



## **Horizon Advisors, LLC**

2603 Augusta, Suite 1400  
Houston, TX 77057

Lawrence E. Maddox: 713-748-7000  
lmaddox@Horizon-Advisors.com  
www.Horizon-Advisors.com

October 2013

This brochure provides information about the qualifications and business practices of Horizon Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 713-748-7000 and/or lmaddox@Horizon-Advisors.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.

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

## **Material Changes**

The last annual update of this brochure was in March 2013. Material changes that have occurred since that update are as follows:

As of October 2013, it is Horizon's practice to reward certain employees of an affiliated entity, Maddox, Thomson & Associates for referring clients to Horizon. These employees will sign a solicitor's agreement pursuant to Rule 206(4)-3 of The Investment Advisers Act of 1940 and will receive a portion of the fee paid to Horizon.

## Table of Contents

Advisory Business.....	1
Fees and Compensation .....	3
Performance-Based Fees and Side-By-Side Management .....	4
Types of Clients .....	4
Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Disciplinary Information.....	5
Other Financial Industry Activities and Affiliations .....	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	6
Brokerage Practices.....	8
Review of Accounts.....	10
Client Referrals and Other Compensation .....	11
Custody .....	11
Investment Discretion.....	11
Voting Client Securities .....	11
Financial Information.....	12

## ADVISORY BUSINESS

### Advisory Firm Description

Horizon Advisors, LLC ("Horizon Advisors," "Horizon" or the "Firm") has been in business since March 1999. The principal owners are Lawrence E. Maddox and Joseph W. Thomson III, Owen M. Murray and Henry S. Bragg.

### Types of Advisory Services

Horizon Advisors is an independent, fee-only financial advisor offering comprehensive wealth management advice coupled with discretionary investment advisory and management services.

#### Financial Planning Service

Horizon Advisors provides financial planning services to its clients depending on each particular client's needs. A planning engagement may address (for example) some or all of the following matters:

- Investment advice and recommendations
- Evaluating survivorship needs
- Insurance requirements
- Planning for retirement
- Educational funding
- Estate planning

#### Investment Advisory Service

Clients may also engage Horizon to act as an independent investment advisor on their behalf. After gaining a mutual understanding of the client's personal financial goals and objectives, the client and Horizon agree to a written Investment Policy Statement ("IPS"). This IPS will articulate the asset allocation and investment approach which Horizon will implement on the client's behalf. Horizon will then have discretion to implement and manage the client's investments in accordance with the IPS. Investments generally include a diversified selection of mutual funds, ETFs (Exchange Traded Funds), stocks, bonds, other investment vehicles or use of outside managers. (See further discussion in the section titled "Fees and Compensation" regarding mutual funds, separately managed accounts and applicable fees associated with each.)

Once an investment portfolio is implemented, Horizon provides ongoing review and due diligence on the performance of the recommended investments and money managers. Horizon will monitor the performance of its clients' portfolios and will hire and fire managers and buy and sell investments as appropriate to ensure that the desired investment policy is being followed. Horizon will also periodically rebalance clients' portfolios to maintain the appropriate asset allocation.

### **Tailored Advisory Services**

Clients may instruct Horizon not to purchase or sell certain investments on their behalf or to limit such trades to specified amounts.

### **Separately Managed Accounts**

For certain larger accounts, Horizon may engage separate account managers ("SAMs") on a direct basis, or through access to a custodian's program [i.e., Charles Schwab Managed Accounts, or Envestnet Asset Management ("Envestnet")], collectively (the "Platform"). These accounts, which consist of individual securities (as opposed to mutual funds) are managed by investment advisors who are not affiliated with Horizon.

When a client uses a SAM, fees are charged to the account in addition to Horizon's advisory fee (Horizon's fee for this type of service is described in the Fee section). These additional fees are manager and program fees paid to the Platform for its administrative support. These Platform fees are fully disclosed to clients who choose to utilize these services and vary depending on:

- 1) the manager used and its investment style;
- 2) the size of the client's investment with a particular manager; and
- 3) the size of the client's overall portfolio.

The managers used in this fashion are institutional money managers, are registered with the SEC and provide additional disclosure to Horizon's clients.

Fees for these accounts are usually charged in advance and are based on the market value of each account's holdings (as valued by the custodian) at the end of the period (either monthly or quarterly). These fees are deducted from the client's account by the Platform, which then retains its fee and remits the appropriate portion of the fee to the SAM and the custodian.

### **Wrap Fee Programs**

Some of the separately managed accounts as discussed above participate in "wrap fee programs," where transaction fees are included in the asset-based fee collected from the account. Horizon's fee remains the same with separately managed accounts whether an account is in a wrap program or pays a fee to the custodian with each transaction.

### **Client Assets Under Management**

As of September 30, 2013, Horizon had approximately \$193,654,080 of discretionary assets and \$24,118,588 of non-discretionary assets under management.

## FEES AND COMPENSATION

### Financial Planning Service

The fee for completion of a planning engagement depends on each client's needs and the complexity of his or her circumstances. Generally, fees are based on the hourly professional billing rates of the individuals involved, with rates ranging from \$150 to \$350 per hour. Estimated fees and payment arrangements (which may be charged on an hourly basis or as a fixed fee) for planning engagements will be discussed and agreed upon with clients in advance.

### Investment Advisory Service

Fees for Horizon's investment advisory service are calculated either as a percentage of the assets under management (using the custodian's valuation of the assets at prior quarter-end) or as an agreed-upon fixed fee amount. Unless agreed otherwise, Horizon deducts its fee directly from the client's custodial account each quarter, in advance. If the inception of an investment agreement occurs during a quarter, all of the applicable fees will be prorated for the remaining days in the current quarter and will be charged at the inception of Horizon's portfolio management.

Annual asset-based fees for Horizon's investment advisory service are based upon the total assets under management according to the following schedule:

- 1.25% of the first \$500,000 of assets under management
- 1.00% of the next \$500,000
- 0.75% of the next \$2,000,000
- 0.50% of assets over \$3,000,000
- 0.35% of assets over \$5,000,000

The preferred minimum annual fee is \$11,250 and is negotiable. At no time is a client charged \$1,200 or more six months or more in advance.

Consultations regarding investments not resulting in investment management or investment advising will be charged at hourly rates ranging from \$150 to \$350 per hour, depending upon the experience and expertise of the individual providing the service. Such charges will be agreed to before the consultation occurs.

*Other Fees:* Client accounts pay directly for fees assessed by the custodian, such as transaction, wire, exchange, or custodial fees.

*Implementation with Mutual Funds:* When Horizon recommends a mutual fund for a client's account, three separate fees may be charged to the client, either directly or indirectly. The first fee is Horizon's investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian. (This set of fees also applies to any money market fund purchased in the

client's account.) The third fee may be a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees a client would be required to open a separate account with each individual mutual fund company instead of using the custodian recommended by Horizon, which would also negatively affect Horizon's ability to deliver its services efficiently. Not all mutual fund trades enacted by Horizon incur this transaction fee. When recommending mutual funds for client portfolios, Horizon only recommends no-load funds.

*Implementation with Separate Account Managers ("SAMs"):* When Horizon recommends a Separate Account Manager, four sets of fees may be charged to the client, either directly or indirectly. First, Horizon charges its investment management fee, as shown above. Second, each Platform deducts all appropriate fees from each client account. The Platform retains its fee (second) and distributes the appropriate amount to the SAM (third) and to the custodian (e.g., Fidelity, fourth), if applicable.

All meetings, communications, delivery charges and reports for each service are included in the hourly or quarterly fees.

All financial planning, investment advisory and custody and reporting fees are negotiable, depending on the complexities and specific circumstances of each client's situation. Therefore, different clients may pay different amounts for similar services from the Firm.

### **Termination**

Either party may terminate the relationship with Horizon at any time. Termination will be effective immediately, with any unearned prepaid fees returned on a prorated basis. Unearned financial planning fees will be returned at the rate of \$200 per hour.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Horizon does not receive performance-based fees, so this section does not apply to Horizon.

## **TYPES OF CLIENTS**

Horizon's clients include successful professionals who are accumulating their wealth and retirees who are interested in maintaining their current lifestyles and preserving their wealth.

Horizon provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Trusts, estates, charitable organizations
- Other business entities

Horizon prefers a client to have at least \$1 million in investment assets in order to act as investment manager. The preferred minimum annual fee is \$11,250. The minimum account size and fee are negotiable.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Horizon uses the following sources of information in its analysis:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases

The investment strategies used by Horizon to implement investment advice include the following:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Margin transactions (which are used only occasionally)

When mutual funds are used to implement a portfolio, Horizon chooses from mutual funds available through Fidelity Institutional Wealth Services ("Fidelity") and Charles Schwab & Co., Inc. ("Schwab"). Horizon performs its own due diligence in the selection of these mutual funds.

### *Other Investment Vehicles*

Horizon advises some clients who invest in private partnerships including but not limited to pooled investment vehicles. Horizon charges a fee for the service, which may be included in Horizon's management fee or may be charged as a separate fee. Either way, the fee is fully disclosed and agreed to by the client before the investment is made.

The Firm does not guarantee the future performance of the account or any specific level of performance, the performance of any investment decision or strategy that the Firm may use, or the performance of the Firm's overall management of the account. The client is reminded that investment decisions made for the account by the Firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable.

## **DISCIPLINARY INFORMATION**

Neither Horizon nor any of its personnel has any material disciplinary or legal events or sanctions to disclose.



## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Relationships with Affiliated Professionals

Mr. Maddox and Mr. Thomson of Horizon Advisors are also officers of Maddox Thomson & Associates, P.C., ("Maddox Thomson") a related certified public accounting firm which provides tax advice and preparation services. Maddox Thomson and Horizon personnel share office space and work closely together to provide comprehensive financial and accounting solutions for their mutual clients. Mr. Maddox spends the majority of his time on matters pertaining to Horizon, while Mr. Thomson concentrates his time on matters pertaining to Maddox Thomson & Associates, P.C.

### Relationships with Separate Account Managers

Horizon may arrange with Platforms (described previously in the Advisory Business section) to access SAMs. Each Platform may provide Horizon with information useful in conducting its due diligence of the underlying managers recommended by the Platform.

Horizon may also enter into direct relationships with other SAMs to provide appropriate investment advice and execution to Horizon's clients. In the event that another advisor is responsible for the implementation of some portion of a client's Investment Policy, the arrangement and any fees associated with the arrangement will be fully discussed with the client and will be appropriately disclosed in the Agreement.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

Horizon has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client: misuse of confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Horizon acts as a fiduciary, therefore, clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees' interests on the one hand and clients' interests on the other.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.

- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### **Misuse of Nonpublic Information**

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or client securities trades.

### **Personal Securities Trading**

Horizon personnel may own securities that Horizon recommends to clients or has purchased for clients' accounts. Horizon's policy allows Horizon's personnel to trade in their own accounts simultaneously with or after clients. At no time may any individual affiliated with Horizon trade in a manner which may be in conflict with clients.

To mitigate conflicts of interest, Horizon has established the following policies:

- An officer, director or employee of Horizon shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with Horizon, unless the information is also available to the investing public on reasonable inquiry. No person associated with Horizon shall prefer his or her own interest to that of any client.
- Employees must receive pre-approval from the Chief Compliance Officer to trade equities or to participate in an initial public offering or private placement.
- Employees may trade ETFs without pre-approval if such trades are included in block trades with clients or are placed in the last trading hour of the day, which will succeed client trades.
- Each employee must submit records of his or her personal securities trades quarterly and submit holdings of reportable securities annually to the Chief Compliance Officer for review to ensure that the employee is in compliance with Horizon's policies.
- Infractions of Horizon's trading policies may be grounds for disciplinary action, including termination.
- Employees will not accept gifts from vendors, broker-dealers or others in a business capacity exceeding \$200 in value.

Horizon employees, on occasion, attend business conferences and meetings conducted by the investment managers, custodians and third-party partners used by Horizon. Employees attend these conferences solely for the purpose of knowledge enhancement and constructive learning. Firm personnel will not allow themselves to be put in a position where they "owe" vendors as a result of taking advantage of vendor hospitality. The Chief Compliance Officer will make the final determination as to what forms of entertainment and hospitality are considered excessive and are therefore unacceptable.

## **Outside Business Activities**

Employees are required to report any outside business activities generating revenue. These activities must be approved by Horizon's Chief Compliance Officer to ensure no conflict exists between these activities and interests of Horizon clients.

## **BROKERAGE PRACTICES**

### **Selecting Custodians**

The Firm participates in the Schwab Institutional (SI) services program offered to independent investment advisors by Charles Schwab & Company, Inc. ("Schwab"), a FINRA-registered broker-dealer. The Firm also has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides the Firm with "institutional platform services." Horizon prefers that clients in need of brokerage and custodial services use either Schwab or Fidelity as they provide a number of resources and services which are helpful both to Horizon and to its clients. These include:

- Discounted commission structure
- Arrangements with multiple mutual fund families
- Financial stability
- Provision of account information online to all clients
- Client service to the Firm and its clients
- Ease of reporting to the Firm and its clients

As part of these programs, the Firm receives benefits that it would not receive if it did not offer investment advice.

### **Research and Other Soft-Dollar Benefits**

Horizon and its clients also receive other benefits from Schwab and Fidelity (the "custodians"). The custodians provide access to institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors at no charge to them so long as a sufficient amount of the advisor's clients' assets are maintained in accounts at each custodian. These services are not contingent upon the Firm committing to any specific amount of business (for example, trading commissions). Brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

The custodians do not charge separately for custody services but are compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades (i.e., transactions fees are charged for certain no-load mutual funds; commissions are charged for individual equity transactions and debt securities are marked up) that are executed through Schwab or Fidelity or that settle into Schwab or

Fidelity accounts. These custodians provide access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

The custodians also make available to the Firm other products and services that benefit the Firm but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of the Firm's accounts.

Schwab's and Fidelity's products and services that assist the Firm in managing and administering clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide research, pricing and other market data
- Facilitate payment of the Firm's fees from its clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

Schwab and Fidelity also offer other services intended to help the Firm manage and further develop its business enterprise. These services may include:

- Compliance, legal and business consulting
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

Schwab and/or Fidelity may make available, arrange and/or pay third-party vendors for the types of services rendered to the Firm: for example they may discount or waive fees which would otherwise be charged for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. They also provide other benefits such as educational events or occasional business entertainment of Firm personnel. The custodians also offer other services intended to help the Firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third-party research, publications, roundtables and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business-related services and technology with whom the Firm may contract directly.

In evaluating whether to require that clients custody their assets at Schwab or Fidelity, the Firm may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

The Firm is independently operated and owned and is not affiliated with Schwab or Fidelity.

## Brokerage for Client Referrals

The Firm does not receive referrals from any broker-dealer.

## Directed Brokerage

If the client has engaged Horizon to provide asset management services, Horizon and any subadvisors will select broker-dealers to execute transactions involving the account, *unless the client directs otherwise in writing*. If this is the case, the client is reminded that Horizon may be unable to attain best execution for that account, and will be unable to aggregate that account with others when aggregating trades.

## Order Aggregation

Horizon may group trades in the same security across client accounts into a single, or “block” trade. These blocks may be executed in pieces at different prices on the same day, but all shares participating in the block are assigned the same average price per share at the end of the day. Blocks are allocated across accounts as appropriate, and Horizon employees may participate in blocks with clients. In the rare event that a block order is partially filled, the shares would be allocated on a pro rata basis, with employees receiving no shares until all client orders are filled. Transaction fees at both Schwab and Fidelity are at the account level, so there is no transaction fee advantage to block trades.

Trade errors are managed differently by Horizon’s custodians. Schwab “forgives” errors of less than \$100. Fidelity does not. In all cases, in the event of a loss, the client is made whole, either by Schwab or by Horizon.

## REVIEW OF ACCOUNTS

Either Mr. Maddox, President of the Firm, or Owen Murray, Director of Investment Research and Portfolio Design, review all accounts at least monthly. Additional reviews are conducted as conditions warrant. Factors triggering additional reviews may include but are not limited to:

- Change in market conditions
- Change in managers
- Change in client’s financial condition or objective
- Major news items or rapid price movement
- Style drift

Horizon provides each client of its investment advisory service the following reports on at least a quarterly basis: a statement of portfolio holdings; a statement of performance for the most recent quarter, trailing 12 months, trailing 36 months and since inception and a fee invoice. Clients are reminded to compare the statements from Horizon with the account statements from their custodian, and to contact both Horizon and the custodian if there are material discrepancies. Additional periodic reports are provided as requested.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

It is Horizon's practice to reward certain employees of an affiliated entity, Maddox, Thomson & Associates, for referring clients to Horizon. These employees will receive a portion of the fee which the client pays to Horizon.

## **CUSTODY**

Since the Firm is given authority by its clients to deduct its advisory/management fee, the SEC deems the Firm to have a form of custody. (Custody is defined as the Firm's having any access to clients' cash or securities.)

Mr. Maddox and Mr. Thomson serves as trustee for several client accounts managed by Horizon. Mr. Maddox also serves as a trustee or director on private foundations whose accounts are managed by Horizon. Maddox Thomson ("MTA") writes checks for a client who also has an account managed by Horizon. Because of these activities, Horizon and a related party have custody of funds and/or securities in each of these accounts. These accounts are examined on a surprise basis at least annually by an outside public accounting firm.

With the exception of these accounts and the deduction of fees, the Firm has no custody of client securities or funds and requires the use of an outside "qualified" custodian that is a bona fide financial institution and sends statements directly to clients at least quarterly. This is the case for both Fidelity and Schwab.

## **INVESTMENT DISCRETION**

The Firm has full trading authority over client accounts under a limited power of attorney as described in the Client Agreement. As a result, Horizon will determine both the investments, and how much of each, should be purchased or sold on each client's behalf. Clients may place restrictions on the Firm's discretion in writing.

## **VOTING CLIENT SECURITIES**

Horizon votes proxies for its clients if participation is warranted. Any client may request a copy of Horizon's proxy policy and to see or receive records showing how Horizon has voted on the client's behalf. (Proxies held in accounts managed by outside managers are voted by those managers. Horizon only votes proxies for securities it manages directly.)

Unless the client has instructed Horizon not to vote proxies on his/her behalf, Horizon instructs the custodian to forward to Horizon copies of all proxies and shareholder communications relating to securities held in the client's account (other than materials relating to legal proceedings).

When it is determined that voting a proxy is in the relevant clients' best interests, Horizon generally votes with management recommendations. Exceptions will be evaluated and documented on a case-by-case basis in consultation with the Chief Compliance Officer.

<b>FINANCIAL INFORMATION</b>
------------------------------

Horizon is not required to provide financial information at this time.