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This Brochure provides information about the qualifications and business practices of Dixon Hughes Goodman Wealth Advisors (“DHGWA”). If you have any questions about the contents of this Brochure, please contact Kate Anderson at 828.236.5801 or [kanderson@dhgwa.com](mailto:kanderson@dhgwa.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.

DHGWA is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about DHGWA also is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2: Material Changes**

When we file our “annual updating amendment” to our Part 2A Brochure, this section (Item 2) is to identify material changes from our last annual update.

For clarification, we provide the following information here:

Our last “annual updating amendment” was timely filed on June 22, 2016.

We also filed an “other than annual updating amendment” on January 18, 2017.

We filed another “other than annual updating amendment.” On March 7, 2017. In that filing, we added language in Item 5 to clarify billing practices on margin balances and also to provide our current policy on the effect of certain client contributions and client withdrawals on quarterly fees. Additionally, in Item 8, we have added language on risk associated with margin accounts.

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

DHGWA provides investment management and financial planning services to individuals, trusts and estates, pension and profit sharing plans, and corporations or other businesses. DHGWA's main office is in Asheville, North Carolina and all books and records may be located there or in our branch offices. Investment professionals are located in the following offices: Asheville, Hendersonville, Charlotte, Raleigh, High Point, Greenville and Winston Salem, North Carolina; Greenville, Spartanburg and Summerville, South Carolina; Jacksonville, Florida; and Charleston, West Virginia; Memphis, Tennessee; McLean, Roanoke and Richmond Virginia; and Rockville, Maryland.

DHGWA maintains "satellite" offices in various offices of our parent company. Investment Advisory services are offered through these offices on a part time basis, and no client or corporate records are maintained in those locations.

DHGWA's representatives will also meet with clients in various other regional offices of its affiliated accounting firm Dixon Hughes Goodman LLP.

DHGWA was started in 1997 and has been in its current ownership since March, 2004. The firm is owned by Dixon Hughes Goodman Financial Services, which is in turn owned by the Members (partners) of a public accounting firm, Dixon Hughes Goodman LLP. The President of DHGWA is Will Sneed, and the co- Chief Investment Officers are Frederick Kramer and Paul Harteg.

##### Investment Advisory Services

Investment Advisory Services may be offered as an extension of financial planning services or as a stand-alone service. Services may include but are not limited to analyzing a client's current financial asset positioning, educating the client as to the various facets of financial asset ownership, designing an asset allocation strategy encompassing: the client's goals and objectives, return expectations, risk tolerance, tax considerations, liquidity needs and time horizons. An Investment Policy Statement may be prepared as necessary.

An investment portfolio is then managed on a continuous basis using financial vehicles (predominantly mutual funds) that match a client's asset allocation and tax considerations. Thereafter, the portfolio is monitored for performance reports, re-weighting needs and changes in client's goals and objectives. DHGWA manages accounts on a discretionary or non-discretionary basis. In most cases, DHGWA will liquidate a client's portfolio when they become a client in order to invest according to DHGWA's asset allocation for that account. This is done only after careful consideration of the tax implications and other costs, and after the client has agreed to such sales. DHGWA does allow for reasonable restrictions to be placed on accounts in order to accommodate the client's wishes to continue to hold a position for any variety of reason.

As of May 31, 2017 the firm managed \$1,480,998,671 on a discretionary basis and \$16,283,299 on a non discretionary basis, totaling \$1,497,281,970.

As of May 31, 2017 the firm had an additional \$478,817,681 in assets under advisement (AUA). These assets are not directly managed by DHGWA. DHGWA provides advice on how to manage these assets, and the client can choose to take action on the advice.

#### **Item 5: Fees and Compensation**

The annual fee for investment management services will be charged as a percentage of assets under management, according to the schedule below:

<i>Assets under management</i>	<i>Annual Fee (%)</i>
First \$500,000	1.50%
Second \$500,000	1.25%
Next \$2,000,000	1.00%
Above \$3,000,000	0.80%
Above \$5,000,000	Negotiable

For investment advisory services, clients shall be billed quarterly, in advance. Client may authorize DHGWA to directly debit fees directly from the client's custodial account, or may opt to be billed. The fees are calculated based upon the fair market value of the gross assets under management at the end of the previous quarter, as provided by the custodian. For clients with margin accounts, this means that the Firm's advisory fee is based on the total market value of the securities in the account, including the margin debit balance (the amount on loan), accrued interest, and any cash awaiting investment; the debit balance does not reduce the total market value, but actually increases the amount of assets and thereby increases the advisory fee. Investment advisors have a conflict of interest relating to margin accounts, because margin accounts increase the advisory fee to advisors.

Account credits (deposits, dividends, interest, and sales excluding those made for the purposes of rebalancing) will be credited to the margin balance to reduce the debt and will be reflected on the custodian's statement. Advisory fees are charged on the gross asset value of the account as stated on the last day of the prior quarter, and will include any reductions applied as of that date.

In the event that a client contributes \$25,000 or more in the aggregate during a billing period (after the fee calculation), DHGWA will recalculate the fee for that billing period at the end of that billing period and DHGWA will bill a second fee pro-rata, in arrears, on the additional deposit(s). Similarly, in the event that a client withdraws \$25,000 or more in the aggregate during a billing period after the fee calculation, DHGWA will recalculate the fee for that billing period at the end of that billing period and the client will be refunded by credit, against the next period's management fee, for the pro-rata fee that was attributable to the amount of the withdrawal(s).

All fees paid to DHGWA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of

DHGWA. In that case, the client would not receive the services provided by DHGWA which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by DHGWA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Clients will also incur fees related to the execution of trades by their custodian. Please refer to section 12 regarding Brokerage Practices.

An Investment Advisory Agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned advisory fees will be refunded, and any earned, unpaid fees will be due and payable. The refund will be calculated by determining the number of "unused" days in the quarter, divided by the total number of days in the quarter. The date of termination will be the date that the client notifies us of their intent to transfer out.

DHGWA's fees are calculated as described above and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client. (SEC Rule 205(a)(1)).

In certain circumstances, all fees may be negotiable. At DHGWA's sole discretion certain client accounts including but not limited to Dixon Hughes Goodman LLP employees or DHGWA family members will not be subject to the normal DHGWA fee structure.

#### Financial Planning Services

Financial planning services may include, but are not limited to, analysis of a client's existing situation, definition of client goals and objectives, creation of a plan combining all aspects of goals and objectives, implementation of a plan's recommendations, and review and revision as necessary. Planning can include investment, cash flow, income tax, estate, insurance, retirement, education funding, employee benefit and business planning. Fees for financial planning services are based on hourly rates of \$75 to \$250 per hour of professional time. Total fees are determined prior to engagement and payable upon presentation of the plan to client. Financial Planning Agreements are used for financial planning only engagements, and may be terminated on written or oral notice.

### **Item 6: Performance-Based Fees and Side-By-Side Management**

DHGWA 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**

DHGWA provides portfolio advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations and endowments.

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

DHGW uses Modern Portfolio Theory as a primary methodology for diversifying a portfolio of equity and income asset class investments. We believe that active management of equities is an inferior investment strategy due to the relative efficiency of the financial markets and the general inability of that process to make up for the increased internal and external costs to the portfolio. We also believe that passive indexing of asset classes is an inferior methodology, because industry index benchmarks are typically arbitrary groupings of stocks which do not capture the full benefit of owning complete asset classes. As an example, there are more large company stocks in the stock market than the 500 that populate the S&P 500, or the 2000 small company stocks that populate the Russell 2000.

We do believe that owning complete asset classes in statistically attractive weightings, via passive, pure no-load, low cost institutional mutual fund vehicles, which are held for the long term and rebalanced back to the original portfolio weightings, is the best way for serious accumulation of long term wealth. This is especially true when the weightings of certain style and size asset class exposures are increased in a portfolio as compared to their weighting in the overall financial market's composition.

There is risk with the ownership of all financial assets, and we attempt to deal with these risks in different ways. Individual stocks or bonds, representing ownership or debt of individual companies, have unsystematic risks. These include negative individual company or industry/sector developments. These types of risks can be reduced by not owning individual securities, but rather owning large groups of similar securities known as asset classes. Asset classes owning hundreds or thousands of securities each allow us to diversify a portfolio so that specific (individual securities) unsystematic risk is dramatically reduced.

Systematic risk includes macroeconomic conditions that affect all companies in the stock or bond markets. This type of risk cannot be diversified away. We attempt to manage systematic risk by building portfolios that control the amounts securities owning that type of risk. For example, clients desiring less systematic risk than is found in equities can lower that risk by owning a lower percentage of a portfolio's assets in equities. In the same manner, systematic risk found in bonds, which can be interest rate risk or ratings (bond quality) risk, can be managed by owning shorter term bonds and bonds of higher quality.

It is impossible to shield a portfolio from any risk of loss, regardless of whether those assets are bond or equity oriented. However, by diversifying unsystematic risk and limiting systematic risk to previously client-agreed upon levels, we can build portfolios that can isolate risk of loss to a degree that is acceptable to a client's risk-reward parameters.

**Margin Account Risk:** When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian ("margin borrowing"). Thus, a margin account is an account where you borrow money to purchase securities, and the securities

you own in any such account are collateral. If you intended to borrow funds in connection with your Account, you must execute a margin account agreement directly with the custodian. You must abide by the terms the custodian sets.

Where the value of a margin account declines (the securities decline in value for example), additional deposits or the sale of securities in the account, or in certain instances other accounts held at that custodian, is required. In other words, the custodian is required to take action in order to maintain the necessary level of equity in your account. The custodian fulfills the margin requirements by issuing a margin call and, if you do not otherwise provide the required amount, the custodian will sell assets in any of your accounts to meet the requirements. The custodian can choose which securities to sell, and often per the margin agreement may do this without notice to the client.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain. These risks include but are not limited to the following: Investing using margin loans increases the risk to the portfolio because both gains and losses are magnified by the amount of margin used. Margin borrowing increases the risks to a client's investment equity, and the client risks losing more than the investment equity. In other words, you can lose more funds than you deposit in your margin account. The account custodian can force the sale of securities or other assets in your account. The account custodian can sell your securities or other assets without contacting you. You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call. The account custodian may move securities held in your cash account to your margin account and pledge the transferred securities. The account custodian can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice. You are not entitled to an extension of time on a margin call. Clients must carefully review the margin agreement with the custodian to understand all costs and obligations, including the margin requirements, and for a more complete description of risk.

Advisory fees are higher on margin accounts, creating a conflict of interest for advisors charging investment advisory fees. The loan value, the amount on margin, including any cash held in or for the account, does not reduce the total market value of the account, but actually increases the value, and thereby increases the advisory fee. The debit balance is subject to interest and is included in the gross asset value of the account. Interest accrues, increasing the overall debt, value, and fee, unless interest payments are made. Please refer to Item 5, Fees, for further important information.

**Investing in securities involves risk of loss that clients should be prepared to bear.**

### **Item 9: Disciplinary Information**

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

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

The Officers of DHGWA are also engaged in the business activities of certain affiliated companies. DHGWA is a subsidiary of Dixon Hughes Goodman Financial Services (DHGFS), which owns another business entity described below. All of the companies described below, including DHGWA, emerged



from a March 1, 2004 merger between three separate accounting firms and the subsequent reorganization of each of the accounting firms' affiliated companies. Messrs. Hoyle and Kramer are Members of DHGFS, and Mr. Hoyle is a Member of Dixon Hughes Goodman, LLP. Both Mr. Hoyle and Mr. Kramer spend all of their business time on the advisory activities of DHGWA.

#### Accounting Firm

DHGFS is a subsidiary of the accounting firm Dixon Hughes Goodman LLP, which became the sole surviving accounting firm from the merger described above. Because Dixon Hughes Goodman LLP indirectly owns DHGWA, accounting clients may be referred to DHGWA for advisory services. DHGWA likewise may recommend the accounting firm to advisory clients in need of accounting services. Accounting services are separate and distinct from the advisory services of DHGWA, and are provided for separate and typical compensation. There are no referral fee arrangements between DHGWA and Dixon Hughes Goodman LLP for these recommendations. No client of one company is obligated to use the other's services. Members and Principals and other qualified persons of the accounting firm may act as trustees for advisory clients.

#### Insurance Agency

Dixon Hughes Goodman Agency LLC (DHGA) is an insurance agency also owned by DHGFS. Certain advisory recommendations of DHGWA may include advice of insurance needs of advisory clients. Clients are under no obligation to implement any such recommendations through the insurance services of DHGA and its agents who would receive commission compensation for any product transactions. The receipt of such compensation does create a conflict of interest. Clients will be informed any time that DHGA and its agents would receive a commission on an insurance product transaction.

### **Item 11: Code of Ethics**

The DHGWA Code of Ethics is intended to establish guidelines that would assist in identifying potentially unethical behavior among DHGWA personnel. The Code addresses specifically the following areas: Standards of Conduct, Prohibition against Insider Trading, our policies towards personal securities transactions, Gifts and Entertainment, Protection of Confidentiality of Client Information, and Service as a Director. In addition to governing standards elaborated in the Policies and Procedures, the Code of Ethics has established a number of procedures requiring all personnel to submit periodic holding reports and transaction reports to be reviewed by the Compliance Officer. Both documents are required reading annually for all employees of DHGWA.

The Code of Ethics will be provided, free of charge, at the request of any client or potential client.

DHGWA or individuals associated with DHGWA may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, any related person may have an interest or position in a certain securities which may also be recommended to a client. It is the expressed policy of DHGWA, fully elaborated in both the DHGWA Policies and Procedures Manual and the Code of Ethics, that no person employed by DHGWA may purchase or sell any

security prior to transaction being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts. As these situations represent a conflict of interest, DHGWA has established the following restrictions in order to ensure its fiduciary responsibilities:

1). An officer or employee of DHGWA shall not buy or sell securities for their personal portfolios where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of DHGWA shall prefer his or her own interest to that of the advisory client.

2). DHGWA maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate individual of DHGWA. According to the DHGWA Code of Ethics, all employees are compelled to provide an initial holding report and must submit quarterly activity reports and monthly statements to be reviewed by the DHGWA Compliance Officer.

3). DHGWA requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

4). Any individual not in observance of the above may be subject to termination.

### **Item 12: Brokerage Practices**

#### *The Custodians We Use*

DHGWA does not maintain custody of your assets (although we may be deemed to have custody of your assets if we have authority to withdraw advisory fees from your account. See sections titled "Custody", below) and generally recommends to advisory clients the brokerage services of a "qualified custodian", either TD AMERITRADE Institutional a division of TD AMERITRADE, Inc. member FINRA/SIPC/NFA or Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC. DHGWA is independently owned and operated and not affiliated with either TD AMERITRADE or Schwab.

#### *Best Execution Review*

DHGWA regularly conducts a "Best Execution Review" of these services and costs in relation to other service providers to ensure it is providing a recommendation to clients consistent with its fiduciary duty. The Best Execution review considers, among other things, the execution capability of the custodian, experience and financial stability, reputation and the quality of services provided.

#### *Your Custody and Brokerage Costs*

DHGWA does not undertake the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for clients. Clients, therefore, must direct DHGWA as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that DHGWA will not have authority to negotiate commissions or other trading costs among various brokers, and best execution may not be achieved. In addition, a disparity in

commission charges may exist between the commissions charged to clients who select different custodians. DHGWA may decline to manage a client's assets if client chooses a broker-dealer that would cause additional cost or burden to DHGWA.

#### *TD AMERITRADE*

DHGWA participates in the TD AMERITRADE Institutional program. TD AMERITRADE Institutional is a division of TD AMERITRADE, Inc. ("TD AMERITRADE") member FINRA/SIPC/NFA. TD AMERITRADE is an independent unaffiliated SEC-registered broker-dealer and FINRA member. TD AMERITRADE offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD AMERITRADE through its participation in the Program. (Please continue reading for full disclosures) DHGWA and TD AMERITRADE are separate and unaffiliated.

#### *Schwab*

For our clients' accounts that it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you fees on trades that it executes or that settle into your Schwab account. Schwab's fees applicable to our client accounts were negotiated based on our commitment to maintain \$75,000,000 of our clients' assets statement equity in accounts at Schwab. This commitment benefits you because the overall fees you pay are lower than they would be if we had not made the commitment. In addition Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

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

Investment account assets are reviewed routinely by an Investment Advisor Representative ("Financial Advisor") of DHGWA. As indicated in the service description earlier, portfolios are also periodically reviewed for re-weighting or to adjust for a client's changing individual circumstances. Clients should always contact their DHGWA representative whenever their personal financial circumstances change.

DHGWA asset allocation models are reviewed at least quarterly by the Investment Policy Committee.

DHGWA provides Investment Advisory clients with a printed quarterly report summarizing asset class holdings, and the performance of selected mutual fund and brokerage accounts. DHGWA reports also include a brief summary of the financial market and its relationship to clients' investments. Clients will also receive account statements directly from their custodian describing all transactions, including DHGWA's fee withdrawals.

Financial planning or consulting clients receive reviews of those specific issues discussed and agreed upon between DHGWA and the client. Reports are prepared as necessary.

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

##### TD Ameritrade Institutional Customer Program Benefits

As disclosed above ("Brokerage Practices"), DHGWA participates in TD AMERITRADE's Institutional customer program and DHGWA may recommend TD AMERITRADE to Clients for custody and brokerage services. There is no direct link between DHGWA's participation in the program and the investment advice it gives to its Clients, although DHGWA receives economic benefits through its participation in the program that are typically not available to TD AMERITRADE retail investors or to other independent advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving DHGWA participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to DHGWA by third party vendors. TD AMERITRADE may also have paid for business consulting and professional services received by DHGWA's related persons. Some of the products and services made available by TD AMERITRADE through the program may benefit DHGWA but may not benefit its Client accounts. These products or services may assist DHGWA in managing and administering Client accounts, including accounts not maintained at TD AMERITRADE. Other services made available by TD AMERITRADE are intended to help DHGWA manage and further develop its business enterprise. The benefits received by DHGWA or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD AMERITRADE. As part of its fiduciary duties to clients, DHGWA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by DHGWA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the DHGWA's choice of TD AMERITRADE for custody and brokerage services.

##### iRebal

iRebal is a software platform that allows DHGWA to invest or rebalance accounts in aggregate, rather than one-by-one. The standard iRebal annual license fee applicable to DHGWA is \$50,000. That fee is subject to specified reductions (up to complete waiver) if specified amounts of client taxable assets are either already on the TD AMERITRADE platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD AMERITRADE platform will bring fee reductions of up to 100% while \$250 million in taxable assets are held at TD AMERITRADE. The non taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the ERISA Act of 1974, amended, or of plans as defined in Section 4975 of the IRC (which includes IRAs). If DHGWA

does not maintain the relevant level of taxable assets in the TD AMERITRADE platform, DHGWA may be required to make a penalty fee payment to TD AMERITRADE calculated on the basis of the shortfall.

#### TD Ameritrade Advisor Direct

DHGWA may receive client referrals from TD AMERITRADE through its participation in TD AMERITRADE AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, DHGWA may have been selected to participate in AdvisorDirect based on the amount and profitability to TD AMERITRADE of the assets in, and trades placed for, client accounts maintained with TD AMERITRADE. TD AMERITRADE is a discount broker-dealer independent of and unaffiliated with DHGWA and there is no employee or agency relationship between them. TD AMERITRADE has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD AMERITRADE does not supervise DHGWA and has no responsibility for DHGWA's management of client portfolios or DHGWA's other advice or services. DHGWA pays TD AMERITRADE an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to DHGWA ("Solicitation Fee"). DHGWA will also pay TD AMERITRADE the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired DHGWA on the recommendation of such referred client. DHGWA will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD AMERITRADE to its clients. For information regarding additional or other fees paid directly or indirectly to TD AMERITRADE, please refer to the TD AMERITRADE AdvisorDirect Disclosure and Acknowledgement Form.

DHGWA's participation in AdvisorDirect raises potential conflicts of interest. TD AMERITRADE will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD AMERITRADE and whose client accounts are profitable to TD AMERITRADE. Consequently, in order to obtain client referrals from TD AMERITRADE, DHGWA may have an incentive to recommend to clients that the assets under management by DHGWA be held in custody with TD AMERITRADE and to place transactions for client accounts with TD AMERITRADE. In addition, DHGWA has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD AMERITRADE or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. DHGWA's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

#### Additional Services through TD AMERITRADE

DHGWA also receives from TD AMERITRADE certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors

participating in the program. TD AMERITRADE provides the Additional Services to DHGWA in its sole discretion and at its own expense, and DHGWA does not pay any fees to TD AMERITRADE for the Additional Services. DHGWA and TD AMERITRADE have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

Specifically, the Additional Services are as follows:

*Advent Black Diamond:* Black Diamond is a portfolio management tool, offering a secure client portal.

DHGWA’s receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to DHGWA, TD AMERITRADE most likely considers the amount and profitability to TD AMERITRADE of the assets in, and trades placed for, DHGWA’s Client accounts maintained with TD AMERITRADE. TD AMERITRADE has the right to terminate the Additional Services Addendum with DHGWA, in its sole discretion, provided certain conditions are met.

Consequently, in order to continue to obtain the Additional Services from TD AMERITRADE, DHGWA may have an incentive to recommend to its Clients that the assets under management by DHGWA be held in custody with TD AMERITRADE and to place transactions for Client accounts with TD AMERITRADE. DHGWA believes that the products and services offered by TD AMERITRADE are competitive in the marketplace for similar services offered by other custodians, although the arrangement with TD AMERITRADE as to outside vendors may affect DHGWA’s independent judgment in maintaining TD AMERITRADE as the custodian for client assets. Receipt of Additional Services, specifically price discounts, must be taken into consideration by DHGWA, but does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

#### Operations Panel Participation Disclosure

DHGWA serves on the TD AMERITRADE Institutional Operations Panel (“Panel”). The Panel consists of approximately thirty independent investment advisors that advise TD AMERITRADE Institutional (“TDA Institutional”) on issues relevant to the independent advisor and their experience with TD AMERITRADE’s service, technology and products. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the Panel for a three year terms by TDA Institutional sales, service and senior management. An investment advisor may serve longer than three years if appointed to additional terms by TDA Institutional senior management. At times, Panel members are provided confidential information about TDA Institutional initiatives. Panel members are required to sign confidentiality agreements. TD AMERITRADE, Inc. (“TD Ameritrade”) does not compensate Panel members. However, TD AMERITRADE pays or reimburses DHGWA for the travel, lodging and meal expenses incurred by attending Panel meetings. The benefits received by DHGWA or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TD AMERITRADE. Clients should be aware, however, that the receipt of economic benefits by DHGWA or its related persons in and of itself creates a potential conflict of

interest and may indirectly influence DHGWA's recommendation of TD AMERITRADE for custody and brokerage services.

#### Products and Services Available to Us from Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. Here is a more detailed description of Schwab's support services:

**Services that Benefit You:** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that May Not Directly Benefit You:** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assistance with back-office functions, recordkeeping and client reporting.

**Services that Generally Benefit Only Us:** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel. In evaluating whether to recommend that clients custody their assets at Schwab, DHGWA may take 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 on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in custodied assets. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above– see sections titled “**Brokerage Practices**”) and not Schwab's services that benefit only us. We have over \$1.5 billion in client assets under management, and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **Item 15: Custody**

Under government regulations, DHGWA is deemed to have custody of your assets if we were authorized to deduct our advisor fees directly from the account. Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. DHGWA urges you to carefully review such statements and compare such official custodial records to the quarterly reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16: Investment Discretion**

DHGWA usually receives discretionary authority from the client at the outset of an advisory relationship, when the Investment Advisory Agreement is signed, to select the identity and amount of securities to be bought and sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, DHGWA observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to DHGWA in writing.

### **Item 17: Voting Client Securities**

As a matter of firm policy and practice, DHGWA does not have any authority to and does not vote proxies or any type of corporate action on behalf of advisory clients. Clients retain the



responsibility for receiving and voting proxies and corporate actions for any and all securities maintained in client portfolios. DHGWA may provide advice to clients regarding these matters.

### **Item 18: Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about our financial condition. DHGWA 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.