

# Hardy Reed ADV Part 2A Brochure 2024

## ITEM 1 - COVER PAGE

HARDY REED, LLC

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3/20/2024

This Brochure provides information about the qualifications and business practices of Hardy Reed, LLC. If you would like a full copy of this Brochure, please contact us at 662-823-4722 and/or [info@hardyreed.com](mailto:info@hardyreed.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Hardy Reed, LLC is a Registered Investment Adviser ("Adviser"). Registration with the United States Securities and Exchange Commission or any state securities authority does not imply any level of skill or training. Additional information about Hardy Reed, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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CERTIFICATION PLEASE VISIT **HARDYREED.COM**

## **ITEM 2 - MATERIAL CHANGES**

Since the last annual amendment filed in March 2023, the following is a summary of the material changes to this brochure:

- In March 2024, Hardy Reed updated fee range information in Item 4.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our company's fiscal year. We may further provide ongoing disclosure information about material changes as necessary.

We will provide you, as needed and without charge, with a new Brochure based on changes or new information.



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**ITEM 4 - ADVISORY BUSINESS**

Hardy Reed, LLC (“Hardy Reed” or “the firm”) provides financial planning, wealth management and investment management services to individuals and high-net-worth individuals, trusts and estates. Hardy Reed also provides fiduciary consulting, pension consulting and investment management services to pension and profit-sharing plans, and it provides fiduciary services and investment management services to charitable organizations, corporations and business entities.

Scott Reed and John C. Hardy created Hardy Reed on August 18, 2006 and are the principal owners. Mr. Reed is Chief Executive Officer, and Mr. Hardy is President.

As of December 31, 2023, Hardy Reed, LLC had:

- \$2,341,496,112 in advised assets and fiduciary services assets for 360 clients -
  - This includes \$1,865,178,577 in regulatory assets under management for 348 clients,
  - Plus \$476,317,535 in assets under advisement for 12 clients.

***Investment Management Services***

Hardy Reed may provide its clients with a broad range of comprehensive financial planning, consulting and investment advisory services (which may include non-investment-related matters) on the following types of investments:

- Mutual funds
- Exchange traded funds (ETFs)
- Equity securities (including exchange-listed, over-the-counter and foreign-issued securities)
- Separately Managed Accounts
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit (CDs)
- Municipal securities
- Investment company securities (including variable life insurance and variable annuities)
- United States government and agency securities
- Any type of investment held in a client’s portfolio at the beginning of the advisory relationship

Hardy Reed also may render nondiscretionary investment management services to clients relative to (1) variable life/annuity products that they may own and/or (2) their individual employer-sponsored retirement plans. In so doing, Hardy Reed either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be





maintained at either the specific insurance company that issued the variable life/annuity product owned by the client or at the custodian designated by the sponsor of the client's retirement plan.

Hardy Reed generally recommends that clients utilize the brokerage and clearing services of Fidelity Investments and its affiliates (collectively "Fidelity") for investment management accounts. Hardy Reed does not receive any fees or commissions for this referral.

Hardy Reed primarily allocates its clients' investment management assets, on a discretionary basis, among mutual funds and ETFs in accordance with the investment objectives of the client. Hardy Reed may allocate its clients' investment management assets on a limited, discretionary basis among Separate Account Managers and fund of funds in accordance with the investment objectives of the client.

For certain clients, Hardy Reed may recommend a sub-adviser, also known as a Separate Account Manager, to manage a separate portfolio of individual securities. When Hardy Reed recommends a Separate Account Manager, the client authorizes the active discretionary management of a portion of their assets by and/or among certain investment advisers, based on the stated investment objectives of the client. Hardy Reed shall continue to render services to the client relative to the discretionary selection of Separate Account Managers and will continue to monitor and review the client's account performances and investment objectives. When selecting a Separate Account Manager for a client, Hardy Reed shall review information about the Separate Account Manager, such as its disclosure statement and/or material supplied by the Separate Account Manager or its parties, to assess the Separate Account Manager's investment strategies, past performance and risk profile to the extent available. The client will pay a separate fee to the Separate Account Manager in addition to the fee paid to Hardy Reed. Hardy Reed receives no part of the Separate Account Manager fee, nor does Hardy Reed receive any additional compensation related to a client utilizing a Separate Account Manager.

Hardy Reed may implement its investment management recommendations only after the client has arranged for and furnished Hardy Reed with appropriate information and authorization regarding accounts to be managed by Hardy Reed with selected financial institutions. Financial institutions shall include, but are not limited to, Fidelity, any other broker-dealer recommended by Hardy Reed, a broker-dealer directed by the client, trust companies, banks, etc.

When Hardy Reed provides investment advice to you regarding your retirement plan account or individual retirement account, Hardy Reed is 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 Hardy Reed makes money creates some conflicts with your interests, so Hardy Reed operates under a special rule that requires Hardy Reed to act in your best interest and not put our interest ahead of yours.

When appropriate, we use a third-party platform to facilitate management of held away assets, with discretion, and may leverage an Order Management System to implement tax-efficient asset location and opportunistic rebalancing strategies on behalf of the client. These are primarily defined contribution plan participant accounts, 401(k) accounts, HSAs, and other assets. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades.



We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, Hardy Reed will review the current account allocations. When deemed necessary, Hardy Reed will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The securities utilized by Hardy Reed for investment in these particular client accounts are typically limited to the available account options, over which Hardy Reed has no control. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed on a regular basis and allocation changes will be made as deemed necessary.

***Financial Planning and Consulting Services***

Hardy Reed offers personal comprehensive financial planning services to set forth goals, objectives and implementation strategies for the client over the long-term. Depending upon individual client requirements, the comprehensive financial plan will include recommendations for retirement planning, educational planning, estate planning, cash flow planning, tax planning and insurance needs and analysis. Hardy Reed prepares and provides the financial planning client with a written comprehensive financial plan and performs quarterly, semi-annual or annual reviews of the plan with the client, dependent on the client's needs in accordance with the financial planning agreement. The client is under no obligation to act on any of the recommendations made by Hardy Reed. Moreover, clients are advised that it remains their responsibility to promptly notify Hardy Reed if their financial situation or investment objectives change and they wish to review, evaluate or revise Hardy Reed's previous recommendations and/or services or to impose any reasonable restrictions on Hardy Reed's management services.

***Information Received From Clients***

Hardy Reed will not assume any responsibility for the accuracy of the information provided by clients. Hardy Reed is not obligated to verify any information received from a client or other professionals (e.g., attorney, accountant) designated by a client, and Hardy Reed is expressly authorized by the client to rely on such information provided. Under all circumstances, clients are responsible for promptly notifying Hardy Reed in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance.

Hardy Reed cannot provide any guarantees or promises that a client's financial goals and objectives will be met.



## ITEM 5 - FEES AND COMPENSATION

### ***Investment Advisory Services***

Prior to engaging Hardy Reed to provide any investment advisory services, the client will be required to enter into one or more written agreements with Hardy Reed setting forth the terms and conditions under which Hardy Reed shall render its services. For individually managed client accounts for individuals, the maximum annual fee charged for this service will not exceed 1.5%. Clients will be billed based on a flat fee or a tiered structure, as agreed upon with each client and set forth in each client's executed agreement.

For Institutional clients, including retirement plans and nonprofits, fees are individually negotiated based on the scope of services, as outlined below.

Hardy Reed's annual fee is prorated and charged quarterly in advance, based on the market value of the assets on the last day of the previous quarter. Hardy Reed reserves the right to negotiate or waive fees for various reasons.

### ***Financial Planning Services***

Prior to engaging Hardy Reed to provide financial planning services, the client will be required to enter into one or more written agreements with Hardy Reed setting forth the terms and conditions under which Hardy Reed shall render its services. If engaged, Hardy Reed generally charges a flat or fixed fee based on the scope of services.

Generally, Hardy Reed requires one-half of the financial planning fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed-upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates Hardy Reed's financial planning services, the balance of Hardy Reed's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall be entitled to a full refund. Hardy Reed's financial planning fees are negotiable but will never exceed a \$10,000 fixed fee or a \$250 hourly fee, depending on the level and scope of the services and the professional rendering the financial planning services. Fee paying arrangements will be determined on a case-by-case basis and will be detailed in the signed Financial Planning Agreement.

The financial planning analysis performed by Hardy Reed can and does include recommendations for investment advisory services that Hardy Reed provides. A consulting or financial planning client is not required to engage Hardy Reed for investment advisory services recommended during the consulting and financial planning analysis.



***Fees for Held Away Assets***

Investment management fees are charged quarterly in advance, based on the market value of the assets on the last day of the previous quarter, prorated account during the initial period, as outlined above. The exception for this is directly-managed held-away accounts, such as 401(k)'s. As it is impossible to directly debit the fees from these accounts, those fees will be assigned to the client's taxable accounts on a pro-rata basis. If the client does not have a taxable account, those fees will be billed directly to the client. The payment, method, and amount are set forth in a mutually agreed upon agreement executed by Hardy Reed and the client.

**Fiduciary Services**

Prior to engaging Hardy Reed to provide fiduciary services – which may include any or all of the following: fiduciary training, fiduciary assessment, preparation for CEFEX certification and ongoing fiduciary consulting – the client will be required to enter into one or more written agreements with Hardy Reed setting forth the terms and conditions under which Hardy Reed shall render its services. If engaged, Hardy Reed generally charges a flat or fixed fee based on the scope of services.

Generally, Hardy Reed requires one-half of the fiduciary services fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon completion of the agreed-upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates Hardy Reed's fiduciary services, the balance of Hardy Reed's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall be entitled to a full refund. Hardy Reed's fiduciary services fees are negotiable but will never exceed a \$50,000 fixed fee or a \$250 hourly fee, depending on the level and scope of the services and the professional rendering the fiduciary services.

The fiduciary services performed by Hardy Reed may include an assessment of the client's current investment advisory/management services. Hardy Reed may provide similar investment management services which may be a material conflict of interest. A fiduciary services client is not required to engage Hardy Reed for investment advisory services.

**Pension Advisory and Consulting Services**

Prior to engaging Hardy Reed to provide pension advisory and consulting services a client will be required to enter into one or more written agreements with Hardy Reed setting forth the terms and conditions under which Hardy Reed shall render its services. These services may include one or more of the following: ERISA section 3(38) investment management, plan governance consulting, ERISA consulting, fiduciary consulting, and or investment selection and monitoring services. If engaged, Hardy Reed generally charges a flat or fixed rate fee based on the complexity, scope of services and plan assets.

Hardy Reed's pension services fees are negotiable, and generally will not exceed \$50,000, or a \$250.00 hourly fee – depending upon the level, scope of services and experience of the individual providing those services. Hardy Reed may charge an asset-based fee instead of a flat or fixed fee. The annual asset-based fee shall vary depending on the market value of the assets under management. If Hardy Reed chooses to charge a flat or fixed annual fee, such fee shall be prorated and charged quarterly in advance. Hardy Reed reserves the right to negotiate fees for various reasons.



Either party may terminate the agreement by written notice to the other. In the event the client terminates Hardy Reed's pension advisory and consulting services, the balance of Hardy Reed's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall be entitled to a full refund.

The pension advisory and consulting services performed by Hardy Reed may include an assessment of the client's current investment advisory/management services. Hardy Reed may provide similar investment advisory/management services which may be a material conflict of interest. A pension advisory and consulting services client is not required to engage Hardy Reed for Investment advisory services.

### **Payment of Fees**

Hardy Reed's agreement and/or any agreement with a custodial financial institution may authorize Hardy Reed to debit the client's account for the amount of Hardy Reed's fee through the custodial financial institution. Upon engaging Hardy Reed to manage such account(s), a client grants Hardy Reed this limited authority through a written instruction to the custodian of his/her account(s). The client is responsible for verifying the accuracy of the calculation of the advisory fee; the custodian will not determine whether the fee is accurate or properly calculated. See Section A herewith for further information on fee billing. A client may utilize the same procedure for financial planning or consulting fees if the client has investment accounts held at a custodian. The custodian of the client's accounts provides each client with a statement, at least quarterly, indicating separate line items for all amounts disbursed from the client's account(s), including any fees paid directly to Hardy Reed.

Although clients generally are required to have their investment advisory fees deducted from their accounts, in some cases, Hardy Reed will directly bill a client for investment advisory fees if it determines that such billing arrangement is appropriate given the circumstances. In certain circumstances, Hardy Reed has implemented an independent third party payment solution through AdvicePay for the convenience of clients.

Clients may make additions to and withdrawals from their account at any time, subject to Hardy Reed's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets at any time on notice to Hardy Reed, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Hardy Reed 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.

The investment advisory agreement between Hardy Reed and the client may be terminated at will by either party upon written notice. Hardy Reed does not impose termination fees when the client terminates the investment advisory relationship, except when agreed upon in advance.



***Clients Responsible for Fees Charged by Financial Institutions and External Money Managers***

In connection with Hardy Reed's management of an account, a client will incur fees and/or expenses separate from and in addition to Hardy Reed's advisory fee. These additional fees may include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF, separate account manager (and the manager's platform manager, if any), limited partnership, or other advisor, transfer taxes, odd lot differentials, exchange fees, interest charges, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees that reasonably may be borne by a brokerage account. For External Managers, clients should review each manager's Form ADV 2A disclosure brochure and any contract they sign with the External Manager (in a dual contract relationship). The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

***Prepayment of Fees***

As noted in Item 5(B) above, Hardy Reed's advisory fees generally are paid in advance. The client may make additions to and withdrawals from the account at any time, subject to Hardy Reed's right to terminate an account. If assets are deposited into or withdrawn from an account after a quarter begins, the fee payable with respect to such assets is not adjusted or prorated based on the number of days remaining in the quarter. Clients may withdraw account assets on notice to Hardy Reed, subject to the usual and customary securities settlement procedures. Hardy Reed designs its portfolios as long-term investments, and asset withdrawals may impede achievement of a client's investment objectives. The agreement between Hardy Reed and the client will continue in effect until terminated by either party pursuant to the terms of the agreement. Hardy Reed's fee shall be prorated through the date of termination, and any remaining balance shall be charged or refunded to the client, as directed by the client and as appropriate, in a timely manner.

For the initial quarter of investment management services, the fees shall be calculated on a pro rata basis. Hardy Reed does not impose an account minimum for starting or maintaining an account. However, Hardy Reed generally does impose a minimum annual fee of \$10,000 for its investment management services. This minimum fee may have the effect of making Hardy Reed's services impractical for clients with small accounts. Hardy Reed may negotiate a lower client management fee based on certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and pro bono activities.



**ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Hardy Reed does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Hardy Reed's fees are calculated as described in Item 5 above.

**ITEM 7 – TYPES OF CLIENTS**

Hardy Reed provides financial planning, wealth management and investment advisory services to individuals and high-net-worth individuals, trusts and estates. Hardy Reed also provides fiduciary consulting, pension consulting and investment advisory/management services to pension and profit-sharing plans, and it provides fiduciary services and investment management services to charitable organizations, corporations and business entities.

**ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS*****Methods of Analysis***

A primary step in Hardy Reed's investment strategy is getting to know the clients – to understand their financial condition, risk profile, investment goals, tax situation, and liquidity constraints – and assemble a complete picture of their financial situation. To aid in this understanding, Hardy Reed offers clients financial planning that is highly customized and tailored. This comprehensive approach is integral to the way that Hardy Reed does business. Once Hardy Reed has a true understanding of its clients' needs and goals, the investment process can begin, and the Firm can recommend strategies and investments that it believes are aligned with the client's goals and risk profile.

Hardy Reed primarily employs fundamental analysis methods in developing investment strategies for its clients. Research and analysis from Hardy Reed is based on numerous sources, including third-party research materials and publicly-available materials, such as company annual reports, prospectuses, and press releases.

Hardy Reed generally employs a long-term investment strategy for its clients, as consistent with their financial goals. At times, the Firm may also buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class. Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, income needs, long-term wealth transfer objectives, time horizon and choice of custodian are all factors that influence Hardy Reed's investment recommendations.

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and can involve a high degree of risk.



**Material Risks Involved**

Investing in securities involves a significant risk of loss which clients should be prepared to bear. Hardy Reed's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions will not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made.

Generally, the market value of equity stocks will fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. In addition, there is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

Additional risks involved in the securities recommended by Hardy Reed include, among others:

- *Stock market risk*, which is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security will decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks not increase in price, not issue the anticipated stock dividends, or decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks, but may lag behind growth stocks in an up market.





- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company will go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the U.S. markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by Hardy Reed may not produce the desired results and that legislative, regulatory, or tax developments, affect the investment techniques available to Hardy Reed. There is no guarantee that a client's investment objectives will be achieved.
- *Real estate risk*, which is the risk that an investor's investments in Real Estate Investment Trusts ("REITs") or real estate-linked derivative instruments will subject the investor to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. An investment in REITs or real estate-linked derivative instruments subjects the investor to management and tax risks.
- *Investment companies ("Mutual Funds") risk*, when an investor invests in mutual funds, the investor will bear additional expenses based on his/her pro rata share of the mutual fund's operating expenses, including the management fees. The risk of owning a mutual fund generally reflects the risks of owning the underlying investments the mutual fund holds.
- *Commodity risk*, generally commodity prices fluctuate for many reasons, including changes in market and economic conditions or political circumstances (especially of key energy-producing and consuming countries), the impact of weather on demand, levels of domestic production and imported commodities,



energy conservation, domestic and foreign governmental regulation (agricultural, trade, fiscal, monetary and exchange control), international politics, policies of OPEC, taxation and the availability of local, intrastate and interstate transportation systems and the emotions of the marketplace. The risk of loss intrading commodities can be substantial.

- *Cybersecurity risk*, which is the risk related to unauthorized access to the systems and networks of Hardy Reed and its service providers. The computer systems, networks and devices used by Hardy Reed 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. A client 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 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 other compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issues 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 those entities in order to prevent any cybersecurity breaches in the future.
- *Alternative investments/private funds risk*, investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:
  - Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
  - Lack of liquidity in that there may be no secondary market for the investment and none expected to develop;
  - Volatility of returns;
  - Restrictions on transferring interests in the investment;
  - Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single adviser is utilized;
  - Absence of information regarding valuations and pricing;
  - Delays in tax reporting;
  - Less regulation and higher fees than mutual funds;
  - Risks associated with the operations, personnel, and processes of the manager of the funds investing in alternative investments.
- *Closed-end funds risk*, Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.



Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. Hardy Reed does not guarantee the future performance of a client's portfolio, as investing in securities involves the risk of loss that clients should be prepared to bear.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss.

## **ITEM 9 - DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Hardy Reed or the integrity of Hardy Reed's management. Hardy Reed has no information applicable to this item.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither Hardy Reed nor its employees are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Hardy Reed nor its employees are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Hardy Reed may provide its clients with a broad range of comprehensive financial planning and/or consulting services (which may include non-investment-related matters). Hardy Reed may charge a separate fee for these services, which shall be agreed upon prior to rendering the services.

### ***Recommendation of External Managers***

Hardy Reed may recommend that clients use External Managers based on clients' needs and suitability. Hardy Reed does not receive separate compensation, directly or indirectly, from such External Managers for recommending that clients use their services. Hardy Reed does not have any other business relationships with the recommended External Managers.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENTS TRANSACTIONS AND PERSONAL TRADING**

Hardy Reed has adopted a Code of Ethics for all Access Persons of the firm, describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to conflicts of interest, outside business activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by Access Persons. All Access Persons at Hardy Reed must acknowledge the terms of the Code of Ethics annually or as amended.



Subject to satisfying this policy and applicable laws, officers, directors and employees of Hardy Reed and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for Hardy Reed's clients. Personal securities transactions of supervised persons present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, supervised persons to report their personal securities holdings and transactions to Hardy Reed for review by the Firm's Chief Compliance Officer. The Code also requires supervised persons to obtain pre-approval of certain investments, including initial public offerings and limited offerings.

Hardy Reed's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Anita M. Giglio, Vice President of Client Services, at 662-823-4722 or [agiglio@hardyreed.com](mailto:agiglio@hardyreed.com).

Hardy Reed and individuals associated with our firm are prohibited from engaging in principal or agency cross-transactions.

## ITEM 12 - BROKERAGE PRACTICES

### ***Factors Used to Select Custodians and/or Broker-Dealers***

Hardy Reed generally recommends that its investment management clients utilize the custody and brokerage services of an unaffiliated broker/dealer custodian (a "BD/Custodian") with which Hardy Reed has an institutional relationship. Currently, this includes Fidelity which is a "qualified custodian" as that term is described in Rule 206(4)-2 of the Advisers Act. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed on behalf of clients by Hardy Reed. If your accounts are custodied at Fidelity, Fidelity will hold your assets in a brokerage account and buy and sell securities when we instruct them to. Clients will pay fees to Fidelity for custody and the execution of securities transactions in their accounts.

In making BD/Custodian recommendations, Hardy Reed will consider a number of judgmental factors, including, without limitation: 1) clearance and settlement capabilities; 2) quality of confirmations and account statements; 3) the ability of the BD/Custodian to settle the trade promptly and accurately; 4) the financial standing, reputation and integrity of the BD/Custodian; 5) the BD/Custodian's access to markets, research capabilities, market knowledge, and any "value added" characteristics; 6) Hardy Reed's past experience with the BD/Custodian; and 7) Hardy Reed's past experience with similar trades. Recognizing the value of these factors, clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. Hardy Reed has a duty to obtain "best execution" when executing a client's trades. Consistent with the foregoing, while Hardy Reed will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests Hardy Reed arrange for the execution of securities brokerage transactions for the client's account, Hardy Reed shall direct such transactions through broker-dealers that Hardy Reed reasonably believes will provide best execution. Hardy Reed shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.



Transactions for each client generally will be effected independently, unless Hardy Reed decides to purchase or sell the same securities for several clients at approximately the same time. Hardy Reed may (but is not obligated to) combine or “aggregate” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Hardy Reed’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, the purchase and sale orders placed for each client on any given day will generally be averaged as to price and allocated pro rata among Hardy Reed’s clients. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm’s supervised persons may invest, the Firm will generally do so in a fair equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

In exchange for using the services of Fidelity, Hardy Reed may receive, without cost, computer software and related systems support that allows Hardy Reed to monitor and service its clients’ accounts maintained with Fidelity. Fidelity also makes available to the Firm products and services that benefit the Firm but may not directly benefit the client or the client’s account. These products and services assist Hardy Reed in managing and administering client accounts. They include investment research, both Fidelity’s own and that of third parties. Hardy Reed may use this research to service all or some substantial number of client accounts, including accounts not maintained at Fidelity. In addition to investment research, Fidelity also makes available software and other technology that:

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

Fidelity also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

Fidelity may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the Firm. Fidelity may also discount or waive its fees for some of these services or pay all or a part of a third party’s fees. Fidelity may also provide the Firm with other benefits such as occasional business entertainment of Firm personnel. The benefits received by Hardy Reed through its participation in the Fidelity custodial platform do not depend on the amount of brokerage transactions directed to Fidelity. In addition, there is no corresponding commitment made by Hardy Reed to Fidelity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of participation in the program.



While as a fiduciary, we endeavor to act in our clients' best interests, our recommendation that clients maintain their assets in accounts at Fidelity will be based in part on the benefit to Hardy Reed of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. The receipt of these benefits creates a potential conflict of interest and may indirectly influence Hardy Reed's choice of Fidelity for custody and brokerage services.

Hardy Reed will periodically review its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. 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 broker-dealer's services, including, but not limited to, the following:

- A broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- A broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- A broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- A broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- A broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

### ***Client-Directed Brokerage***

Hardy Reed's clients may utilize qualified custodians other than Fidelity for certain accounts and assets, particularly where clients have a previous relationship with such qualified custodians. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer.

In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if Hardy Reed exercised its discretion in selecting the broker-dealer to execute the transactions. Directing brokerage to a particular broker-dealer may involve the following disadvantages to a directed brokerage client:



- Hardy Reed's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- Such clients could be denied the benefit of Hardy Reed's experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- Opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- The client could receive less favorable prices on securities transactions because Hardy Reed may place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

In addition to accounts managed by Hardy Reed on a discretionary basis where the client has directed the brokerage of his/her account(s), certain institutional accounts may be managed by Hardy Reed on a non-discretionary basis and are held at custodians selected by the institutional client. The decision to use a particular custodian and/or broker-dealer generally resides with the institutional client. Hardy Reed endeavors to understand the trading and execution capabilities of any such custodian and/or broker-dealer, as well as its costs and fees. Hardy Reed may assist the institutional client in facilitating trading and other instructions to the custodian and/or broker-dealer in carrying out Hardy Reed's investment recommendations.

### ***Trade Errors***

Hardy Reed's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, Hardy Reed endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at Fidelity, or another BD, as the case may be. In the event an error is made in a client account custodied elsewhere, Hardy Reed works directly with the broker in question to take corrective action. In all cases, Hardy Reed will take the appropriate measures to return the client's account to its intended position.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### ***Investment Management Account Reviews***

For those clients to whom Hardy Reed provides investment advisory services, Hardy Reed monitors those portfolios as part of an ongoing process. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made. In addition, regular account reviews may be performed on a quarterly, semiannual or annual basis based on client preference.

### ***Financial Planning and Consulting Services Account Reviews***

For those clients to whom Hardy Reed provides financial planning and/or consulting services, reviews are conducted on an as-needed basis by one of Hardy Reed's designated personnel. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Hardy Reed and to keep Hardy Reed informed of any changes thereto. Hardy Reed shall offer an annual review to each client to discuss its previous services and/or recommendations along with the impact resulting from any changes in the client's financial situation and/or investment objectives. Financial planning reports are written and may consist of a net worth statement, cash flow



statement, estimated tax projections, education analysis, retirement analysis, insurance needs analysis, estate tax calculation, and an investment analysis. Reviews are conducted by an advisor of Hardy Reed who is appropriately licensed to provide financial planning services.

***Other Reviews and Triggering Factors***

In addition to the periodic reviews described above, reviews may be triggered by changes in an account holder's personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify Hardy Reed of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

***Regular Reports***

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts no less than quarterly. Those clients to whom Hardy Reed provides investment advisory services will also receive a report from Hardy Reed that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis (please also see Item 15 (Custody)). Hardy Reed also provides account reports during client meetings.

Those clients to whom Hardy Reed provides financial planning and/or consulting services will receive reports from Hardy Reed summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Hardy Reed.

Clients are urged to carefully review all custodial account statements and compare them to any statements and reports provided by Hardy Reed. Hardy Reed statements and reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

When Hardy Reed refers a client to certain Separate Account Manager(s), the investment manager's compensation is in addition to Hardy Reed's fee and is included in the total client advisory fee deducted by the custodian. Hardy Reed receives the Separate Account Manager's investment management fee from the client account. Hardy Reed is then responsible for paying the fee to the Separate Account Manager(s) in accordance with the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940 as amended, and any corresponding state securities laws, rules, regulations, or requirements.

Hardy Reed also does not receive benefits from third parties for providing investment advice to clients.





**ITEM 15- CUSTODY**

All clients must utilize a “qualified custodian” as detailed in Item 12. Clients are required to engage the custodian to retain their funds and securities and direct Hardy Reed to utilize the custodian for the client’s securities transactions. Hardy Reed’s agreement with clients and/or the clients’ separate agreements with the B/D Custodian may authorize Hardy Reed through such BD/Custodian to debit the clients’ accounts for the amount of Hardy Reed’s fee and to directly remit that fee to Hardy Reed in accordance with applicable custody rules.

Your account custodian has physical custody of your assets, but the SEC deems us to have legal custody over your assets if we are authorized to instruct the custodian to deduct our advisory fees directly from clients’ custodial accounts, when our personnel serve as trustee for advisory clients, general partner of a private investment fund, and when we have the authority to instruct the custodian to transfer assets to third parties pursuant to standing letters of authorization (“SLOA”). Hardy Reed reports having custody of client assets under Item 9 Part 1 of Form ADV and is required under Rule 206(4)-2 to obtain a custody audit to verify client assets over which they have authority as general partner or trustee. For the remaining assets, the SEC has exempted advisers from the custody audit requirement by rule or no-action relief. Clients will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address clients provide to the custodian. Clients should carefully review those statements promptly upon receipt, and to compare them with any reports they receive from us. Clients are encouraged to note that the account custodian does not verify the accuracy of Hardy Reed’s advisory fee calculation. For more information about custodians and brokerage practices, see “Item 12 - Brokerage Practices.”

**ITEM 16 - INVESTMENT DISCRETION**

Hardy Reed usually receives discretionary authority from the client at the outset of an advisory relationship pursuant to a grant of a limited power of attorney contained in Hardy Reed’s client agreement to select the type and amount of securities to be bought or sold. By granting Hardy Reed investment discretion, a client authorizes Hardy Reed to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Hardy Reed observes the investment policies, limitations and restrictions of the clients it advises. Clients may impose reasonable limitations in the form of specific constraints on any of these areas of discretion with the consent and written acknowledgement of Hardy Reed if Hardy Reed determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for Hardy Reed.



Hardy Reed may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Separate Account Managers, based on the stated investment objectives of the client. Hardy Reed shall continue to render services to the client relative to the discretionary selection of Separate Account Managers and to monitor and review the client's account performances and investment objectives.

#### **ITEM 17 - VOTING CLIENT SECURITIES**

Hardy Reed does not accept the authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. As a courtesy, Hardy Reed may provide information to clients regarding the clients' voting of proxies. In addition, Hardy Reed is not obligated to file, nor will it act in any legal capacity with respect to class action settlements or related proofs of claim.

#### **ITEM 18 - FINANCIAL INFORMATION**

Hardy Reed is not required to disclose any financial information pursuant to this item due to the following:

- a) Hardy Reed does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of rendering services;
- b) Hardy Reed is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts; and
- c) Hardy Reed has never been the subject of a bankruptcy petition.

