

HILLCREST FINANCIAL GROUP

a Registered Investment Adviser



HILLCREST FINANCIAL GROUP

Advice • Investments

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This brochure provides information about the qualifications and business practices of DDFG, Inc. dba Hillcrest Financial Group (hereinafter “Hillcrest Financial Group” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number 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. Additional information about the Firm is available on the SEC’s website at www.adviserinfo.sec.gov. The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

In this Item, Hillcrest Financial Group is required to discuss any material changes that have been made to the brochure since the last annual amendment on March 22, 2023.

Item 4: Added ERISA disclosure for clients with retirement accounts.

Item 5: Added insurance agency affiliation disclosure.

Item 8: Added cybersecurity risks associated with investing.

Item 10: Removed insurance agency affiliation disclosure (moved to Item 5).

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Item 4. Advisory Business

Hillcrest Financial Group offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Hillcrest Financial Group rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Hillcrest Financial Group setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Hillcrest Financial Group filed for registration as an investment adviser in December 2021 and is owned by David Harrington and Dean Solomon. As of December 31, 2023, Hillcrest Financial Group has \$392,120,000 of assets under management; all of which are managed on a discretionary basis.

While this brochure generally describes the business of Hillcrest Financial Group, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on Hillcrest Financial Group’s behalf and are subject to the Firm’s supervision or control.

Financial Planning and Consulting Services

Hillcrest Financial Group offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- Cash Flow Forecasting
- Trust and Estate Planning
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Education Planning

In performing these services, Hillcrest Financial Group is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Hillcrest Financial Group recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Hillcrest Financial Group or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Hillcrest Financial Group under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Hillcrest Financial Group’s recommendations and/or services.

Wealth Management Services

Hillcrest Financial Group provides clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary management of investment portfolios.

Hillcrest Financial Group primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), and individual debt and equity securities in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage Hillcrest Financial Group to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Hillcrest Financial Group directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider.

Hillcrest Financial Group tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Hillcrest Financial Group consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints, and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Hillcrest Financial Group if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if Hillcrest Financial Group determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

ERISA Disclosure for Clients with Retirement Accounts

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Retirement Plan Consulting Services

Hillcrest Financial Group provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing, and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and includes any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by Hillcrest Financial Group as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Hillcrest Financial Group’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

Item 5. Fees and Compensation

Hillcrest Financial Group offers services for fees based upon assets under management. Additionally, certain of the Firm’s Supervised Persons, in their individual capacities, offer insurance products under a separate commission-based arrangement.

Financial Planning and Consulting Fees

Hillcrest Financial Group charges a fixed fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$1,500 to \$10,000 depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Hillcrest Financial Group can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement. For project-based services Hillcrest Financial Group requires one-half of the fee payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. Ongoing services are charged as described in the investment management section, below. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees, six or more months in advance of services rendered.

Wealth Management Fees

Hillcrest Financial Group offers wealth management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies in accordance with the following fee schedule:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$1,000,000	1.25%
\$1,000,000 - \$3,000,000	1.00%
Above \$3,000,000	Negotiable

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Hillcrest Financial Group on the last day of the previous quarter as determined by a party independent from the Firm (including the client's custodian or another third-party).

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Hillcrest Financial Group can negotiate a fee rate that differs from the range set forth above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Hillcrest Financial Group for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

Retirement Plan Consulting Fees

Hillcrest Financial Group charges an asset-based fee to provide clients with retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fees vary, based on the scope of the services to be rendered, and ranges up to 75 basis points (0.75%), depending upon services provided and the amount of assets to be advised on.

Fee Discretion

Hillcrest Financial Group may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of

assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

Additional Fees and Expenses

In addition to the advisory fees paid to Hillcrest Financial Group, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges include securities brokerage commissions, transaction fees, custodial fees, margin and other borrowing costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

Direct Fee Debit

Clients provide Hillcrest Financial Group with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Hillcrest Financial Group.

Use of Margin

Hillcrest Financial Group can recommend that certain clients utilize margin in the client’s investment portfolio or other borrowing. Hillcrest Financial Group only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm’s fees are determined based upon the value of the assets being managed gross of any margin or borrowing.

Account Additions and Withdrawals

Clients can make additions to and withdrawals from their account at any time, subject to Hillcrest Financial Group’s right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients can withdraw account assets on notice to Hillcrest Financial Group, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. Hillcrest Financial Group may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

Outside Compensation for the Sale of Securities or Other Investment Products to Clients

Hillcrest Financial Group does not buy or sell securities and does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

Insurance Agency Affiliations

Certain supervised persons of our firm are licensed insurance professionals. As an insurance professional, they earn commission-based compensation for selling insurance products, including insurance products sold to clients. Insurance commissions earned by these individuals are separate and in addition to the firm's advisory fees. This practice presents a conflict of interest because the person providing investment advice on behalf of our firm who is also an insurance agent has an incentive to recommend insurance products to clients for the purpose of generating commissions rather than solely based on client needs. However, clients are under no obligation to purchase insurance products through any persons affiliated with our firm.

Item 6. Performance-Based Fees and Side-by-Side Management

Hillcrest Financial Group does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

Item 7. Types of Clients

Hillcrest Financial Group offers services to individuals, trusts, estates, corporations, and other business entities.

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

Investment Strategies and Methods of Analysis

Hillcrest Financial Group's investment strategies and advice varies depending upon each client's specific financial plan, risk tolerance, liquidity needs and time horizon. Upon evaluation of the client's financial needs, the Firm works to determine the appropriate investment strategies that incorporate diversification, liquidity and transparency with any unique income and tax sensitivity needs that may be appropriate.

Hillcrest Financial Group develops the investment strategy based on the unique risk tolerance by utilizing Modern Portfolio Theory (MPT). MPT is a method of selecting investment allocation in order to maximize return based on a level of risk. At its core MPT employs diversification. By creating an optimized allocation of various asset classes the Firm seeks to achieve a risk adjusted rate of return based on the client's tolerance to risk and volatility. Hillcrest Financial Group evaluates single securities' correlation and variance in constructing an overall diversified investment strategy that blends asset classes with different levels of

volatility and sensitivity to market cycles. A portfolio of mutual funds, exchange traded funds, index funds and individual securities is developed in order to achieve a diversified portfolio with a specific risk tolerance.

Macroeconomic Analysis is used to determine investment allocation. Based on a top-down approach, the economic cycle is evaluated based on growth rates, interest rates, industry health, consumer sentiment, and economic forecasts. This top down approach is used to determine the investments that may provide the optimal risk and return characteristics. Fundamental analysis is used to evaluate profitability and health of individual sectors, industry groups, or individual companies. Valuations are measured based on metrics such as, but not limited to, price-to- earnings ratio, market capitalizations, debt ratios, and analyst ratings.

Security selection is based on evaluation of costs, performance, manager tenure, correlation to underlying benchmark and fit within the overall portfolio.

Risk of Loss

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

Market Risks

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Hillcrest Financial Group's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that Hillcrest Financial Group will be able to predict these price movements accurately or capitalize on any such assumptions.

Volatility Risks

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

Cash Management Risks

The Firm may invest some of a client's assets in money market funds or other similar types of investments that have low returns. Those assets may impact the overall performance of the portfolio.

Equity-Related Securities and Instruments

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization, and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

Fixed Income Securities

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its

potential for price declines.

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Management through Similarly Managed "Model" Accounts

Hillcrest Financial Group manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

Currency Risks

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

Interest Rate Risks

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

Cybersecurity Risks

The computer systems, networks, and devices used by Hillcrest Financial Group and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. Clients could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Item 9. Disciplinary Information

Hillcrest Financial Group has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

Hillcrest Financial Group does not have any financial industry activities and affiliations to disclose under this item.

Item 11. Code of Ethics

Hillcrest Financial Group has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Hillcrest Financial Group's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices

such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Hillcrest Financial Group's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact Hillcrest Financial Group to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.

Item 12. Brokerage Practices

Recommendation of Broker-Dealers for Client Transactions

Hillcrest Financial Group recommends that clients utilize the custody, brokerage, and clearing services of Fidelity Brokerage Services LLC (together with affiliates, "Fidelity") for investment management accounts. The final decision to custody assets with Fidelity is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Hillcrest Financial Group is independently owned and operated and not affiliated with

Fidelity. Fidelity provides Hillcrest Financial Group with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which Hillcrest Financial Group considers in recommending Fidelity or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. Fidelity enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Hillcrest Financial Group's clients to Fidelity comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Hillcrest Financial Group determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Hillcrest Financial Group seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Hillcrest Financial Group in its investment decision-making process. Such research will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Hillcrest Financial Group does not have to produce or pay for the products or services.

Hillcrest Financial Group periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Software and Support Provided by Financial Institutions

Hillcrest Financial Group receives without cost from Fidelity administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow Hillcrest Financial Group to better monitor client accounts maintained at Fidelity and otherwise conduct its business. Hillcrest Financial Group receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Fidelity. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits Hillcrest Financial Group, but not its clients directly. Clients should be aware that Hillcrest Financial Group's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support, or services. In fulfilling its duties to its clients, Hillcrest Financial Group

endeavors at all times to put the interests of its clients first and has determined that the recommendation of Fidelity is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, Hillcrest Financial Group receives the following benefits from Fidelity: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

Fidelity also makes available to the Firm, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Hillcrest Financial Group (within specified parameters). These research and brokerage services are used by the Firm to manage accounts for which it has investment discretion.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Fidelity. Fidelity's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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.

For client accounts maintained in its custody, Fidelity generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts.

Fidelity also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional, or Firm specific educational events organized and/or sponsored by Fidelity. Other potential benefits may include occasional business entertainment of personnel of Hillcrest Financial Group by Fidelity personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Hillcrest Financial Group in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Fidelity. Fidelity also makes available to Hillcrest Financial Group other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications, and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Fidelity may make available, arrange, and/or pay vendors for these types of services rendered to the Firm

by independent third parties. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, Hillcrest Financial Group endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Fidelity may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity, which creates a potential conflict of interest.

Brokerage for Client Referrals

Hillcrest Financial Group does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

Directed Brokerage

The client may direct Hillcrest Financial Group in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Hillcrest Financial Group (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Hillcrest Financial Group may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Trade Aggregation

Transactions for each client will be effected independently, unless Hillcrest Financial Group decides to purchase or sell the same securities for several clients at approximately the same time. Hillcrest Financial Group may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Hillcrest Financial Group's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Hillcrest Financial Group's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Hillcrest Financial Group does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Item 13. Review of Accounts

Account Reviews

Hillcrest Financial Group monitors client portfolios on a continuous and ongoing basis and regular account reviews are conducted on a regular basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Hillcrest Financial Group and to keep the Firm informed of any changes thereto.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Hillcrest Financial Group and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Hillcrest Financial Group or an outside service provider.

Item 14. Client Referrals and Other Compensation

Client Referrals

In the event a client is introduced to Hillcrest Financial Group by an affiliated party, the Firm may pay that person a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Hillcrest Financial Group's investment management fee and does not result in any additional charge to the client. Any affiliated person of Hillcrest Financial Group is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation.

Other Compensation

The Firm receives economic benefits from Fidelity. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

Item 15. Custody

Hillcrest Financial Group is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

Item 16. Investment Discretion

Hillcrest Financial Group is given the authority to exercise discretion on behalf of clients. Hillcrest Financial Group is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Hillcrest Financial Group is given this authority through a power-of-attorney included in the agreement between Hillcrest Financial Group and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Hillcrest Financial Group takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

Item 17. Voting Client Securities

Hillcrest Financial Group does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

Item 18. Financial Information

Hillcrest Financial Group is not required to disclose any financial information listed in the instructions to Item 18 because:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.