocks and/or exchange traded index funds. Other types of investments, including mutual funds and options, may also be considered at your request. Heritage Way Advisors prefers to invest client accounts in vehicles that are available for trading on a daily basis. Securities are typically liquid, have a recognized market price, and can be traded at any time. These securities will fluctuate in price and any sale may occur at a price below the purchase price.

Heritage Way Advisors makes both long and short term purchases for its clients. The vast majority of investments are made with the intent of retaining the investment for the long term (for one year or longer). In rare circumstances, an investment will be sold within 30 days of purchase, but Heritage Way Advisors makes these sales only if some unexpected fundamental or valuation issue arises.

The firm also uses margin transactions when appropriate for a particular client's portfolio.

RISK OF LOSS

Heritage Way Advisors reminds all clients that investing in securities involves risk of loss that clients should be prepared to bear. Below is a listing of some of the risks faced by our clients.

- *Stock market risk*, which is the chance that stock prices overall will decline. Investments in stocks, stock-based exchange traded funds, and stock-based mutual funds could lose money over short or even long periods. You should expect stock-based investments' share prices and total returns to fluctuate within a wide range, like the fluctuations of the overall stock market. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Bond market risk*, which is the chance that bond prices overall will decline. Investments in bonds, bond-based exchange traded funds, and bond-based mutual funds could lose money over short or even long periods. The values of these investments are influenced by both changes in interest rates and the underlying credit quality of the bond issuers. You should expect bond-based investments' shares prices and total returns to fluctuation within a fairly wide range. Interest rate and credit quality changes tend to move in cycles, with periods of rising and falling interest rates and improving and declining credit quality.

- *Income risk*, which is the chance that an account's income will decline because of falling interest rates or decreases in stock dividends. For accounts holding bond-type securities, the interest income is based on interest rates which can fluctuate significantly over short periods. Also, companies can cease or decrease stock dividends at any time.
- *Asset concentration risk*, which is the chance that an account's performance may be adversely affected by the poor performance of relatively few bonds, stocks, exchange traded funds, or other investments. An account may have a large portion of its assets in relatively few holdings. As a result, the volatility experienced by the account may be significant.
- *Investment style risk*, which is the chance that returns from the types of bonds, stocks, exchange traded funds or other investments in which Heritage Way Advisors invests client accounts will trail returns from the overall bond and/or stock markets. Given the cyclical nature of the stock and bond markets, these periods of underperformance can, and have, lasted for as long as several years.
- *Manager risk*, which is the chance that poor security selection or focus on securities in a particular asset class, sector, category, or group of companies will cause a client's portfolio to underperform relevant benchmarks.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Heritage Way Advisors or the integrity of Heritage Way Advisors' management.

Heritage Way Advisors has no legal or disciplinary events to report.

Item 10 – Other Financial Industry Activities and Affiliations

Heritage Way Advisors has no activities or affiliations applicable to this item.

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

CODE OF ETHICS

As required in SEC Rule 204A-1, Heritage Way Advisors has adopted a Code of Ethics (the Code) for all employees and affiliated persons of our firm, describing our high standard of business conduct, fiduciary duty to our clients, and rules regarding personal securities trading by our employees.

All employees at Heritage Way Advisors must acknowledge the terms of the Code of Ethics upon their employment, and annually.

Heritage Way Advisors' clients or prospective clients may request a copy of our Code of Ethics by contacting Joan G. Ollmann, Vice President and Chief Compliance Officer, at 815-394-0556 or via email: Joan.Ollmann@heritagewayadvisors.com.

Heritage Way Advisors has several goals in adopting this Code of Ethics. First, we want to comply with all applicable laws and regulations governing our practice. We believe that compliance with these regulations shows you that we exist to serve you, not ourselves, and that we support the efforts of those organizations dedicated to upholding the law.

Next, the management of Heritage Way Advisors has set guidelines for professional standards, under which all employees are to conduct themselves. We have set high standards, to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith and fair dealing with you. All employees are expected to strictly follow these guidelines, and the procedures for approval and reporting established in the Code. Heritage Way Advisors has instituted, as a deterrent, a policy of disciplinary actions to be taken if any employee violates the Code.

Finally, Heritage Way Advisors has specific policies and procedures that supplement the guidelines outlined in the Code. These policies and procedures are followed by our employees, and help us review the effectiveness of our implementation of the Code on a regular basis.

TRADING ACTIVITIES

Our procedures include specific steps regarding how we handle aggregated or bundled trading activities. They also include policies and procedures requiring the approval and reporting of the personal securities transactions of our personnel, and insider trading education and prohibitions.

TRADE AGGREGATION

Heritage Way Advisors may aggregate (combine) purchases or sales of any security executed for your account(s) with purchases or sales of the same security, executed on the same day for accounts of the firm's other clients. These aggregations may be either advantageous or disadvantageous to any one or more particular accounts, and they are used only when Heritage Way Advisors believes that the aggregations will be in the best interest of the affected accounts.

When transactions are aggregated, the actual prices of the aggregated transaction are averaged, and each client account participating in the aggregated transaction purchases or sells its share of the security involved at that average price. Also, all transaction costs incurred in executing the aggregated transaction are shared on a pro rata basis among all accounts participating in the

transaction. The exception to this sharing of costs will occur if a broker-dealer that also provides custody services imposes minimum transaction charges applicable to some of the participating accounts.

When trade aggregations occur, each client account participating in the trade receives the number of shares equal to their percentage of total participation in the original purchase or sale order.

PERSONAL TRADING

Heritage Way Advisors' employees or persons associated with the firm may trade for their own accounts in securities which are recommended to and/or purchased or sold for our clients. The firm's employees and persons associated with Heritage Way Advisors are required to follow Heritage Way Advisors' Code of Ethics and applicable laws when making trades for their personal accounts.

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of Heritage Way Advisors will not interfere with making and implementing decisions in the best interest of our clients while, at the same time, allowing employees to invest for their own accounts.

The Code requires pre-clearance of employee transactions in "covered" securities, as defined by the Investment Advisers Act, such as stocks, corporate bonds and municipal bonds. Because the Code of Ethics permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Under the Investment Advisers Act, trades in certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Heritage Way Advisors clients. These securities include, but are not limited to, U.S. Treasury Securities, bank Certificates of Deposit, registered mutual funds and open-ended exchange traded funds. Employees are not required to obtain pre-clearance of transactions in their personal accounts for these securities.

Employee accounts trade in the same securities with client accounts on an aggregated basis when consistent with Heritage Way Advisors' obligation of best execution. The employee and client accounts will share commission costs equally and receive securities at a total average price. Heritage Way Advisors retains records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the trade order.

Employee trading is continually monitored by the Chief Compliance officer, under the Code of Ethics, to prevent conflicts of interest between Heritage Way Advisors and our clients.

PRINCIPAL AND CROSS TRANSACTIONS

It is Heritage Way Advisors' policy that the firm will not make any principal or agency cross securities transactions for client accounts. The firm will, occasionally, direct a "cross trade" of securities between client accounts.

Principal transaction definition: A transaction where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

Agency cross transaction definition: A transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Heritage Way Advisors is not registered as a broker-dealer, nor does it have any affiliated broker-dealers.

Cross trade definition: Heritage Way Advisors arranges for one client account to purchase a security directly from another client account without incurring commission fees from a broker-dealer. Heritage Way Advisors will seek to obtain a price for the security from one or more independent sources. Our firm is not a broker-dealer and receives no compensation from a cross trade. However, the broker-dealer facilitating the cross trade normally charges administrative fees to the clients' accounts.

Heritage Way Advisors will direct a cross trade when the firm believes that the transaction is in the best interest of our clients, that no client is being disfavored by the transaction, and that the transaction receives the best execution.

Item 12 – Brokerage Practices

BROKERAGE DISCRETION

Heritage Way Advisors may recommend or require that you establish brokerage accounts with the Schwab Institutional® division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of your assets and to execute trades for your accounts. Although Heritage Way Advisors may recommend or require that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab.

Heritage Way Advisors is independently owned and not affiliated with Schwab.

RESEARCH AND OTHER BENEFITS

Schwab Institutional provides Heritage Way Advisors with access to its institutional trading and operation services, which are typically not available to Schwab retail investors. These services are available to independent investment advisors at no charge to them if a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional.

These services are not contingent upon Heritage Way Advisors committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Heritage Way Advisors client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional makes available to Heritage Way Advisors other products and services that benefit our firm but may not benefit your accounts. These products and services may be used to service all or a substantial number of Heritage Way Advisors' accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist Heritage Way Advisors in managing and administering clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocation of aggregated trade orders for multiple client accounts
- provide research, pricing information and other market data
- facilitate payment of Heritage Way Advisors' fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

Schwab Institutional also offers other services to help Heritage Way Advisors manage and further develop its business enterprise. These services include:

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

Schwab may make available, arrange and/or pay third-party vendors for the types of services provided to Heritage Way Advisors. Schwab may discount or waive fees it would otherwise charge for some of these services, or pay all or a part of the fees of a third-party providing these services to the firm. Schwab may also provide other benefits such as educational events or occasional business entertainment of Heritage Way Advisors personnel.

In evaluating whether to recommend or require that clients custody their assets at Schwab, Heritage Way Advisors takes into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab.

INVESTMENT AND BROKERAGE DISCRETION

Heritage Way Advisors normally determines which securities are bought and sold for your accounts, the amount of such purchases and sales, the brokers or dealers through which transactions are executed, and the commission rates paid to execute the transactions.

For all discretionary clients, Heritage Way Advisors requires that we be provided with written authority to determine which securities and the amounts of securities to be bought or sold; the broker-dealer to use for client transactions; and the commission costs that are charged to clients for these transactions.

Any limitations on this discretionary authority shall be included in our written agreement with you. If you direct our firm to make trades for your portfolio through a particular broker-dealer, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs and may also receive less favorable prices and execution. You may change/amend these limitations, and these amendments must be submitted in writing to our firm.

Heritage Way Advisors tries to select those broker/dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services which will help Heritage Way Advisors in providing investment management services to you. Heritage Way Advisors may therefore recommend or use a broker/dealer who provides useful research and securities transaction services even though a lower commission may be charged by a different broker/dealer, who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all of Heritage Way Advisors' clients, and not all of the research may be useful for the account for which the particular transaction was executed.

Heritage Way Advisors does not have any commitments to trade with specific brokers or to generate a specified level of brokerage commission with a particular broker in order to receive brokerage or research services. These commitments are generally known as soft dollar arrangements.

Item 13 – Review of Accounts

Gary Ollmann, President of Heritage Way Advisors, reviews a client's agreed-upon level of risk and investment goals and objectives when opening a new account for them. The firm will conduct at least a quarterly, as well as an annual, review of your portfolio based upon your goals and objectives. Portfolios are reviewed to be sure both the firm's investment approach and your individual objectives are being met.

In addition to regular quarterly reviews, you may request and receive additional reviews at any time. A review of your accounts includes overall asset allocation, progress toward your stated goals and risk analysis. You may request analysis of your account's absolute performance and its performance relative to market performance.

Gary Ollmann serves as the reviewer for all accounts and has responsibility for investment decisions on all assets with discretionary authority.

Item 14 – Client Referrals and Other Compensation

Heritage Way Advisors has no referral arrangements and provides no compensation for client referrals.

Item 15 – Custody

Heritage Way Advisors does not maintain custody of your investment assets. We use the services of independent broker dealers, banks or other qualified custodians to maintain your investment assets. The majority of our clients' assets are held in custody by Charles Schwab & Co., Inc. See Section 12 for further information about our firm's business arrangement with Schwab.

You will receive at least quarterly statements for your accounts from the custodian(s), showing asset listings, market values and transactions during the reporting period. These statements include the reporting of any fees deducted from your account.

Heritage Way Advisors urges you to carefully review these statements and compare the official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Custodians also provide you with prompt and direct confirmation of all trading activity in your account(s).

Item 16 – Investment Discretion

Heritage Way Advisors receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. This discretion authority is part of the Investment Advisory Agreement executed by Heritage Way and the client upon opening an account with our firm. Discretion authority is to be exercised in a manner consistent with the stated investment objectives for your account.

When selecting securities and determining amounts, Heritage Way Advisors observes the investment policies, limitations and restrictions of the clients it advises. You have the right to impose certain restrictions on Heritage Way Advisors, such as prohibiting the inclusion of certain types of stocks (for example, tobacco or alcohol company stocks) in a portfolio, or prohibiting the sale of certain stocks held in the account at the commencement of the relationship.

For registered investment companies, Heritage Way Advisors' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Heritage Way Advisors in writing. Heritage Way Advisors requires that an "Investment Objective Form" be signed by you when an investment account is opened with the firm. Any subsequent change to your account's investment objectives will also be documented by the execution of a new "Investment Objective Form" for the account.

Item 17 – Voting Client Securities

The Vice President of Heritage Way Advisors, Joan Ollmann, is responsible for voting all shareholder proxies. Proxies are voted in the best interests of shareholders, with an emphasis on voting for corporate governance proposals, and voting against any management proposals that may insulate companies from the discipline of the market or accountability to shareholders.

A copy of Heritage Way Advisors' Proxy Voting Guidelines and information regarding how proxies were voted for your account is available to you upon request by contacting Joan Ollmann at 815-394-0556 or via email: Joan.Ollmann@heritagewayadvisors.com.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Heritage Way Advisors' financial condition.

Heritage Way Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.