



Heartwood Wealth Advisors

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Form ADV, Part 2; our Disclosure Brochure or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (“you”, “your”) and Heartwood Wealth Advisors (“us,” “we,” “our”).

This Brochure provides information about the qualifications and business practices of Heartwood Wealth Advisors.

If you have any questions about the contents of this Brochure, please contact us at (804) 269-8710 and/or abost@heartwoodva.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.

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

Additional information about Heartwood Wealth Advisors is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This is the initial publication of our ADV brochure; all sections are new and material.

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Item 4 – Advisory Business

Who We Are

Heartwood Wealth Advisors (“Heartwood”) is a limited liability company organized in the state of Virginia. The firm was founded in 2013. We founded Heartwood Wealth Advisors to break free from the traditional, Wall Street model and to build an independent practice focused on personalized service, collaboration with our clients, and transparency. We help clients build, manage, preserve and transition wealth. We believe we can best address your financial situation if we are accountable to you, and only to you. We take this accountability very seriously, so we offer complete transparency into our fees and compensation. We want you to see the proof that we are working for you – not for any other incentives which may compromise the advice we give you

Investment Advisory/Portfolio Management Services

Heartwood provides portfolio management, financial planning, and retirement plan consulting services to high net worth individuals, families, employer-sponsored qualified plans, businesses, trusts and foundations.

Investment Strategy

Our investment process is designed to help preserve capital and grow your wealth over market cycles, to minimize investment expenses and excessive fees, and to maximize tax efficiency. We begin by getting to know you. Through collaborative meetings we gather information about your circumstances and goals. Based on these conversations, we create an investment plan we believe is suited to you and your objectives.

Item 8 further describes our Methods of Analysis, Investment Strategies and Risks of Loss.

Financial Planning

Before we provide any investment advice, we make sure we learn about you, your current financial situation and your goals. From there, we can develop a customized plan that takes into account all the relevant factors to truly customize a portfolio to meet your goals and desired outcomes.

Our wealth planning services include, but are not limited to:

- Retirement Planning- cash flow analysis and income funding
- Estate Planning
- Philanthropic Planning
- Liability Management

Tailored Services for Individual Clients

Heartwood tailors its wealth management services for each individual client. Heartwood approaches each client with a view toward their unique objectives, circumstances, and preferences. Client portfolios are managed to reflect these nuances and different levels of risk/return, liquidity, and time horizon. We are available to our clients as often as they desire, proactively call clients on a periodic basis, and meet with clients at least annually, as circumstances allow.

Retirement Plan Consulting and Management Services

We provide consulting and advisory services for employer-sponsored retirement plans that are designed to assist plan sponsors of employee benefit plans. Generally, such retirement plan consulting and advisory services consist of managing or otherwise advising sponsors in establishing, selecting, monitoring, removing and/or replacing the investment options under the plan, consistent with the objectives, written guidelines and/or investment objections set forth in the written investment policy statement adopted by the client. As the needs of the plan sponsor dictate, Heartwood offers the following areas of management or advisement: plan investment options, asset allocation, plan structure, participant education, and managing model portfolios. In addition to the services described above, Heartwood may also provide discretionary advisory services to client accounts that are governed by the Employment Retirement Income Security Act of 1974, as amended (“ERISA”).

All retirement plan investment advisory services shall be in compliance with the applicable state law(s) regulating retirement plan advisory services. This applies to client accounts that are plans governed by ERISA. If the client accounts are part of the plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of section 3(21) or 3(38) of ERISA. We emphasize continuous and regular account supervision. Once the appropriate plan investments have been determined, we review the plan investments at least annually and if necessary, provide advice to or otherwise add, replace or remove investment options based upon the plan sponsor’s objectives, written guidelines and/or investment objectives.

Wrap Fee Program

Heartwood does not offer a wrap fee program to clients.

Assets Under Management

The Firm’s assets under management are \$689,690,000.

Item 5 – Fees & Compensation

Portfolio Management Service Fees

For individual portfolio management services, Heartwood charges an aggregated fee, based on a percentage of total household assets under management. The maximum annual fee to be charged for our services will not exceed 1.5% of assets under management. The fee assessed to the client account(s) will be detailed in our firm’s Investment Management Agreement. The detailed fee schedule shall be applied to the market value of the account’s assets as reasonably determined by our firm.

Heartwood uses money market/stable value funds and cash defensively and tactically in its management process, therefore assets invested in money market/stable value funds and cash are subject to the management fee.

Heartwood enters into a written investment advisory agreement with its clients. The advisory agreement contains the fee arrangement. Either party may cancel the advisory agreement without penalty upon thirty days’ written notice. The client may also cancel the advisory agreement within five days of receiving this Form ADV Part 2A and Form ADV Part 2B.

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last trading day of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

Payment of Fees

Investment clients generally authorize Heartwood to take payment of fees as they become due out of the client's account. Heartwood has the discretion to redeem at the then price or current net asset value a sufficient number of account securities in order to pay these fees. Fees are deducted quarterly. Some clients choose to pay by check. The custodian of the client's investment assets provides a written confirmation of the fees taken. Heartwood provides a detailed quarterly billing statement so that the client can confirm the accuracy of the fee calculation.

At our discretion, we may combine the account values of family members or business partners to determine the applicable advisory fee. For example, we may combine account values for you, your spouse, joint accounts with your spouse, your minor children, and other types of related accounts. Combining account values will increase the calculated asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above. Heartwood may, in its sole discretion, change the actual fee charged upon thirty days written notice to the client. Clients may accept the change or close the account.

Outside Brokerage Arrangements

Although not considered a "related person", you should be aware that persons providing investment advice on behalf of Heartwood may be registered representatives with a securities broker-dealer. We maintain such registrations with Purshe Kaplan Sterling Investments, Inc. ("PKS") in order to facilitate commission based products already held by our clients.

Financial Planning/Consulting Service Fee

Under a separate financial planning agreement, Heartwood provides financial planning/consulting services for individuals, families and estates. Our fixed fees are mutually agreed upon beforehand and are predicated on the complexity and scope of services to be performed.

Important note about additional fees: In addition to advisory and underlying investment fees, client accounts are also subject to various custodial or account administration fees. These fees vary with each custodian but are always fully disclosed to the client in advance.

Clients may pay fees imposed by custodians, brokers, and other third parties that include:

- Fees charged by mutual fund managers
- Fees charged by separate account managers
- Brokerage commissions
- Wire transfer and electronic fund transfer fees
- Custodian fees
- Mark-ups/mark-downs on security transactions

Item 6 – Performance-Based Fees & Side by Side Management

Heartwood does not accept performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client. Our advisory fee compensation is charged only as disclosed above in Item 5.

Item 7 – Types of Clients

Heartwood offers advisory and planning services to high net worth individuals, families, trusts, estates, charitable organizations, small businesses, pension plans and profit sharing plans. . In order to be able to offer our clients our most effective work, Heartwood recommends (but does not require) that clients have at least \$1,000,000 in total manageable assets with the firm. This allows us to prudently diversify client accounts into lower cost investment vehicles and avoid conflicts caused by certain investment minimums.

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

Methods of Analysis & Investment Strategies

The Heartwood Portfolio

Our investment process is designed to accomplish the following four goals:

- Establish a portfolio that is consistent with your investment objectives and risk tolerance
- Preserve capital and grow your wealth over market cycles
- Help minimize investment expenses
- Help maximize tax-efficiency

Asset Allocation, Diversification and Rebalancing

Prior to making any investments, our first goal is to determine an appropriate asset allocation tailored to your specific situation. The allocation of your portfolio is a function of several factors, including your time horizon, rate of return you would like to pursue, your age, and your tolerance for portfolio volatility and fluctuation. These factors will determine the percentage of your portfolio that is invested in stocks, bonds, and cash and cash alternatives. As you age and as your objectives change, so too should your allocation, and it is crucial that your portfolio be adjusted accordingly. We use proprietary analytics programs including, efficient frontier analysis and monte-carlo analysis to formulate our allocation recommendations.

Our process is designed to preserve your capital and grow it over time. Along with asset allocation, diversification is an essential tool where investors participate in broad market forces while helping to reduce unnecessary risks. Diversification among stocks distinguishes between large company securities and small company securities, US securities and foreign securities, developed market securities and emerging market securities. Fixed income diversification distinguishes between term (longer-term instruments are riskier than shorter-term instruments) and credit (Instruments of lower credit quality are riskier than instruments of higher credit quality). A well-diversified portfolio will include an appropriate mix of all of these types of securities. This will be achieved primarily through exchange traded funds, but may also

include mutual funds, closed end funds, and in rare cases limited partnerships and individual securities. Additionally, where appropriate, various alternative investments may be incorporated into your portfolio to seek to further reduce potential volatility. These may include exposure to commodities, real estate-oriented investments, private equity, managed futures, and hedge funds.

Rebalancing is the process of restoring your portfolio to its intended asset allocation. Those investments that have performed well take up a greater than intended share of your portfolio, while investments that have performed poorly take up a lower than intended share. Unfortunately, most investors fail to rebalance and their allocation may “drift” towards greater than intended risk. Rebalancing not only helps mitigate this risk, but also provides opportunities to purchase securities that may have declined in value. Rebalancing of your portfolio will be performed annually and in some cases more frequently depending on market volatility or potential tax consequences.

Where appropriate, Heartwood may choose managers for their expertise in particular investment strategies.

In selecting managers, Heartwood considers a number of factors, including but not limited to the following:

- Strong consistent historical returns;
- Well-articulated and understandable investment strategy;
- Reasonable expenses;
- Tax efficiency;
- Transparency into investment process;
- Potential for downside volatility

Risk of Loss

Investing involves a wide variety of risks that all clients should be able and prepared to bear.

Our investment approach constantly keeps the risk of loss in mind. 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 buy more than 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.
- *Financial Risk:* excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Item 9 – Disciplinary Information

We do not have any legal, financial or other “disciplinary” item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client / Adviser relationship with us. This statement applies to our firm, and every employee.

Item 10 – Other Financial Industry Activities and Affiliates

A representative of our firm is a registered representative of PKS, a member FINRA/SIPC and licensed Insurance Agent.

Solicitation Arrangements

Heartwood does not participate in any solicitation arrangements.

Item 11 – Code of Ethics

In accordance with the Advisers Act, Rule 204A-1, Heartwood has adopted a Code of Ethics. This Code of Ethics outlines all who are deemed to be “access persons” and mandates their compliance with applicable regulations and federal laws. Additionally, these employees must engage in high ethical standards at all times and place the client's interest above their own. The Code of Ethics includes, but is not limited to, provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons at Heartwood must acknowledge the terms of the Code of Ethics annually, or as amended.

At the heart of this code is a requirement to always act in the best interest of our client and to fully disclose all fees, expenses and any conflicts or potential conflicts of interest. A copy of this Code of Ethics will be provided to any client or prospective client upon request. Heartwood's Code of Ethics mandates that our advisors act in the best interest of our clients. As such, if we or our representatives offer any investment with which we have a conflict of interest, it must be disclosed in advance.

No Proprietary Investments

At present, we do not offer any investments in which our members, our representatives or any person related to us, have a partnership or act as a general partner. Furthermore, we do not offer any investments in which our members, our representatives or any person related to us act as an investment advisor for the investment company.

Oversight of Trading Processes

Heartwood's employees and persons associated with us are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Heartwood may trade for their own accounts in securities which are recommended to, and/or purchased for, our clients. In addition, a related person may have an interest or position in a certain security or securities which may also be recommended to the clients. All access persons are required to report all personal securities transactions at the onset of being classified an access person and for all subsequent personal transactions in order to prevent inappropriate trading.

Records will be maintained for all securities or insurance products bought or sold by the firm, associated persons of the firm and related entities. A principal of the firm, or qualified representative of the firm, reviews these records on a quarterly basis.

In certain instances, IAR's trading in their own accounts or for related persons may create either actual or perceived conflicts of interest. As such, we have established the following restrictions:

- A director, officer or IAR shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with Heartwood or the broker dealer, unless the information is also available to the investing public on reasonable inquiry.
- No person shall prefer his or her own interest to that of the advisory clients.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- Heartwood and its employees generally may not participate in private placements without pre-clearance from the firm's Chief Compliance Officer.
- Heartwood respects the right of clients to specify investment objectives, guidelines, and conditions or restrictions on the overall management of their accounts.
- Any individual not in observance of the above may be subject to termination.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored to reasonably prevent conflicts of interest between us and you. As an adviser to our clients, our clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the client's favor.

Item 12 – Brokerage Practices

Heartwood has full discretion and trading authority (limited power(s) of attorney) on advisory accounts. Heartwood cannot withdraw funds from client accounts, other than fees as authorized by the client. The major factors considered in recommending a broker, trust company, or insurance company as a custodian include the quality of service, responsiveness to Heartwood and its clients, ability to execute transactions per special instructions, economic advantage, and adherence to Heartwood's stated investment philosophies.

Heartwood derives no commissions or fees from any broker, brokerage firm, or custodian through which purchases are arranged or securities held.

We recommend the brokerage and custodial services of Pershing Bank of New York Mellon, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Pershing Bank of New York Mellon is an unaffiliated SEC-registered broker-dealer. In certain situations, we may accept a relationship with a different custodian; however such relationships are on an exception basis.

Pershing Bank of New York Mellon offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions.

Heartwood and our clients may receive benefits from our custodial relationships. 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 advisor 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 us by third party vendors.

The benefits received by Heartwood or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Pershing Bank of New York Mellon. We believe that Pershing Bank of New York Mellon provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Pershing, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services Pershing provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Client Directed Brokerage

If the client directs that trades be executed through another Broker-Dealer, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by that Broker-Dealer. We will assume no responsibility for obtaining the "best execution" of your trade.

Trade Aggregation

Transactions for each client account generally will be executed independently unless the firm decides to purchase or sell the same securities for several clients at approximately the same time Heartwood may (but is not obligated to) combine or “batch” such orders in an effort to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among its 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 transaction costs and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. If we cannot obtain execution of all the combined orders at prices or for transactions costs that we believe are desirable, we will allocate the securities we are able to buy or sell as part of the combined orders by following our order allocation procedures.

Other Benefits

Pershing provides us with certain research, access and financial support for technology from 3rd party providers. Pershing may provide such services without cost or at a discount. Heartwood receives the software and support because it renders investment services to clients that maintain assets at Pershing. This practice may create an economic benefit that could influence our choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Item 13 – Review of Accounts

Accounts will be reviewed internally on a regular basis. Reviews are conducted by Investment Advisor Representatives (IARs) of the firm. Heartwood may also provide clients with quarterly performance reports of their managed accounts.

Accounts will also be reviewed by the designated principal, Anita Bost and/or her designee for suitability. Review of a sampling of accounts on a quarterly basis will be evidenced in writing and will be maintained by the principal.

You will receive monthly statements from Pershing Bank of New York Mellon detailing all transactions made on your behalf. This statement will include all deposits, withdrawals, as well as entries showing the associated management fees and expenses charged/debited from your account. These reports will show the current market values and transactions during the past month or quarter as well as interest, dividends and capital gains for the reporting period.

Item 14 – Client Referrals and Other Compensation

Referral Arrangements

At this time we do not pay any entity or person for referrals. At any time in the future we may enter into a referral arrangement and elect to compensate certain third parties for such referrals. Clients whose accounts are the subject of such referral fees will receive full disclosure of the terms of the referral arrangement. In no case will any referral payment reduce the value of the investment or reduce the assets in the client account, or violate the terms of our Code of Ethics.

Insurance Products

Certain professionals of Heartwood are separately licensed as independent insurance agents. As such, these professionals may conduct insurance product transactions for Heartwood clients, in their capacity as licensed insurance agents, and will receive customary commissions for these transactions in addition to any compensation received in their capacity as employees of Heartwood. Commissions from the sale of insurance products will not be used to offset or as a credit against advisory fees. These professionals therefore have a financial incentive to recommend insurance products based on the compensation to be received, rather than on a client's needs. Heartwood highly values transparency and will make clear to you the compensation which its professionals will receive in such transactions. The receipt of additional fees for insurance commissions is therefore a conflict of interest, and clients should be aware of this conflict when considering whether to engage Heartwood or utilize these professionals to implement any insurance recommendations. Heartwood attempts to mitigate this conflict of interest by disclosing the conflict to clients and informing the clients that they are always free to purchase insurance products through other agents that are not affiliated with the firm, or to determine not to purchase the insurance product at all. Heartwood also attempts to mitigate the conflict of interest by requiring employees to acknowledge in the firm's Code of Ethics, their individual fiduciary duty to the clients of Heartwood, which requires that employees put the interests of clients ahead of their own.

Item 15 - Custody

Accounts are held at Pershing Bank of New York Mellon which maintains custody for client accounts. The relationship between Pershing Bank of New York Mellon and us is more fully described in Section 12.

You will receive account statements directly from Pershing Bank of New York Mellon at least quarterly. The statement will be sent to the email or postal mailing address you provided to the custodian. You should carefully review these statements promptly when you receive them. We urge you to carefully review such statements and compare such official custodial records to any reports you will receive from us. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

While Pershing Bank of New York Mellon is considered the qualified custodian of your assets, Heartwood may be deemed to have "custody" for limited situations such as those listed below:

- With your authorization, the firm deducts fees directly from your account.
- The firm accepts standing instructions for delivery of funds and securities from your account.
- The firm may, on occasion, accept a stock or other certificate for deposit into your advisory account.
- The firm reserves the right to serve as Trustee or Executor for its clients as needed and deemed not to be a conflict of interest for the firm and its client.

Item 16 – Investment Discretion

Heartwood manages money on a discretionary and non-discretionary basis. In most circumstances, clients grant us complete discretion. Clients who open discretionary accounts are required to enter into a written investment advisory agreement that sets forth the scope of Heartwood's discretion. The Investment Advisory Agreement grants us authority to manage client assets on a discretionary basis, meaning we have the authority to select the identity and amount of securities to be bought or sold in the clients' account without obtaining specific client consent. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objective for the particular client account. For non-discretionary accounts, we will contact the client prior to executing any transaction.

Heartwood has the power under the limited power of attorney to direct the transfer of funds for investment purposes or to the client personally and will send checks, wire funds, and otherwise transfer funds held in the client's accounts (1) to other accounts of identical registration, (2) to the client, or (3) as otherwise directed by the client in writing.

Item 17 – Voting Securities

We do not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Proxies are mailed to each client directly by the respective custodian.

From time to time, securities held in the accounts of clients may be the subject of class action lawsuits. We offer no legal services, and therefore have no ability or obligation to determine if securities held by you are subject to a pending or resolved class action lawsuit.

Where Heartwood receives written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by you, it will forward all notices, proof of claim forms and other materials to you. Electronic mail is acceptable where appropriate when the client has authorized contact in this manner.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you and prospective clients with certain financial information or disclosures about their firm's financial condition. Heartwood has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to our clients, and has not been the subject of a bankruptcy proceeding.