

HMS Capital Management, LLC

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Disclosure Brochure

03/18/2019

This brochure provides information about the qualifications and business practices of HMS Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 615.829.7200. 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.

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

Additional information about HMS Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. HMS Capital Management, LLC's CRD # is 149764.

Material Changes

The material changes in this brochure from the last annual updating amendment of HMS Capital Management, LLC are described below. This list summarizes changes to policies, practices or conflicts of interests only.

Dana M. Brisendine and Portia H. Wells are now licensed to offer life insurance products

HMS has updated custody (Item 15).

HMS now offers Family Wealth Advisor Services (Item 4).

HMS has updates its fee schedule.

HMS no longer participates in a wrap fee program.

Our current brochure may be requested by contacting Dana Brisendine, President and Chief Compliance Officer at 615.829.7200 or by email at dana@hmscm.com. We will provide you with a new brochure at any time without charge.

Additional information about us and about persons affiliated with us who are registered as our investment adviser representatives (“your advisory representative”) is also available via the SEC’s website, at www.adviserinfo.sec.gov. Information regarding your advisory representative can also be found in the supplements to this brochure.

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Advisory Business

HMS Capital Management, LLC (hereinafter, “HMSCM”, “HMS Capital”, “HMS”, “HMS Investment Advisors, we, us, our, ours”) is a Limited Liability Company organized under the laws of the state of Tennessee. Angela Helbig, Dana Moore Brisendine, and George Stadler founded the Nashville -based investment advisory firm in 2009 and are the principal owners. HMS Capital is registered with the SEC and notice filed in all appropriate states.

Investment Management Services

Through discussions, interviews and/or client questionnaires, we assist you in determining your investment goals and identifying your risk tolerance levels. We work with you to develop a detailed client profile to determine an appropriate investment model for you. We currently have seven different investment models that use a mix of domestic and foreign equities, fixed income securities, mutual funds, exchange traded funds and other suitable investment vehicles. We directly manage all portfolios.

The seven different investment models are:

- Focus 20 - portable alpha portfolio of multi-capitalization growth stocks
- Equity Income – portable alpha portfolio of large cap dividend producing stocks
- Innovators – multi capitalization aggressive growth portfolio
- Global Mid Cap Growth – medium capitalization aggressive growth

portfolio

- Aggressive Growth – aggressive portfolio of stocks, ETFs and mutual funds
- Balanced Growth – balanced portfolio of stocks, bonds, mutual funds and ETFs
- Conservative Growth – income oriented portfolio of stocks, bonds, mutual funds, ETFs and covered call positions
- Hedged ETF - aggressive portfolio of ETFs paired with risk mitigating options
- Hedged Income SMA - portable alpha portfolio of large cap dividend producing stocks and ETFs paired with risk mitigating options
- Hedged Growth SMA - multi capitalization aggressive growth portfolio of stocks and ETFs paired with risk mitigating options

We will rebalance and/or reallocate your portfolio at least annually. We may rebalance more frequently at our discretion should market conditions dictate. You are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for you, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

In addition to direct portfolio management, we can consult with you on assets not managed by us. Your entire investment portfolio can be analyzed (at least annually) to evaluate the appropriateness of the overall asset allocation and the portion managed by HMS in light of this. Additional, aggregation software fees may

apply but will be disclosed to you before any work is completed.

Retirement Management Advisory Services

We act as adviser to you and help manage your retirement options across accounts and income sources. Through discussions, interviews and/or client questionnaires we assist you in determining your retirement goals. We work with you to develop a detailed retirement plan and investment portfolio structure. We currently provide the following services as a part of our retirement management advisory service:

- a. Social security claiming strategies
- b. Healthcare expense analysis
- c. Budgeting
- d. Estate planning consultation
- e. Insurance consultation
- f. Investment portfolio structure
- g. Tax efficient income distribution strategies

Fees for Retirement Management Advisory Services are included in the investment management fee. HMS may be hired at \$250/hr. with a one hour minimum and up to a \$4,000 maximum for financial planning only.

In addition to these services, HMS also provides Family Wealth Advisor Services (Family Office).

Family Wealth Advisor Services (Family Office)

Through Family Wealth Advisor Services, HMS provides the client with education,

analysis of, and strategic recommendation. Family Wealth Advisor Services includes the following:

- Serve as the family's Gate Keeper or "Go-To" advisor
- Develop a plan for the family to make sure they reach their wealth goals
- Design and implement a wealth plan with the family's estate attorney and tax professionals
- Assist with the selection of a Corporate or Individual Trustee for the family
- Provide financial education on a wide range of topics
- Work with the next generation to develop the plan to reach their financial goals
- Negotiate and facilitate personal and business banking relationships with several local, regional and national banks
- Provide consolidated performance reporting so the family can see all of the accounts in one place
- Identify and implement risk management programs for the family
- Cash Flow Management & Budgeting
- Coordinate Income and Retirement & Social Security Income Planning
- Assist with Long Term Care Planning
- Provide Asset Allocation Oversight
- Provide Investment Oversight
- Review Insurance Needs

The minimum fee charged by HMS Capital Management, LLC for Family Wealth Advisor Services (Family Office) is \$25,000/year. This represents 72 hours of Family Wealth Advisory Services.

Additional monthly hours can be purchased.

Hedge Funds Services and Management

HMS also manages the following hedge funds: The 576 Income Fund, LP, The 576 Premium Advantage Fund, LP and The 576 Growth Fund, LP.

Needs and Restrictions

In managing your investment portfolio, we consider your:

- financial situation,
- risk tolerance,
- investment horizon,
- liquidity needs,
- tax considerations,
- investment objectives, and
- any other issues important to your state of affairs.

You should notify us promptly if there are any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions upon the management of your account.

Fees & Compensation

We offer fee-only services based upon the value of the assets in your portfolio. Broker-dealers and other financial institutions that hold client accounts are referred to as custodians (“custodian/ broker-dealer”). Your custodian determines the values of the assets in your portfolio.

Our advisory agreement gives us the authority to change the amount of fees with thirty (30) days with advance written notice. At which time you will be asked to sign a new fee schedule, or you may choose to close the account.

Assets Under Management

As of December 31, 2018, we manage \$190,000,000 million in assets and have 299 client accounts we manage on a discretionary basis where we make all of the investment decisions. We have 10 legacy client accounts with approximately \$1,000,000 million in assets that we manage on a non-discretionary basis. All new accounts are only accepted on a discretionary basis.

\$0 to \$5,000,000	1.50%
\$5,000,001 to \$10,000,000	1.00%
\$10,000,001 to \$20,000,000	0.75%
Over \$20,000,001	0.50%

All fees are negotiable at our sole discretion.

Payment Methods and Other Charges

For Investment Management Services, you must authorize us in writing to have the custodian/ broker-dealer pay us directly by charging your account. This authorization is typically provided in our advisory agreement and/or in the limited power of attorney section of the custodian's new account forms.

Fees for the initial month will be adjusted pro-rata based upon the number of days in the month that the advisory agreement is in effect. There will be no adjustments for deposits or withdrawals to the account during the billing period. The fees are charged in arrears on a monthly basis and are based upon the value of the assets as of the month end.

Your custodian also provides you with statements that show the amount paid directly to us. You should review your custodian's statement and verify that the proper amount has been deducted. Your custodian does not typically verify the accuracy of fee calculations.

Fees for Retirement Management Adviser Services are billed as described above with a

Investment Management Services Fees

Equity Accounts and Balanced Accounts

Account (s) AUM/AUA Advisory Fee

\$0 to \$1,000,000	2.00%
\$1,000,001 to \$10,000,000	1.50%
\$10,000,001 to \$20,000,000	1.25%
Over \$20,000,001	1.00%

Fixed Income Only Accounts

Account(s) AUM/AUA Advisory Fee

50% deposit and the balance billed to you upon completion of the review. If more than one or on-going reviews are requested then details of how and when all payments are to be made will be included in your advisory agreement for these services.

In addition to our fee, you may be required to pay other charges such as:

- custodial fees,
- brokerage commissions,
- transaction fees,
- internal fees and expenses charged by mutual funds or exchange traded funds (“ETFs”), and
- other fees and taxes on brokerage accounts and securities transactions.
- aggregation software fees

None of these fees are paid to, or are shared with, us.

Mutual fund companies, ETFs, and variable annuity issuers charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Complete details of these internal fees and expenses are explained in the prospectuses for each investment. You are strongly encouraged to read these explanations before investing any money.

You may ask us any questions you have about fees and expenses.

If you purchase mutual funds through the custodian/broker-dealer, you may pay a transaction fee that would not be charged if the transactions were made directly through the mutual fund company. Also, mutual funds held in accounts at brokerage firms

may pay internal fees that are different from funds held at the mutual fund company.

While you may purchase shares of mutual funds directly from the mutual fund company without a transaction fee, those investments would not be part of our advisory relationship with you. This means that they would not be included in our investment strategies, investment performance monitoring, or portfolio reallocations.

Please be sure to read the section entitled “Brokerage Practices,” which follows later in this brochure.

Our investment advisory fees are billed in arrears. Clients may terminate the advisory agreement with five (5) days’ advance written notice. Should either party terminate the advisory agreement we have entered into before the end of a billing period, we will deduct any earned fees prior to closing the account. The amount charged to you is calculated by multiplying the market value of your account on the day the agreement is terminated by 1/12 of your stated annual fee. This monthly fee is divided by thirty to determine a daily fee. The daily fee is then multiplied by the number of calendar days in the month that our agreement was in effect. This amount, which equals the amount we earned for the partial month is deducted from your account.

Performance-Based Fees for Portfolio Management

Investors in The 576 Income Fund, LP will pay an annual fee of 1.00% (equal to a monthly management fee of 0.0833%) of assets in the fund, which will be paid to HMS, along with a 20.00% performance fee

based on capital appreciation, which will be paid to Sorelle Asset Management, LLC, the General Partner of the fund.

Investors in The 576 Premium Advantage Fund, LP will pay an annual fee of 2.00% (equal to a monthly management fee of 0.1666%) of assets in the fund, which will be paid to HMS, along with a 20.00% performance fee based on capital appreciation, which will be paid to The 576 Premium Advantage GP, LLC, the General Partner of the fund.

Investors in The 576 Growth Fund, LP will pay an annual fee of 2.00% (equal to a monthly management fee of 0.1666%) of assets in the fund, which will be paid to HMS, along with a 20.00% performance fee based on capital appreciation, which will be paid to The 576 Growth Fund GP, LLC, the General Partner of the fund.

In either scenario, if fund's portfolio rises in value, participating clients will pay 20.00% on that increase in value, but if the portfolio drops in value, the clients will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a “high water mark.”

The Performance Allocation is subject to what is commonly known as a “high water mark” provision. That is, if a Limited Partner’s capital account has a net loss in any fiscal year (or other period, as applicable), this loss will be recorded and carried forward as to such capital account to future fiscal years (or other periods) (such amount is referred to as the “Loss Carryforward”). The General Partner will

not receive the Performance Allocation with respect to a Limited Partner’s capital account in any future fiscal year (or other period) until the Loss Carryforward amount for such capital account has been recovered (i.e., when the Loss Carryforward amount has been exceeded by the cumulative profits allocable to such capital account for the fiscal years (or other periods) following the Loss Carryforward). Once the Loss Carryforward has been recovered, the Performance Allocation will be based on the excess profits (over the Loss Carryforward amount) as to such capital account, rather than on all profits. When a Limited Partner withdraws capital, any Loss Carryforward will be adjusted downward in proportion to the withdrawal. The General Partner may agree with any Limited Partner to apply a different Loss Carryforward provision for such Limited Partner.

These fees are generally negotiable and the final fee schedule will be in the Investment Management Agreement. Investors must give 90 days' notice for withdrawal from the fund. If an investor terminates within the first year, the fund will charge a penalty fee (this fee is not charged by HMS). Clients must pay the prorated performance-based fees for the billing period in which they terminate the Investment Management Agreement up to and including the day of termination.

Performance-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on an annual basis. Fees are paid monthly in arrears. Fees by the 576 Funds are paid monthly in advance.

Family Wealth Advisor Services (Family Office) Fees

The minimum fee charged by HMS Capital Management, LLC for Family Wealth Advisor Services is \$25,000/year. This represents 72 hours of Family Wealth Advisory Services. The Family Wealth Advisory team consists of a Family Wealth Advisor, Portfolio Manager, Family Wealth Strategist and Administrative Assistant. Fees are due 15 days after the receipt of the Invoice. Additional monthly hours may be purchased as needed.

Performance-Based Fees

May Cause Conflict of Interest

HMS manages accounts that are billed on performance-based fees (a share of capital gains on or capital appreciation of the assets of a client) as well as manage accounts that are not billed on performance-based fees. Managing both kinds of accounts at the same time presents a conflict of interest because HMS and/or its supervised persons have an incentive to favor accounts for which HMS receives a performance-based fee. HMS addresses the conflicts by ensuring that clients are not systematically advantaged or disadvantaged due to the presence or absence of performance-based fees. HMS seeks best execution and upholds its fiduciary duty for all clients. Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

Types of Clients

We provide advisory services primarily to individuals, high net worth individuals, charitable organizations, corporations, insurance companies, and pooled investment vehicles. As a condition for starting and maintaining an advisory relationship, we generally require a minimum portfolio size of \$500,000. At our sole discretion, we may accept clients with smaller portfolios based upon certain factors including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing client relationships. We may consider the portfolios of your family members to determine if your portfolio meets the minimum size requirement.

Methods of Analysis, Investment Strategies and Risk of Loss

We select specific investments for your portfolios through the use of fundamental analysis. Fundamental analysis is a method of evaluating a company that has issued a security by attempting to measure the value of its underlying assets. It entails studying overall economic and industry conditions as well as the financial condition and the quality of the company's management. Earnings, expenses, assets, and liabilities are all important in determining the value of a company. The value is then compared to the current price of the issuing company's security to determine whether to purchase, sell or hold the security.

We select securities based upon a combination of quantitative, fundamental and technical factors. We use information from public sources, such as financial reports and industry and financial periodicals, as well as technical and charting analysis prepared by independent

sources.

Our investment strategies may include long-term and short-term purchases and sales. You may place reasonable restrictions on the strategies to be employed in your portfolio and the types of investments to be held in your portfolio.

All investments involve risks that can result in loss:

- loss of principal,
- a reduction in earnings (including interest, dividends and other distributions), and
- the loss of future earnings.

Additionally, these risks may include:

- market risk,
- interest rate risk,
- issuer risk, and
- general economic risk.

Although we manage your portfolio in a manner consistent with your risk tolerances, there can be no guarantee that our efforts will be successful. You should be prepared to bear the risk of loss.

Disciplinary Information

In June of 2009 Angela Helbig was named by a client in a complaint while she was employed at SunTrust Investment Services, Inc. The complaint was denied 4 days later by the firm and no subsequent actions were taken. Specific details of this filing can be found on the SEC's Investment Adviser Public Disclosure site at www.adviserinfo.sec.gov.

Other than as listed immediately above, we have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

Other Financial Industry Activities and Affiliations

Dana Moore Brisendine, Angela M. Helbig and George B. Stadler are each Managing Members of the general partners for each pooled investment vehicle named below.

Sorelle Asset Management, LLC, is the general partner of the private fund The 576 Income Fund, LP. The 576 Premium Advantage Fund GP, LLC, is the general partner of The 576 Premium Advantage Fund, LP. The 576 Growth Fund GP, LLC, is the general partner of The 576 Growth Fund, LP.

HMS will recommend investments in these private funds to those clients for which investment in the fund is suitable. This presents a conflict of interest in that HMS or its related persons may receive more compensation from investment in the fund than from other investments. Nevertheless, HMS acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in the private fund if they do not wish to do so.

Neither HMS nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

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

We have adopted a *Code of Ethics* ("Code") to address the securities-related conduct of our advisory representatives and employees. The *Code* includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place your interests ahead of ours;
- that all personal securities transactions of our advisory representatives and employees be conducted in a manner consistent with the *Code* and avoid any actual or potential conflict of interest, or any abuse of an advisory representative's or employee's position of trust and responsibility;
- that advisory representatives may not take inappropriate advantage of their positions;
- that information concerning the identity of your security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the *Code* to you or any prospective client upon request.

We do not buy or sell securities for our firm that we also recommend to clients. Our advisory representatives and employees are permitted to buy or sell the same securities for their personal and family accounts that are bought or sold for your account(s). The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by you or
- considered for purchase or sale for you.

Dana Moore Brisendine, Angela M. Helbig and George B. Stadler are each Managing Members of Sorelle Asset Management, LLC, the general partner of the private fund The 576 Income Fund, LP, and The 576 Premium Advantage Fund GP, LLC, the general partner of The

576 Premium Advantage Fund, LP and The 576 Growth Fund GP, LLC, the general partner of The 576 Growth Fund, LP. HMS will recommend investments in these private funds to those clients for which investment in the fund is suitable. This presents a conflict of interest in that HMS or its related persons may receive more compensation from investment in the fund than from other investments. Nevertheless, HMS acts in the best interest of the client consistent with its fiduciary duties.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in your best interest,
- prohibit favoring one client over another, and
- provide for the review of transactions to discover and correct any same-day trades that result in an advisory representative or employee receiving a better price than a client.

Advisory representatives and employees must follow our procedures when purchasing or selling the same securities purchased or sold for you.

Brokerage Practices

We may recommend that the custodian for your account be Fidelity Brokerage Services, LLC ("Fidelity"), TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC, ("TDA") or Interactive Brokers LLC ("Interactive Brokers"). Fidelity, TDA and Interactive

Brokers will assist us in servicing your accounts. We are independently owned and operated and not affiliated with Fidelity, TDA or Interactive Brokers. We are not required to affect a minimum volume of transactions or maintain a minimum dollar amount of client assets to receive these services. We have not entered into any soft dollar agreements with Fidelity, TDA or Interactive Brokers.

In recommending Fidelity, TDA or Interactive Brokers as custodian and as the securities brokerage firm responsible for executing transactions for your portfolios, we consider at a minimum the custodian's:

- existing relationship with us,
- financial strength,
- reputation,
- reporting capabilities,
- execution capabilities,
- pricing, and
- types and quality of research.

The determining factor in the selection of Fidelity, TDA or Interactive Brokers to execute transactions for your accounts is not the lowest possible transaction cost, but whether Fidelity, TDA or Interactive Brokers can provide what is in our view the best qualitative execution for your account.

Fidelity, TDA or Interactive Brokers provide us with access to its institutional trading and custody services, which includes:

- brokerage,
- custody,
- research, and
- access to mutual funds and other

investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity, TDA or Interactive Brokers do not charge separately for holding our clients' accounts, but may be compensated by you through other transaction-related fees associated with the securities transactions it executes for your accounts.

Fidelity, TDA or Interactive Brokers also make available to us other products and services that benefit us but may not benefit you directly. Some of these products and services assist us in managing and administering our client accounts, such as software and other technology that:

- provide access to account data such as:
 - duplicate trade confirmations,
 - bundled duplicate account statements, and
 - access to an electronic communication network for client order entry and account information;
- facilitate trade execution, including:
 - access to a trading desk serving advisory participants exclusively and
 - access to block trading which provides the ability to combine securities transactions and then allocate the appropriate number of shares to each individual account;
- provide research, pricing information and other market data;
- facilitate payment of our fees from client

- accounts; and
- assist with back-office functions, record keeping and client reporting; and
- receipt of compliance publications.

Fidelity, TDA or Interactive Brokers also make available to us other services intended to help us manage and further develop our business. These services may include:

- consulting,
- publications and conferences on practice management,
- information technology,
- business succession,
- regulatory compliance, and
- marketing.

Fidelity, TDA or Interactive Brokers may also make available or arrange for these types of services to be provided to us by independent third parties. Fidelity, TDA or Interactive Brokers may discount or waive the fees it would otherwise charge for some of the services it makes available to us. It may also pay all or a part of the fees of a third party providing these services to us. Thus, we receive economic benefits as a result of our relationship with Fidelity, TDA and Interactive Brokers, because we do not have to produce or purchase the products and services listed above.

Because the products or services we receive may vary depending on the custodian we recommend to be used by our clients, we may have a conflict of interest in making that recommendation. Our recommendation of specific custodian may be based in part on the economic benefit to us and not solely on the nature, cost or quality of custody and brokerage services

provided to you and our other clients. We nonetheless strive to act in your best interests at all times.

Commissions and other fees for transactions executed through Fidelity, TDA or Interactive Brokers may be higher than commissions and other fees available if you use another custodian firm to execute transactions and maintain custody of your account. We believe, however, that the overall level of services and support provided to our clients by Fidelity, TDA or Interactive Brokers outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Many of the services described above may be used to benefit all or a substantial number of our accounts, including accounts not maintained at Fidelity, TDA or Interactive Brokers. We do not attempt to allocate these benefits to specific clients.

HMS participates in the institutional adviser program (the “Program”) offered by TD Ameritrade. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA / SIPC / (“TDA”), an unaffiliated SEC-registered broker-dealer. TDA offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. HMS receives some benefits from TDA through its participation in the Program.

As disclosed above, HMS participates in TDA’s institutional customer program and HMS may recommend TDA to Clients for

custody and brokerage services. There is no direct link between HMS's participation in the program and the investment advice it gives to its Clients, although HMS receives economic benefits through its participation in the program that are typically not available to TDA retail investors. 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 HMS 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 HMS by third party vendors. TDA may also have paid for business consulting and professional services received by HMS's related persons. Some of the products and services made available by TDA through the program may benefit HMS but may not benefit its Client accounts. These products or services may assist HMS in managing and administering Client accounts, including accounts not maintained at

TDA. Other services made available by TDA are intended to help HMS manage and further develop its business enterprise. The benefits received by HMS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. As part of its fiduciary duties to clients, HMS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HMS or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the HMS's choice of TDA for custody and brokerage services.

Directed Brokerage

You may direct us in writing to use a particular broker-dealer to execute some or all of the transactions for your account. If you do so, you are responsible for negotiating the terms and arrangements for the account with that broker-dealer. We may not be able to negotiate commissions, obtain volume discounts, or best execution. In addition, under these circumstances a difference in commission charges may exist between the commissions charged to clients who direct us to use a particular broker or dealer and other clients who do not direct us to use a particular broker or dealer.

Bunched Trading

We may engage in bunched trading, which is the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a bunched trade is executed,

each participating client receives a price that represents the average of the prices at which all of the transactions in a given bunch were executed. Executing a bunched trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Bunched trades are placed only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. Transactions for the accounts of our employees and advisory representatives may be included in bunched trades.

They receive the same average price and pay the same commissions and other transaction costs, as clients.

Transactions for the accounts of our advisory representatives or employees will not be favored over transactions for client accounts.

We are not obligated to include any client account in a bunched trade. Bunched trades will not be effected for any client's account if doing so is prohibited or otherwise inconsistent with that client's investment advisory agreement. No client will be favored over any other client.

Review of Accounts

Investment Management accounts are reviewed on a periodic basis as needed. The reviews focus on consistency of your portfolio investments with your investment

objectives and risk tolerances. In addition, your investment constraints are considered and tested with your portfolio holdings. These constraints include your:

- time horizon,
- liquidity needs,
- tax considerations,
- legal/regulatory constraints, and
- any other individual circumstances.

We will periodically review and update your financial circumstances and investment objectives; however, it is your responsibility to notify us of any material changes to your financial situation.

Your advisory representative is responsible for conducting reviews of your account. Investment Management and Family Wealth Services accounts receive reports at least quarterly which provide a summary of asset growth and fundamental risk exposures, along with extensive investment performance analysis.

Client Referrals and Other Compensation

We may receive client referrals from TDA through our participation in TDA Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TDA of the assets in, and trades placed for, client accounts maintained with TDA. TDA is a discount broker-dealer independent of and unaffiliated with HMS and there is no employee or agency relationship between

them. TDA 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. TDA does not supervise us and has no responsibility for our management of client portfolios or our other advice or services. We pay TDA an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the management fee that the client pays to HMS ("Solicitation Fee"). We will also pay TDA the Solicitation Fee on any advisory fees received by us 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 us on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TDA to our clients. For information regarding additional or other fees paid directly or indirectly to TDA, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. Our participation in AdvisorDirect raises potential conflicts of interest. TDA will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TDA and whose client accounts are profitable to TDA. Consequently, in order to obtain client referrals from TDA, we may have an incentive to recommend to clients that the assets under management by us be held in custody with TDA and to place transactions for client accounts with TDA. In addition, we have agreed not to solicit

clients referred to us through AdvisorDirect to transfer their accounts from TDA or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require doing so. Our participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

Other than the TDA relationship above, we do not directly or indirectly compensate any person who is not one of our advisory representatives or employees for client referrals.

We receive certain economic benefits as a result of our participation in Fidelity's and TDA's institutional programs. Those benefits are described in detail in the preceding section entitled "Brokerage Practices."

Custody

HMS may be deemed to have custody over the funds and securities invested in pooled investment vehicles that HMS manages. HMS does not have physical custody of client funds or securities. All client assets are maintained with a qualified custodian. You will receive statements from the custodian that holds your investment account on at least a quarterly basis. We urge you to carefully review these statements and compare them to the account statements that we may provide you. You should verify that the transactions in your account are consistent with your investment goals and the objectives for your account. We also encourage you to contact your advisory representative or our Chief Compliance

Officer should you have any questions or concerns regarding your account.

Custody is disclosed in Form ADV because HMS has authority to transfer money from client account(s), which constitutes a standing letter or authorization (SLOA). Accordingly, HMS will follow the safeguards specified by the SEC rather than undergo an annual audit.

Investment Discretion

We offer our advisory services only on a discretionary basis (with the exception of 11 legacy accounts). This means that we do not need advance approval from you to determine the type and amount of securities to be bought and sold for your accounts. We do not, however, have the ability to choose the broker-dealer through which transactions will be executed. Additionally, we do not have the ability to withdraw funds from your account (other than to withdraw our advisory fees which, may only be done with your prior written authorization.)

This discretion is used in a manner consistent with the stated investment objectives for your account, if you have given us written authorization to do so. We only exercise discretion in accounts where we have been authorized by you. This authorization is typically included in the investment advisory agreement you enter into with us and/or in the limited power of attorney section of the custodian's new account forms.

Voting Client Securities

We have adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in your best interest. Proxy statements increasingly contain controversial issues involving shareholder rights and corporate governance, among others, which deserve careful review and consideration.

We do not vote proxies unless you specifically request in writing that we do so.

When we do vote proxies for clients, we generally vote with management on routine matters related to the operation of the company and not expected to have significant economic impact on the company or shareholders. In instances where material conflicts of interest may exist, we will resolve any such conflict by voting any such proxies in the best interest of the clients. In doing so, we will follow the guidelines and factors set forth in our proxy voting procedures.

We will work with your custodian to ensure receipt of proxies. However, if the custodian is not able to facilitate this procedure, you will be notified that we will not be voting the proxies.

You may receive a record of how proxy statements were voted upon request. Also, you may receive a complete copy of our Proxy Voting Policy & Procedures upon request.

Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you.

With your written authorization, we have discretionary authority over your account. This discretion is limited to determining the types and amounts of securities to be bought or sold in your account, pursuant to your stated investment objectives.

We do not have physical custody of client funds or securities except in the case of the pooled investment vehicles. All client assets are maintained with a qualified custodian.

We do not require prepayment of more than \$1200 in fees per client, six months or more in advance.

We have never been the subject of a bankruptcy proceeding.