

## **Firm Brochure**

(Part 2A of Form ADV)

### **AHC ADVISORS, INC.**

**303 NORTH SECOND STREET, SUITE 28**

**SAINT CHARLES, IL 60174**

**630-762-8185**

**[www.ahcadvisors.com](http://www.ahcadvisors.com)**

**[info@ahcadvisors.com](mailto:info@ahcadvisors.com)**

This brochure provides information about the qualifications and business practices of AHC ADVISORS, INC (AHC). If you have any questions about the contents of this brochure, please contact us at: 630-762-8185, or by email at [info@ahcadvisors.com](mailto:info@ahcadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about AHC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

AHC Advisors, Inc. is a SEC registered investment advisor. Registration does not imply any level of skill or training.

**MARCH 31, 2016**

## Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

We have made the following changes: None

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 630-762-8185 or by email at [info@ahcadvisors.com](mailto:info@ahcadvisors.com).

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# Advisory Business

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## Firm Description

AHC, was founded in 1995 by Craig Larsen. The firm is federally registered with the SEC (Securities and Exchange Commission) as a Registered Investment Adviser.

AHC provides personal financial planning and investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. AHC also provides pension fund investment consulting services.

AHC is strictly a fee-only firm. The firm does not receive commissions based on the client's purchase of any financial product, including insurance. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No finder's fees are accepted.

Prior to engaging AHC to provide any of these services, a client will be required to enter into one or more written agreements with AHC setting forth the terms and conditions under which AHC shall render its services. Neither AHC nor the client may assign the agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of AHC shall not be considered an assignment of the agreement.

AHC does not act as a custodian of client assets. The client always maintains asset control. AHC places trades for clients under a limited power of attorney.

We may recommend other professionals including lawyers, accountants, insurance agents, real estate agents, etc., at the request of the client. Other professionals are engaged directly by the client on an as-needed basis even when recommended by AHC. Conflicts of interest will be disclosed to the client and managed in the best interest of the client.

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## Principal Owners

Craig Larsen is a 100% stockholder.

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## Types of Advisory Services

AHC provides pension fund investment consulting services, financial planning and investment management services, and investment advisory services to retirement plans and profit sharing plans, trusts, estates, charitable organizations and businesses. Wealth management services are performed as part of an on-going financial planning relationship.

In performing its services, AHC is not required to verify any information received from the client or from the client's other professionals. Each client is

advised that it remains their responsibility to promptly notify AHC when there is any change in their financial situation or financial objectives for the purpose of reviewing, evaluating, or revising previous recommendations and services.

On more than an occasional basis, AHC furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning. AHC may also advise pension fund clients on matters not involving securities.

As of December 31, 2015, AHC provided pension fund investment consulting and investment management services to client assets totaling \$554,146,998. Discretionary assets were \$24,553,934, and non-discretionary assets were \$529,612,064.

### **Financial Planning**

These services include business, investment, insurance, and retirement planning. They also include education funding, estate planning, tax planning, and assessing the client's cash flow needs. A written evaluation of the client's current situation and their goals is provided to the client, along with planning recommendations. Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

AHC may recommend the services of itself or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if AHC recommends its own services. The client is under no obligation to act upon any of AHC's recommendations under a financial planning / consulting engagement or to engage the services of any such recommended professional, including AHC itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of AHC's recommendations.

Each client is advised that it remains their responsibility to notify AHC promptly if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising AHC's previous or future recommendations and services.

### **Investment Management**

AHC offers investment management services. Clients whose circumstances may lead them to prefer a lower minimum fee may benefit from AHC's investment philosophy and investment management services. The scope of services offered for Investment Management clients is more limited than the services provided to Wealth Management clients to support the lower minimum fee. Investment management does not include ongoing financial planning or tax planning. AHC will use the same investment process and risk tolerance assessment, however the number of investments selected for client portfolios may be more limited compared to Wealth Management clients.

AHC will work with our clients to determine the client's investment objectives, risk profile and investment time frame. AHC will design an asset allocation plan and will deliver a written Investment Policy Statement to the client. Once implemented, AHC will then continuously monitor the client's portfolio holdings and the overall asset allocation strategy.

Assets are invested primarily in no-load mutual funds and/or exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment advisory fee that is disclosed in the fund prospectus. Brokerage companies may charge a transaction fee for the purchase of some funds. Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), and U. S. government and agency securities.

Clients shall have the ability to impose reasonable restrictions on the management of their account(s), including the ability to instruct AHC not to purchase certain securities or types of securities.

Investment Management clients may make additions to and withdrawals from their accounts at any time. Clients may withdraw account assets on notice to AHC, subject to the usual and customary securities settlement procedures. AHC designs its portfolios as long-term investments, however, and the withdrawal of assets may impair the achievement of a client's investment objectives.

AHC's clients are advised to notify AHC promptly if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon AHC's wealth management services.

### **Wealth Management**

AHC offers wealth management services. The engagement includes implementation of financial planning recommendations accepted by client, unlimited telephone support, meetings as required, on-going financial planning services, reminders of the specific courses of action that need to be taken, and quarterly written portfolio reviews. More frequent reviews may occur but are not necessarily communicated to the client unless immediate changes are recommended.

AHC will work with our clients to determine the client's investment objectives, risk profile and investment time frame. AHC will design an asset allocation plan and will deliver a written Investment Policy Statement to the client. Once implemented, AHC will then continuously monitor the client's portfolio

holdings and the overall asset allocation strategy and hold regular review meetings with the client regarding the account.

Assets are invested primarily in no-load mutual funds and/or exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment advisory fee that is disclosed in the fund prospectus. Brokerage companies may charge a transaction fee for the purchase of some funds. Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), and U. S. government and agency securities.

It is AHC's practice to tailor its wealth management and portfolio management services to the individual needs of each client. AHC will ensure that each client's investments are suitable for that client and consistent with their investment needs, goals, and risk tolerance.

Clients shall have the ability to impose reasonable restrictions on the management of their account(s), including the ability to instruct AHC not to purchase certain securities or types of securities.

AHC also may offer non-discretionary wealth management services to clients relative to investment accounts, employer-sponsored retirement plans, life insurance and/or annuity products that they may own, 529 plans or other products that may not be held by the client's primary custodian. In so doing, AHC recommends the allocation of client assets among the various investment options that are available with the product. The client assets shall be maintained at the specific insurance company or custodian designated by the product.

Wealth management clients may make additions to and withdrawals from their accounts at any time. Clients may withdraw account assets on notice to AHC, subject to the usual and customary securities settlement procedures. AHC designs its portfolios as long-term investments, however, and the withdrawal of assets may impair the achievement of a client's investment objectives.

AHC's clients are advised to notify AHC promptly if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon AHC's wealth management services.

### **Pension Fund Investment Consulting**

AHC offers pension fund investment consulting services to pension funds. These services may include an initial review of all investments a review of plan investment history, assisting in the development and periodic review of



the investment policy, developing an asset allocation plan, conducting investment manager or mutual fund searches when requested, measuring investment performance, and presenting a summary of performance.

The services include implementation of recommendations accepted by client, unlimited telephone support, meetings as required, on-going measurement of investment performance, reminders of the specific courses of action that need to be taken, and quarterly written portfolio reviews. More frequent reviews may occur but are not necessarily communicated to the client unless immediate changes are recommended. AHC will work with clients to determine the client's investment objectives, risk profile and investment time frame.

AHC may recommend that pension fund clients have a portion of their portfolio managed by certain independent investment managers based upon the client's stated investment objectives. The terms and conditions under which the client shall engage the independent manager shall be set forth in separate written agreements between the client and the designated independent manager. AHC shall continue to monitor and review account performance and client investment objectives, for which AHC shall receive an annual fee based upon a percentage of the market value of the pension fund which includes assets being managed by the designated independent manager in accordance with the applicable fee schedule. AHC receives no compensation from independent managers.

When selecting an independent manager candidates for a client to consider, AHC shall review information about the independent manager such as its disclosure statement and material supplied by the independent manager or independent third parties for a description of the independent manager's investment strategies and past performance and risk results, to the extent available. Factors that AHC shall consider in recommending independent manager include the client's stated investment objective and risk tolerance, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment advisory fees the designated independent manager charges, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, AHC's fee. The client may incur fees other than those that AHC, the designated independent manager, and any corresponding broker-dealer and custodian charge.

AHC's clients are advised to notify AHC promptly if there are any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon AHC's consulting services.

## **Retirement Plan Services**

AHC provides retirement plan services in coordination with BAM Advisor Services, LLC. Clients choosing AHC will engage both AHC and BAM Advisor Services, which will provide to the client additional discretionary investment management services. BAM Advisor Services will exercise discretionary authority to select the plan investments made available to plans' participants. BAM Advisor Services will exercise discretionary authority to select and maintain the plans' investments according to the goals and investment objectives of the plan.

AHC will continue to work with plans to monitor plan investments, provide fiduciary plan advice including regular considerations of the goals and objectives of the plan, and provide participant education services to the plan.

AHC's business, government and non-profit retirement plan clients utilize AHC as an ERISA Section 3(21) Fiduciary investment advisor on their tax-deferred retirement plans. Under a separate Retirement Plan Services Agreement, the plan sponsor representative engages BAM Advisor Services (a registered investment advisor) to serve as an investment manager under ERISA Sections 3(38) and 402(c)(3).

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## **Tailored Relationships**

At AHC, advisory services are tailored to the individual needs of clients. Client goals and objectives are clarified in meetings and via correspondence, and are used to determine the course of action for each individual client. The goals and objectives for each client are documented in our files, either in hard copy or in electronic files.

Clients may impose restrictions on investing in certain securities or types of securities. This must be done in writing and be signed by the client. Agreements may not be assigned without client consent.

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## **Types of Agreements**

The following agreements define the typical client relationships.

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### **Financial Planning Agreement**

A financial plan is designed to help the client with all aspects of financial planning. Realistic and measurable goals are set and objectives to reach those goals are defined.

AHC's planning and consulting fees are negotiable, but generally range from \$500 to \$10,000 on a fixed fee basis, and \$215 on an hourly rate basis, depending upon the level and scope of the services required. Prior to engaging AHC to provide planning or consulting services, clients are required to enter into a Financial Planning and Consulting Agreement with AHC. The agreement sets forth the terms and conditions of the engagement (including termination), describes the scope of the services to be provided, and the

portion of the fee that is due from the client prior to AHC commencing services.

AHC may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from AHC. Moreover, each client is advised that it remains their responsibility to promptly notify AHC if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising AHC's previous recommendations and services.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary. Follow-on implementation work is billed separately at the rate of \$215 per hour.

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**Wealth Management and Investment Management Agreements**

Clients may choose to have AHC manage their assets in order to obtain ongoing in-depth advice, portfolio management services, and ongoing financial planning. As financial planning goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

Assets are invested primarily in no-load mutual funds and exchange-traded funds. Fund companies charge each fund shareholder an investment advisory fee that is disclosed in the fund prospectus. Brokerages may charge a transaction fee for the purchase of some funds.

Investments may also include: equities (stocks), warrants, corporate debt securities (bonds), commercial paper, certificates of deposit, municipal securities, and U. S. government and agency securities.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. AHC does not receive any compensation in connection with the purchase or sale of any investment products.

Initial public offerings (IPOs) are not available through AHC.

Currently, AHC intends to primarily allocate client investment assets on a discretionary basis among mutual funds and/or exchange traded funds in accordance with the client's designated investment objective. In the event that the client requests that AHC recommend a broker-dealer/custodian for execution or custodial services, AHC generally recommends that wealth management accounts be maintained at Charles Schwab or Fidelity Investments. Prior to engaging AHC to provide wealth management services, the client will be required to enter into a formal Investment Advisory

Agreement with AHC setting forth the terms and conditions under which AHC shall manage the client's assets, and a separate custodial agreement with each designated custodian.

Both AHC's Investment Advisory Agreement and the custodial clearing agreement may authorize the custodian to debit the account for the amount of AHC's investment advisory fee and to directly remit that management fee to AHC. In the event that AHC bills the client directly, payment is due upon receipt of AHC's invoice. The Investment Advisory Agreement between AHC and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement.

AHC's annual cumulative Investment Management fee for individuals are as follows:

- 1.50% on net assets from \$0 to \$250,000
- 1.25% on net assets from \$250,001 to \$500,000
- 1.00% on amounts over \$500,000

Fees are billed quarterly, in arrears based upon the market value of the client's account at the end of the current quarter. Fees are billed after the quarter's end. The total minimum fee is \$1,500.

AHC's annual investment management fee for trusts, estates, charitable organizations and small businesses are as follows:

- 1.00% on net assets from \$0 to \$2,500,000
- 0.75% on net assets from \$2,500,001 to \$7,500,000
- Over \$7,500,000 negotiable

Fees are billed quarterly, in arrears, based upon the market value of the client's account at the end of the current quarter. Fees are billed after the quarter's end.

AHC's annual fee for new personal wealth management clients shall be a fixed annual planning retainer of \$2,000, plus a percentage (%) of the client's net worth, as follows:

- Minimum net worth fee \$5,000
- 0.80% on net worth from \$0 to \$2,000,000
- 0.60% on net worth from \$2,000,001 to \$5,000,000
- 0.40% on total net worth over \$5,000,001 to \$10,000,000
- 0.20% on total net worth over \$10,000,001

The total minimum fee which includes the annual planning retainer and minimum net worth fee is \$7,000. The fee is payable quarterly, in arrears in

four installments at the end of each quarter respectively. AHC does not offer fee refunds.

No increase in the fixed annual retainer or percentage (%) of net worth fees shall be effective without prior written notification to the client. AHC, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria. These may include historical relationship, anticipated future additional assets, related accounts, account composition, negotiations with client, family relationship, etc.

Net worth shall be determined annually. For an initial engagement, net worth is calculated and then pro-rated through the end of the initial calendar year. From that point forward net worth will be calculated as of December 31st. The value of assets may be estimated and agreed to with the clients. These assets may include real estate or other assets whose value may be difficult to determine. Net worth is defined as assets minus liabilities. Assets may include taxable investment assets, retirement assets, college savings assets, annuities, cash value of any insurance, real estate, business interests, stock options, restricted stock, and any other assets referenced in the financial plan. Liabilities may include includes mortgages, HELOC, and other debt referenced in the financial plan.

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#### **Pension Fund Investment Consulting Agreement**

AHC provides advisory consulting services according to the following fee schedule. The fee is based upon total asset value at the end of the current quarter, and is payable quarterly, in advance. In unique circumstances some clients may negotiate a different fee, format or time frame. AHC does not offer fee refunds.

0.20% on the first \$5,000,000  
0.10% on the next \$5,000,000  
0.05% on total assets over \$10,000,000

New clients will be charged a minimum fee subject to the individual circumstances of the client.

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#### **Retirement Plan Advisory Agreement**

Plan sponsors execute a Retirement Plan Advisor Agreement with AHC, an ERISA Section 3(21) investment advisor. This agreement authorizes Buckingham Asset Management, LLC (BAM) to act in its ERISA Section 3(38) and 402(c) (3) capacity. AHC and BAM Advisor Services share this fee according to a percentage negotiated between AHC and BAM Advisor Services.

Plan Assets Under Management:  
1.00% on the first \$1,000,000  
0.80% on the next \$1,000,000

0.60% on the next \$3,000,000  
0.50% on the next \$5,000,000  
0.45% on all amounts thereafter  
Minimum Annual Fee: \$10,000

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**Retainer Agreement**

In some circumstances, a Retainer Agreement may be executed in lieu of an Advisory Service Agreement when it is more appropriate to work on a fixed-fee basis. The annual fee for a Retainer Agreement is negotiable.

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**Hourly Planning Engagements**

AHC may provide hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$215.

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**Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying AHC in writing. AHC may terminate any of the aforementioned agreements at any time by notifying the client in writing. AHC does not offer fee refunds.

## **Fees and Compensation**

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**Description**

AHC's fees are based upon the engagement. Financial planning clients will be charged an agreed upon fee for the financial plan, depending upon the complexity of the plan. Wealth management clients are charged an annual planning fee, and an amount based upon net worth. Fees for charitable organizations, small businesses, trusts and estate are based upon net assets. Retirement plans fees are based upon plan assets. Pension fund investment consulting clients are charged on the basis total assets at the end of the quarter.

AHC, in its sole discretion, may waive its minimum fee and/or charge a lesser fee based upon certain criteria such as historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc. AHC's fees are negotiable.

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**Fee Billing**

Wealth management fees are billed quarterly, in arrears, meaning that we invoice clients at the end of the quarter. Wealth management fees are usually deducted from a designated client account to facilitate billing. Clients must consent in advance to direct debiting of their investment account. New clients who have retained AHC to build a financial plan will not be charged the annual planning fee in the first calendar year as a wealth management client.

Fees for financial plans are billed partially in advance, with the balance due upon delivery of the financial plan. Fees for pension fund investment consulting are billed quarterly, in advance.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. In addition the custodian may charge other non-transaction based fees as may be disclosed to you by the custodian. For more information concerning brokerage please see the section of this brochure entitled “brokerage practices.”

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**Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to AHC.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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**Past Due Accounts and Termination of Agreement**

AHC reserves the right to stop work on any account that is more than 90 days overdue. In addition, AHC reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in AHC’s judgment, to providing proper financial advice. AHC does not offer fee refunds.

## **Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

AHC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Types of Clients

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### Description

AHC generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, and corporations and business entities. Client relationships vary in scope and length of service. AHC requires each client to execute an agreement for AHC to provide services.

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### Account Minimums

There are no account minimums. AHC does have minimum annual fees for new pension fund investment consulting clients which is based upon the individual circumstances of the client. The minimum annual fee for wealth management clients is \$7,000, and for investment management clients the minimum annual fee is \$1,500. The minimum account fee for retirement plans is \$10,000. AHC has the discretion to waive the minimum fee.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

AHC employs an investment philosophy that is based upon Modern Portfolio Theory. The principles of this theory are that:

- Markets Work. Capital markets usually do a good job of fairly pricing publicly traded securities given all available information.
- Structure, or asset mix, determines most of the performance in a diversified portfolio.
- Diversification is one of the most important tools available to investors, enabling them to capture broad market performance while reducing uncompensated risk associated with owning individual securities.
- Risk and return are related. The potential to earn greater returns over time is the compensation for taking more risk.

AHC's understanding of efficient markets is that market timing and attempts to use active security selection will not add value over time. AHC's goal is to stay fully invested at all times, given the client's investment policy.

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### Investment Strategies

AHC employs a passively-managed index fund and/or exchange-traded fund portfolio strategy. The investment strategy for a specific client is based upon the objectives stated by the client during consultations, and on their risk profile. The client may change these objectives at any time, and should notify AHC immediately of these changes. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.



Other strategies may include long-term purchases and short-term purchases that are specific to the needs of the client.

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**Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investing in securities involves risk of loss that clients should be prepared to bear. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of

financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

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### **Financial Industry Activities**

AHC is registered with the Securities and Exchange Commission (SEC) as a Registered Investment Advisor (RIA). Registration does not imply any level of skill or training.

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### **Affiliations**

AHC does not have arrangements that are material to its advisory business or its clients with any related person. AHC may at times recommend unrelated, third party investment managers who have a greater expertise in certain disciplines when appropriate for the client. AHC does not receive any compensation for the recommendation or selection of these investment advisors.

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

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### **Code of Ethics**

The employees of AHC have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

AHC and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the *AHC Compliance Manual*.

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### **Personal Trading**

The Chief Compliance Officer of AHC is Craig Larsen. He reviews all covered employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades

are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

AHC generally shall recommend that clients utilize the brokerage and clearing services of Charles Schwab or Fidelity. Factors that AHC considers in recommending Charles Schwab or Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with AHC, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by AHC's clients shall comply with AHC'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 AHC 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 services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although AHC 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, AHC's fee. AHC's best execution responsibility is qualified if securities that it purchases for client accounts are no-load mutual funds that trade at net asset value as determined at the daily market close.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, AHC may receive from Charles Schwab or Fidelity, without cost, or at a discount, support services and products. These services or products may assist AHC to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by AHC may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and practice management-related publications, discounted or gratis consulting services, discounted or gratis attendance at conferences, meetings, and other educational and social events, marketing support, computer hardware and software or other products used by AHC in furtherance of its investment advisory business operations.

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

In fulfilling its duties to its clients, AHC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that AHC's receipt of economic benefits from Charles Schwab or Fidelity or other broker-dealer/custodian creates a conflict of interest because these benefits may influence AHC's choice of one broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

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

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**Best Execution**

If requested, AHC will arrange for the execution of securities brokerage transactions for the account through broker-dealers that AHC reasonably believes will provide "best execution." In seeking "best execution," the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services including execution capability, commission rates, and responsiveness. Accordingly, although AHC will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.

AHC may, but is not obligated to, combine or "batch" client orders to obtain "best execution," to negotiate more favorable commission rates or to allocate equitably among AHC's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among AHC's clients in proportion to the purchase and sale orders placed for each client account on any given day.

The client may direct AHC to use a particular broker-dealer (subject to AHC's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and AHC will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by AHC. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs AHC to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur

had the client determined to effect account transactions through alternative clearing arrangements that may be available through AHC.

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**Soft Dollars**

AHC does not receive soft dollar benefits.

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**Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

## **Review of Accounts**

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**Periodic Reviews**

Account reviews are performed quarterly by Craig Larsen, president. Account reviews may be performed more frequently when market conditions dictate.

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**Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Regular Reports**

Clients receive periodic communications on at least a quarterly basis. The written report may include a net worth statement, portfolio statement, performance report and a summary of objectives and progress towards meeting those objectives.

## **Client Referrals and Other Compensation**

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**Incoming Referrals**

AHC has been fortunate to receive client referrals over the years. The referrals come from current clients, other professionals, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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**Referrals Out**

AHC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Custody**

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**Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. AHC does not provide custody services.

We are permitted to debit advisory fees from most of our clients' accounts, and for that reason we are considered to have custody of client assets.

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**Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by AHC.

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**Net Worth Statements**

Clients are frequently provided net worth statements and net worth graphs that are generated from our portfolio management system. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of real estate and other hard-to-price assets. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## **Investment Discretion**

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**Discretionary Authority for Trading**

For wealth management clients AHC accepts discretionary authority to manage securities accounts on behalf of clients. AHC has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, AHC consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

AHC takes discretion over the following activities:

- The securities to be purchased or sold
- The price at which the securities are purchased or sold
- The amount of securities purchased or sold
- When transactions are made
- The financial institution to be utilized

The client approves the custodian to be used and the commission rates paid to the custodian. AHC does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may promptly implement the investment policy that the client has approved in writing.

For pension investment consulting clients AHC may act with temporary limited discretion to perform mutual fund trades. The client is generally encouraged to stay on the phone line for the duration of the phone call when the trade is placed.

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**Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. As a wealth management client you sign a limited power of attorney so that we may execute the trades that you have approved.

**Voting Client Securities**

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**Proxy Votes**

AHC does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, AHC will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

**Financial Information**

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**Financial Condition**

A balance sheet is not required to be provided because AHC does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.