

# HAMPTONROCK

## W E A L T H

Item 1 – Cover Page

Part 2A of Form ADV

October 9, 2024

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This Brochure provides information about the qualifications and business practices of Hampton Rock Wealth Management, LLC. If you have any questions about the contents of this Brochure, please contact us using the information listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Hampton Rock Wealth Management, LLC (CRD# 331682) is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any certain level of skill or training.

Additional information about Hampton Rock Wealth Management, LLC. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Since the initial filing of this brochure, the firm has the following material changes:

- The firm updated its principal place of business (Item 1).
- The firm updated its fee schedule (Item 5).

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

Hampton Rock Wealth Management, LLC (“Hampton Rock WM”), was formed in June of 2024, is based in Austin, Texas, and has been providing investment advisory services since its registration was approved in mid-2024. Hampton Rock WM’s owners are Stuart Brown and David Dodson.

### B. Types of Advisory Services

#### ASSET MANAGEMENT

Hampton Rock WM offers asset management services to advisory Clients. Hampton Rock WM will offer Clients ongoing asset management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors.

#### Discretionary

When the Client elects to use Hampton Rock WM on a discretionary basis, the Client will sign a limited trading authorization or equivalent allowing Hampton Rock WM to determine the securities to be bought or sold and the amount of the securities to be bought or sold. Hampton Rock WM will have the authority to execute transactions in the account without seeking Client approval on each transaction.

#### Non-Discretionary

When the Client elects to use Hampton Rock WM on a non-discretionary basis, Hampton Rock WM will determine the securities to be bought or sold and the amount of the securities to be bought or sold. However, Hampton Rock WM will obtain prior Client approval on each and every transaction before executing any transaction.

#### HELD-AWAY ASSETS

Hampton Rock WM’s held-away accounts’ service provides investment allocation and guidance with outside accounts held at other custodians. These accounts typically include some variable insurance products, 529 plans or mutual funds held directly with a mutual fund sponsor, as well as 401k accounts. If Client agrees, Hampton Rock WM will provide advice on these accounts. If assets are monitored on technology platform used by Hampton Rock WM, these assets will be included in the billing outlined in Item 5 Fees and Compensation. Hampton Rock WM will be allowed to monitor these accounts and place trades with discretion as needed.

In some cases, assets are not monitored on our technology platform and if so, our advice is solely consultative in nature and Clients are responsible for placing and executing their own trades, either on their own or with another investment adviser, as Hampton Rock WM will not have discretion nor the ability to execute trades on the Client’s behalf.

#### ALTERNATIVE INVESTMENTS

Hampton Rock WM may also recommend alternative investments to clients who meet the financial, suitability and risk tolerance requirements of the investment recommendation. These products are not typically held at Hampton Rock WM’s custodian, but are purchased directly through the use of a subscription (or similar) document. These are typically hedge funds and private equity funds. Hampton Rock WM does not use our discretionary trading authority for the purchase or sale of these alternative investments but instead will explain the investment’s

potential risks and rewards to you. You will be required to sign the paperwork required by the sponsor which we will submit on your behalf.

Hampton Rock WM does not serve as the investment adviser to the alternative investments but oversees the assets, does initial and ongoing due diligence and makes recommendations to clients that are believed to be in-line with the client's investment objectives and risk tolerance. Hampton Rock WM does charge a fee for this service as outlined in Item 5 Fees and Compensation.

#### CORPORATE FINANCE

Some clients may find themselves in need of advice regarding the purchase or sale of a business or other advice typically provided by an investment bank. They may also be interested in exploring investment opportunities beyond the scope of traditional asset management. If this is the case, clients of Hampton Rock WM may be introduced to HamptonRock Partners LLC (HamptonRock Partners), an affiliate of ours and a registered broker-dealer, member FINRA and SIPC. HamptonRock Partners is able to provide the specialized guidance and support needed to explore possible mergers and acquisitions, a capital raise or other strategic financial transactions. This presents a conflict of interest because the Investment Adviser Representative may recommend HamptonRock Partners over other firms with more experience or lower fees. HamptonRock Partners will earn compensation on these transactions as outlined in their agreement with the client. This agreement is separate and apart from the client's agreement with Hampton Rock WM.

#### FINANCIAL PLANNING AND CONSULTING

Financial planning and consulting are available to clients of Hampton Rock WM but are not provided to every client. If a client is interested in discussing financial planning in more detail, they should speak to their financial advisor.

Hampton Rock WM does not typically provide a written financial plan but instead will discuss topics applicable to the client in a consultative manner. These topics may include, but are not limited to:

- Personal net worth
- Cash flow analysis
- Retirement strategies
- Long-term investment plans
- Tax reduction strategies
- Exit planning strategies
- Estate preservation

If a conflict of interest exists between the interests of Hampton Rock WM and the interests of the Client, the Client is under no obligation to act upon Hampton Rock WM's recommendation. If the Client elects to act on any of the recommendations made by Hampton Rock WM, the Client is under no obligation to affect the transaction through Hampton Rock WM.

#### C. Client-Tailored Services and Client-Imposed Restrictions

The Client's financial needs, investment goals, tolerance for risk, and investment objectives are documented in Hampton Rock WM's Client files. Investment strategies are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities. These restrictions may, however, prohibit engagement with Hampton Rock WM.

D. Wrap Fee Programs

Hampton Rock WM does not participate in a Wrap Fee Program.

E. Amounts Under Management

Because this is Hampton Rock WM's first year of registration, it had no assets under management as of December 31, 2023.

**Item 5 – Fees and Compensation**

A. Fee Schedule

ASSET MANAGEMENT

Hampton Rock WM offers asset management services to advisory Clients. Hampton Rock WM charges an annual investment advisory fee based on the total assets under management as follows:

Assets Under Management	Annual Fee
First \$0 - \$500,000	1.50%
Next \$500,001 - \$1,00,000	1.25%
Next \$1,000,001 - \$10,000,000	1.00%
Next \$20,000,000	0.90%
Next \$20,000,000	0.75%
Amounts >\$50,000,000	0.50%

This is a blended fee schedule, meaning different asset levels are assessed different fees, as shown above. Fees are billed monthly in advance based on the amount of assets managed as of the close of business on the last business day of the previous billing period. If margin is utilized, the fees will be billed based on the gross asset value of the account. Lastly, please note that Hampton Rock WM may group certain related Client accounts, often known as "householding", for the purposes of achieving the minimum account size and determining the annualized fee. Fees are negotiable at the discretion of Hampton Rock WM, and the final fee schedule will be attached to the Investment Advisory Contract.

Fees are calculated based on the number of actual days in the month. An example of a simple billing calculation is:

\$10,000,000 in assets as of 9/30/2023:  $(\$10,000,000 * 1\% / 366) = \$273.22/\text{day}$   $\$273.22 * 31 = \$8,469.95$  in fees will be deducted in early October for the month of October. (2023 was a leap year. In non-leap years, the annual fee is divided by 365 days).

Please note that certain accounts, such as variable annuities, may have separate billing options and may also be paid in the following ways:

- Deducted from a non-qualified Client account held with Hampton Rock WM
- Deducted from a qualified Client account held with Hampton Rock WM for Client's over 59½

#### HELD-AWAY ASSETS

Held-away assets managed on our technology platform are included in billing by Hampton Rock WM as agreed upon in the client's advisory agreement. These assets will be billed on the same Asset Management fee schedule shown above.

#### ALTERNATIVE INVESTMENTS

Accounts that hold alternative investments held away that were recommended to you by Hampton Rock WM or are listed on the Client's advisory agreement are charged an asset management advisory fee by Hampton Rock WM. This is typically 1% but is negotiable at Hampton Rock WM's discretion. This fee is in addition to the management and performance fees charged to you by the investment adviser of the alternative investment as described in their offering documents. The management and performance fees charged by the investment adviser of the alternative investment are not shared with Hampton Rock WM.

This conflict is mitigated by disclosures, procedures and Hampton Rock WM's fiduciary obligation to place the best interest of the client first. Moreover, clients are not required to purchase any alternative investment(s) recommended by Hampton Rock WM.

#### CORPORATE FINANCE

Hampton Rock WM and its financial advisers do not earn direct compensation based on the referral of a client to HamptonRock Partners, although bonus and payout structures may take into account the profitability of business sent to HamptonRock Partners or its affiliates. Additional details are listed under Item 4 Advisory Business.

This conflict is mitigated by disclosures, procedures and Hampton Rock WM's fiduciary obligation to place the best interest of the client first. Moreover, clients are not required to engage the broker-dealer or its representatives if they do not wish to.

#### FINANCIAL PLANNING AND CONSULTING

Hampton Rock WM does not charge separately for financial planning and consulting. Financial planning and consulting are available to clients of Hampton Rock WM but are not provided to every client. If a client is interested in discussing financial planning in more detail, they should speak to their financial advisor.

#### B. Payment of Fees

Asset Management Fees are deducted directly from the Client's Account. Fees can be deducted from the managed account or from another, non-retirement account, custodied at Schwab.

Hampton Rock WM, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity,

anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.).

For all services, the Agreement may be terminated by Hampton Rock WM with thirty (30) days written notice to Client and by the Client at any time with written notice to Hampton Rock WM. For accounts opened or closed mid-billing period, fees will be prorated based on the number of days services are provided during the billing period. All unpaid earned fees will be due to Hampton Rock WM and all unearned fees will be refunded to the Client. Any increase in fees will be acknowledged in writing by both parties before any increase in said fees occurs.

C. Additional Fees

Custodians may charge brokerage commissions, transaction fees, and other related costs on the purchases or sales of mutual funds, equities, bonds, options, margin interest, and exchange-traded funds. Mutual funds, money market funds, and exchange-traded funds also charge internal management fees, which are disclosed in the fund's prospectus. Hampton Rock WM does not directly receive any compensation from these fees. All of these fees are in addition to the management fee you pay to Hampton Rock WM. For more details on the brokerage practices, see Item 12 of this brochure.

There are additional fees charged by Schwab and paid by the client in certain circumstances. Hampton Rock WM does not mark these fees up nor does it share in the fees imposed by Schwab. Clients will receive information on these fees upon signing up for your account(s) with Schwab, and you should keep this for future reference.

D. Prepayment of Fees

Hampton Rock WM does charge Clients monthly in advance. If a Client terminates their relationship with Hampton Rock WM during a billing cycle, prepaid and unearned fees will be promptly refunded. In other words, you will only pay us fees for the time we manage your account(s).

E. External Compensation for the Sale of Securities

Hampton Rock WM does not receive any external compensation from the sale of retail securities although certain Investment Adviser Representatives of Hampton Rock WM may also be Registered Representatives of our affiliated broker-dealer and investment banker, HamptonRock Partners, LLC. HamptonRock Partners does not sell retail investments or securities to clients of Hampton Rock WM. HamptonRock Partners' is licensed to sell private placements of securities and to provide advisory services regarding mergers and acquisitions. For additional information, please refer to Item 10, Other Financial Industry Activities and Affiliations.

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

Fees are not based on a share of the capital gains or capital appreciation of managed securities. Hampton Rock WM does not use a performance-based fee structure nor "side-by-side" management because of the conflict of interest. Performance based compensation may create an



incentive for Hampton Rock WM to recommend an investment that may carry a higher degree of risk to the Client.

### Item 7 – Types of Clients & Account Minimums

Hampton Rock WM's Clients are generally individuals, small businesses, trusts, estates, high net-worth individuals, pooled investment vehicles, and charities. Client relationships vary in scope and length of service.

Hampton Rock WM requires a minimum account size of \$5,000,000 to enter into an Advisory Agreement. However, Hampton Rock WM retains the discretion to lower or waive said minimum.

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

#### A. Methods of Analysis and Investment Strategies

Investing in securities involves risk of loss that Clients should be prepared to bear. Past performance is not a guarantee of future returns. Security analysis methods may include:

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are twofold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

Quantitative analysis deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

Modern portfolio theory is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets.

In developing a financial plan for a Client, Hampton Rock WM's analysis may include cash flow analysis, investment planning, risk management, tax planning and estate planning. Based on the information gathered, a detailed strategy is tailored to the Client's specific situation.

The main sources of information include financial newspapers and magazines, annual reports, prospectuses, and filings with the SEC.

#### B. Investment Strategy

The investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time by providing written

notice to Hampton Rock WM. Each Client executes a Client profile form or similar form that documents their objectives and their desired investment strategy.

C. Risks of Investments and Strategies Utilized

Investing in securities involves risk of loss that Clients should be prepared to bear. Hampton Rock WM's investment approach constantly keeps the risk of loss in mind. Investors may face the following investment risks:

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, leverage, and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**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.

**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.

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Management Risk.** The advisor's investment approach may fail to produce the intended results. If the advisor's assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the Client's portfolio may suffer.

**Cybersecurity Risk.** Hampton Rock WM and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting Hampton Rock WM and its service providers may adversely impact Clients. For instance, cyberattacks may interfere with the processing of transactions, cause the release of private information about Clients, impede trading, subject Hampton Rock WM to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which Clients may invest in, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions. Cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damages, and loss from damage or interruption of systems. Although Hampton Rock WM has

established its systems to reduce the risk of these incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Hampton Rock WM does not directly control the cybersecurity measures and policies employed by third party service providers.

**Options Trading.** The risks involved with trading options are that they are very time sensitive investments. An options contract is generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires). Additionally, options are less tangible than some other investments. An option is a “book-entry” only investment without a paper certificate of ownership.

**Trading on Margin.** In a cash account, the risk is limited to the amount of money that has been invested. In a margin account, risk includes the amount of money invested plus the amount that has been loaned. As market conditions fluctuate, the value of marginable securities will also fluctuate, causing a change in the overall account balance and debt ratio. As a result, if the value of the securities held in a margin account depreciates, the Client will be required to deposit additional cash or make full payment of the margin loan to bring the account back up to maintenance levels. Clients who cannot comply with such a margin call may be sold out or bought in by the brokerage firm.

**Exchange-Traded Funds.** ETFs are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying reference units; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**Mutual Fund Risks.** An investment in mutual funds could lose money over short or even long periods. A mutual fund’s share price and total return are expected to fluctuate within a wide range, like the fluctuations of the overall stock market.

**Common Stocks and Equity-Related Securities.** Certain ETFs or mutual funds hold common stock. Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors which may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer’s actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants, and options may also vary widely.

**Small- and Mid-Cap Risks.** Certain ETFs and mutual funds hold securities of small- and mid-cap issuers. Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses, and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap

issuers generally are more sensitive to changes in earnings expectations, to corporate developments, and to market rumors than are the market prices of large-cap issuers.

**Futures, Commodities, and Derivative Investments.** Certain ETFs and mutual funds hold commodities, commodities contracts, and/or derivative instruments, including futures, options and swap agreements. The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts, and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options, and swap agreements also depends upon the price of the commodities underlying them. In addition, Client assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Non-U.S. Securities.** Certain ETFs and mutual funds hold securities of non-U.S. issuers. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility, and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards, and requirements comparable to or as uniform as those of U.S. issuers.

**Emerging Markets.** Certain ETFs and mutual funds hold securities of emerging markets issuers. In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices, and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

**Capitalization Risks.** Investing in Companies within the same market capitalization category carries the risk that the category may be out of favor due to current market conditions or investor sentiment.

**Market Risks.** Turbulence in the financial markets and reduced liquidity may negatively affect the Companies, which could have an adverse effect on each of them. If the securities of the Companies experience poor liquidity, investors may be unable to transact at advantageous times or prices,

which may decrease the Company's returns. In addition, there is a risk that policy changes by central governments and governmental agencies, including the Federal Reserve or the European Central Bank, which could include increasing interest rates, could cause increased volatility in financial markets, which could have a negative impact on the Companies. Furthermore, local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the Companies. For example, the rapid and global spread of COVID-19, resulted in extreme volatility in the financial markets and severe losses; reduced liquidity of many Companies' securities; restrictions on international and, in some cases, local travel; significant disruptions to business operations (including business closures); strained healthcare systems; disruptions to supply chains, consumer demand and employee availability; and widespread uncertainty regarding the duration and long-term effects of this pandemic. Some sectors of the economy and individual issuers experienced particularly large losses. In addition, the COVID-19 pandemic resulted in increased volatility and/or decreased liquidity in the securities markets. The Companies' values could decline over short periods due to short-term market movements and over longer periods during market downturns.

**Inverse and Leveraged Products.** Hampton Rock WM may recommend and engage in trading with leveraged and inverse products. These products are aggressive in nature and carry unusual and significant risk. They are not appropriate for inexperienced investors. These products are intended to be used/traded daily. Most leveraged and inverse ETFs reset on a daily basis and have published prospectuses that state (1) they're designed to achieve their stated objective within one day, (2) clients can lose all of their investment potentially in one day, and (3) holding these securities for periods longer than one day could lead to losses even if the underlying index moves in the anticipated direction. Regulatory organizations, such as FINRA & SEC, have released alerts stating that inverse and leveraged ETFs that reset daily typically are not suitable for retail investors who plan to hold them longer than one day. Managers may hold these products in client accounts for periods of time significantly greater than one day. Investors with holding periods longer than a day expose themselves to substantial risk as the holding period returns will deviate from the returns to a leveraged or inverse investment in the index. It is possible for an investor in a leveraged ETF to experience negative returns even when the underlying index has positive returns.

**Penny Stock Risks.** Generally, Penny Stocks are low-priced shares of small companies that are not traded on an exchange. Penny Stocks typically trade over-the-counter, such as on the OTC Bulletin Board or Pink Sheets. Penny Stocks, unlike listed stocks, are not subject to SEC reporting requirements or the listing standards of stock exchanges. Because of this, information about the Penny Stock companies can be difficult to find and verify. Penny Stocks also have lower liquidity as they are traded less frequently. This also leads to higher volatility. For these reasons, Penny Stocks are considered to be speculative investments and Clients who trade in penny stocks should be prepared for the possibility that they may lose their entire investment, or an amount in excess of their investment if they purchased Penny Stocks on margin.

**Variable Annuity Risk.** A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate, and the remainder of the funds accumulated are forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase

by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker

**Alternative Investments.** When appropriate for a Client's objective, risk tolerance and qualifications, Hampton Rock WM may recommend the client participate in private issues, such as single purpose vehicles, funds of funds, private equity, and hedge funds. These are usually structured as limited partnerships with differing minimum investments, liquidity, fees and carries.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Hampton Rock WM.**

## **Item 9 – Disciplinary Information**

Hampton Rock WM and its management have not been involved in any criminal or civil actions, administrative or self-regulatory enforcement proceedings, nor any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Hampton Rock WM or the integrity of its management.

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

### **A. Registration as a Broker-Dealer or Broker-Dealer Representative**

Hampton Rock WM is affiliated with HamptonRock Partners, LLC, a registered broker-dealer and investment banker, member FINRA and SIPC. HamptonRock Partners does not sell retail investments or securities to clients of Hampton Rock WM. HamptonRock Partners' is only licensed to sell private placements of securities and to provide advisory services regarding mergers and acquisitions.

Clients of Hampton Rock WM may be introduced to HamptonRock Partners should they express an interest in exploring investment opportunities beyond the scope of traditional asset management. HamptonRock Partners is able to provide the specialized guidance and support needed to explore possible mergers and acquisitions, a capital raise or other strategic financial

transactions. This presents a conflict of interest because the Investment Adviser Representative may recommend HamptonRock Partners over other firms with more experience or lower fees.

HamptonRock Partners does charge clients for these services and those charges will be outlined in the client's agreement with HamptonRock Partners.

This conflict is mitigated by disclosures, procedures and Hampton Rock WM's fiduciary obligation to place the best interest of the Client first. Moreover, Clients are not required to engage HamptonRock Partners or its representatives if they do not wish to.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither Hampton Rock WM nor its management persons are registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

Some Investment Adviser Representatives of Hampton Rock WM are licensed to sell insurance products and as such would receive external compensation from sales of investment related services as Insurance Agents. This represents a conflict of interest because it gives an incentive to recommend services based on the fee amount received. This conflict is mitigated by disclosures, procedures and Hampton Rock WM's fiduciary obligation to place the best interest of the Client first. Moreover, Clients are not required to engage the Agent or Agency if they do not wish to. More information on this can be found in the respective Investment Adviser Representative's Form U4 and ADV 2B. The recommendation of an insurance product will only be made if it is determined to be a need for the client based on the client's financial and estate planning situation. These recommendations are rarely made by Investment Adviser Representatives of Hampton Rock WM.

D. Selection of Other Advisors or Managers

Hampton Rock WM does not utilize nor select other advisors.

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

A. Code of Ethics

The affiliated persons (affiliated persons include employees and/or independent contractors) of Hampton Rock WM have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of Hampton Rock WM affiliated persons and addresses conflicts that may arise. The Code defines acceptable behavior for affiliated persons of Hampton Rock WM. The Code reflects Hampton Rock WM and its supervised persons' responsibility to act in the best interest of their Client.

One area which the Code addresses is when affiliated persons buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our Clients. We do not allow any affiliated persons to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our Clients.

Hampton Rock WM's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other affiliated person, officer or director of Hampton Rock WM may recommend any transaction in a security or its derivative to advisory

Clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

Hampton Rock WM's Code is based on the guiding principle that the interests of the Client are our top priority. Hampton Rock WM's officers, directors, advisors, and other affiliated persons have a fiduciary duty to our Clients and must diligently perform that duty to maintain the complete trust and confidence of our Clients. When a conflict arises, it is our obligation to put the Client's interests over the interests of either affiliated persons or the company.

The Code applies to "access" persons. "Access" persons are affiliated persons who have access to non-public information regarding any Clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to Clients, or who have access to such recommendations that are non-public.

Hampton Rock WM will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

**B. Recommendations Involving Material Financial Interests**

As noted in Items 4, 5 and 10, Hampton Rock WM and its related persons may recommend the corporate financing activities of HamptonRock Partners, an affiliate of Hampton Rock WM, to Clients. If the Client decides to move forward with the services and recommendations made by HamptonRock Partners, the Client will sign a separate agreement with HamptonRock Partners and will pay the applicable fees. These fees are material in nature.

**C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Hampton Rock WM and its affiliated persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that Hampton Rock WM or an affiliated person recommends to Clients. In order to mitigate conflicts of interest, such as frontrunning, Hampton Rock WM's Chief Compliance Officer, or their designee, will no less than quarterly, review firm and/or personal holdings of its affiliated persons. These reviews ensure that the personal trading of affiliated persons does not disadvantage Clients of Hampton Rock WM.

**D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Hampton Rock WM and its affiliated persons may recommend securities, or buy or sell securities for Clients accounts, at or about the same time, that they also buy or sell the same securities in their own account(s). Hampton Rock WM, for instance, will place trades in an account in an attempt to earn better than money market rates. In order to mitigate conflicts of interest, such as frontrunning, Hampton Rock WM's Chief Compliance Officer, or their designee, will no less than quarterly, review firm and/or personal holdings of its affiliated persons. These reviews ensure that the personal trading of affiliated persons does not disadvantage Clients of Hampton Rock WM.

## **Item 12 – Brokerage Practices**

**A. Factors Used to Select or Recommending Broker-Dealers**

*The custodian and brokers we use*



Hampton Rock WM does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your accounts (see Item 15, Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank.

We recommend the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab" or "Custodian"), a registered broker-dealer, member SIPC, as the qualified custodian for most of our accounts.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14, Client Referrals and Other Compensation. You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Schwab, we may not be able to manage your account. Not all advisers require their clients to use a particular broker-dealer or other custodian selected by the adviser. Even though your account is maintained at Schwab, and we anticipate that most trades will be executed through Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

#### *How we select brokers/custodians*

We seek to recommend Schwab, a custodian/broker that will hold your assets and execute transactions. When considering whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, we take into account a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security and stability
- Prior service to us and our clients
- Services delivered or paid for by Schwab, and
- Availability of other products and services that benefit us, as discussed below (see "Products and services available to us from Schwab").

#### *Your brokerage and custody costs*

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. Schwab does charge client accounts 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 commissions or 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. Bonds, however, will typically be traded away, and as such will be charged the "prime broker" fee on buys and sells.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select brokers/custodians"). By using another broker or dealer you may pay lower transaction costs.

#### *Products and services available to us from Schwab*

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us. 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 are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following 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.

During our first twelve months with Schwab, Schwab will pay for all fees (TOA Fees) associated with transferring your accounts to Schwab up to a maximum of \$160,000. These fees are often charged by another custodian when an account is closed or transferred out to another custodian. This allows you to move your assets to Schwab while allowing Hampton Rock WM to manage them with no out-of-pocket transfer-related costs to you. This does create a conflict of interest since the TOA Fee reimbursement may not have been available to you and us if we selected another custodian. We believe your accounts will continue to be held with a financially sound custodian that offers a broad range of services and competitive costs.

*Services that do not directly benefit you.* Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a 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:

- Provides access to client account data (such as duplicate trade confirmations and account statements)
- Facilitates trade execution and allocate aggregated trade orders for multiple client accounts
- Provides pricing and other market data
- Facilitates payment of our fees from our clients' accounts
- Assists 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
- Consulting on technology and business needs
- Consulting on legal and related compliance needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

We use these services as needed to help us run a compliant and efficient business and to provide increased services to our clients. We believe the available services provide additional value to our clients and do not significantly increase the costs imposed to clients when compared to other comparable custodians.

During our first twelve months with Schwab, Schwab provides us with compensation to grow our business. This compensation is paid to Hampton Rock WM based on the dollar amount of assets we have in our clients' accounts at Schwab. The higher the assets held in our clients' accounts at Schwab, the more money we receive from Schwab. The asset levels and compensation are:

Asset Levels Held in Accounts at Schwab	Compensation Paid to Hampton Rock WM
\$90,000,000	\$20,000
\$180,000,000	+\$20,000
\$270,000,000	+\$20,000
\$360,000,000	+\$20,000

This creates a conflict of interest for Hampton Rock WM since we are encouraged to increase our asset levels at Schwab through the acquisition of new clients and potentially investing in riskier investments in an effort to reach the higher payment levels. These conflicts are mitigated by our disclosures, procedures and Hampton Rock WM's fiduciary obligation to place the best interest of its clients first.

#### *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 do not have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. Schwab has also agreed to pay for certain technology, research, marketing, and compliance consulting products and services on our behalf once the value of our clients' assets in accounts at Schwab reaches certain thresholds.

The fact that we receive these benefits from Schwab is an incentive for us to require the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us.

##### 1. Research and Other Soft Dollar Benefits

We do not have any soft dollar arrangements with Schwab or other custodians however we do receive economic benefits from Schwab. These are described in response to Item 12 Brokerage Practices.

##### 2. Brokerage for Client Referrals

We do not receive client referrals from Schwab or other broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

##### 3. Directed Brokerage

We do not generally allow directed brokerage although we may make an exception in certain circumstances.

#### B. Aggregating Trading for Multiple Client Accounts

When a Client authorizes discretionary management, Hampton Rock WM is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of Hampton Rock WM. All Clients participating in the aggregated order shall receive an average share price with all other transactions. If aggregation is not allowed or infeasible and individual transactions occur (e.g., withdrawal or liquidation requests, odd-late trades, etc.) an account may potentially be assessed higher costs or less favorable prices than those where aggregation has occurred. Hampton Rock WM will always attempt to aggregate orders whenever it has the opportunity to do so.

## Item 13 – Review of Accounts

### A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

Account reviews are performed at least annually by the Chief Compliance Officer of Hampton Rock WM. Account reviews are performed more frequently when market conditions dictate. Reviews of Client accounts include, but are not limited to, a review of Client documented risk tolerance, adherence to account objectives, investment time horizon, and suitability criteria, reviewing target allocations of each asset class to identify if there is an opportunity for rebalancing, and reviewing accounts for tax loss harvesting opportunities.

Financial plans are updated as requested by the Client.

### B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

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

### C. Content and Frequency of Regular Reports

Clients receive written account statements no less than quarterly for managed accounts. Account statements are issued by the Client's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs. Hampton Rock WM may also send periodic or other event-inspired reports based on market or portfolio activity. Reports will generally be provided in electronic format.

## Item 14 – Client Referrals and Other Compensation

### A. Economic Benefits from Others

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. In addition, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab reaches a certain size. In some cases, a recipient of such payments is an affiliate of ours or another party which has some pecuniary, financial or other interests in us. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the referral arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

### CORPORATE FINANCE

Hampton Rock WM and its financial advisers do not earn direct compensation based on the referral of a client to HamptonRock Partners, although bonus and payout structures may take into account the profitability of business sent to HamptonRock Partners or its affiliates.

### B. Compensation to Non-Advisory Personnel for Client Referrals

Hampton Rock WM may enter into agreements with individuals and organizations, which may be affiliated or unaffiliated with Hampton Rock WM, that refer Clients to Hampton Rock WM in exchange for compensation. All such agreements will be in writing and comply with the requirements of Federal or State regulation. If a Client is introduced to Hampton Rock WM by a promoter, Hampton Rock WM may pay that promoter a fee. While the specific terms of each

agreement may differ, generally, the compensation will be a flat fee per referral, or a percentage of the introduced capital. Any such fee will be paid solely from Hampton Rock WM's investment management fee and shall not result in any additional charge to the Client.

Each prospective Client who is referred to Hampton Rock WM under such an arrangement will receive a separate written disclosure document disclosing the nature of the relationship between the solicitor and Hampton Rock WM.

### Item 15 – Custody

All assets are held at qualified custodians, which means the custodians provide account statements directly to Clients at least quarterly. Clients are urged to compare the account statements received directly from their custodians to any documentation or reports prepared by Hampton Rock WM.

Under government regulations, Hampton Rock WM is deemed to have limited custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them.

Hampton Rock WM has limited custody due to having standing letters of authorization ("SLOA") to direct third-party payments. Hampton Rock WM will meet the following seven conditions when a SLOA has been established with a Client to be exempted from the annual audit requirement:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer will be directed.
2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Hampton Rock WM is not affiliated with Schwab. Schwab does not supervise Hampton Rock WM, its employees or activities.

#### Item 16 – Investment Discretion

If applicable, Client will authorize Hampton Rock WM discretionary authority, via the Advisory Agreement, to determine, without obtaining specific Client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. If applicable, Client will authorize Hampton Rock WM discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement. If, however, consent for discretion is not given, Hampton Rock WM will obtain prior Client approval before executing each transaction.

Hampton Rock WM allows Clients to place certain restrictions, as outlined in the Client's Investment Policy Statement or similar document. Such restrictions could include only allowing purchases of socially conscious investments. These restrictions must be provided to Hampton Rock WM in writing.

The Client approves the custodian to be used and the commission rates paid to the custodian. Hampton Rock WM does not receive any portion of the transaction fees or commissions paid by the Client to the custodian.

#### Item 17 – Voting Client Securities

Hampton Rock WM will not vote client proxies. Instead, clients will receive proxy voting information directly from the issuer and/or custodian of the security. Clients will not receive any such proxy voting material from Hampton Rock WM. When assistance on voting proxies is requested by the Client, Hampton Rock WM will provide recommendations to the Client. However, Hampton Rock WM will not have authority to vote proxies on behalf of the Client. If in the future Hampton Rock WM obtains authority to vote proxies, this Brochure will be appropriately amended. Clients may contact Hampton Rock WM at 512-256-9272 or by email at [DDodson@hamptonrockwealth.com](mailto:DDodson@hamptonrockwealth.com).

#### Item 18 – Financial Information

A. Balance Sheet

Hampton Rock WM does not require nor solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance, and as such, a balance sheet is not included in this document.

B. Financial Condition

At this time, neither Hampton Rock WM nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

Hampton Rock WM has not been the subject of a bankruptcy petition in the last ten years.

#### Item 19 – Requirements for State Registered Advisors

Hampton Rock WM is an SEC registered investment adviser and as such, this item is not applicable.