

Disclosure Brochure

March 26, 2012

Hopkins Financial Advisors, LLC

a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Hopkins Financial Advisors, LLC (hereinafter "HFA"). If you have any questions about the contents of this brochure, please contact John Jelinek at (952) 253-1099. 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 Hopkins Financial Advisors, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Hopkins Financial Advisors, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This Item discusses only the material changes that have occurred since HFA's last annual update dated March 31, 2011. HFA does not have any material changes to disclose in this Item.

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Item 4. Advisory Business

HFA provides financial planning, consulting, tax preparation and investment management services. Prior to engaging HFA to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with HFA setting forth the terms and conditions under which HFA renders its services (collectively the “*Agreement*”).

HFA has been in business since November 14, 2001. John Jelinek, Darian Klein and Ronald Evans are the principal owners of HFA.

HFA has \$56,752,206 of discretionary assets under management as of December 31, 2011.

This Disclosure Brochure describes the business of HFA. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of HFA’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on HFA’s behalf and is subject to HFA’s supervision or control.

Financial Planning and Consulting Services

HFA may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include pre-retirement date planning, retirement planning and post-retirement planning. In addition, HFA does personal income tax returns for certain clients.

In performing its services, HFA is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. HFA may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if HFA recommends its own services. The client is under no obligation to act upon any of the recommendations made by HFA under a financial planning or consulting engagement or to engage the services of any such recommended professional, including HFA itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of HFA’s recommendations. Clients are advised that it remains their responsibility to promptly notify HFA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising HFA’s previous recommendations and/or services.

Investment Management Services

Clients can engage HFA to manage all or a portion of their assets on a discretionary or non-discretionary basis.

HFA primarily allocates clients’ investment management assets among mutual funds, index funds, exchange-traded funds (“ETFs”), options and/or *Independent Managers* (as defined below) in accordance

with the investment objectives of the client. HFA also provides advice about any type of investment held in clients' portfolios.

HFA also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, HFA either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

HFA tailors its advisory services to the individual needs of clients. HFA consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. HFA ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify HFA if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon HFA's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in HFA's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Use of Independent Managers

As mentioned above, HFA recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between HFA and the designated *Independent Managers*. HFA renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. HFA also monitors and reviews the account performance and the client's investment objectives. HFA receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, HFA reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that HFA considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers* are included in the fees that clients

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pay HFA and not billed separately. The fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, HFA's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by HFA and corresponding broker-dealer and custodian.

In addition to HFA's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than HFA. In such instances, HFA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Item 5. Fees and Compensation

HFA offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management

Financial Planning and Consulting Fees

HFA may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$600 to \$5,000 on a fixed fee basis and/or from \$100 to \$150 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages HFA for additional investment advisory services, HFA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging HFA to provide financial planning and/or consulting services, the client is required to enter into a written agreement with HFA setting forth the terms and conditions of the engagement. Generally, HFA requires one-half of the financial planning / consulting 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.

Investment Management Fee

HFA provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by HFA. HFA's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. HFA does not, however, receive any portion of these commissions, fees, and costs. HFA's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by HFA on the last day of the previous quarter. The annual fee varies (between 1.00% and 1.50%) depending upon the market value of the assets under management as follows:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
First \$250,000	1.50%
Next \$250,000	1.25%
Above \$500,000	1.00%

HFA, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), HFA generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

HFA may only implement its investment management recommendations after the client has arranged for and furnished HFA with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by HFA, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to HFA's fee.

HFA's *Agreement* and the separate agreement with any *Financial Institutions* authorizes HFA to debit the client's account for the amount of HFA's fee and to directly remit that management fee to HFA. Any *Financial Institutions* recommended by HFA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to HFA.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between HFA and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. HFA's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

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

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If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$25,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

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

HFA does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

HFA provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

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

Methods of Analysis

HFA's primary methods of analysis is fundamental analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. HFA will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Investment Strategies

HFA utilizes the sub-advisory services of Quantitative Advantage ("QA"). QA analyzes and ranks investments and then selects those to be purchased in each strategy offered by QA. This is known as QA's proprietary "Global Investment System".

HFA offers 14 of the QA strategies and manages 2 created by HFA. The strategies created by HFA are the HFA Bond Fund and the HFA Growth Strategy. The HFA Bond Fund will purchase individual bonds (government, municipal, corporate, CD's) for the clients accounts through *Fidelity*.

QA utilizes ETFs for bonds in its strategies rather than individual bonds. HFA uses the HFA Growth Strategy for accounts that are below the minimum requirements for a QA account. HFA uses the American Funds as the investment of choice, utilizing the appropriate mutual fund for the client. HFA does not buy individual stocks in a clients managed account. If a client wants to own an individual stock, HFA will establish a non-managed account for the client with *Fidelity* or another broker-dealer. The client is responsible for the investments in that account.

For the 14 QA strategies recommended by HFA, HFA meets with the client, discusses their goals, desires, risk tolerances and time frame. HFA also completes a "client profile" to mathematically score their risk tolerance. The client is then matched with the appropriate strategy. The strategies are divided into: i) conservative, ii) conservative growth, iii) moderate growth, iv) growth, v) aggressive growth, and vi) alternative investment. If a client wishes to be placed in a category higher than that which their profile score would suggest, they can sign and acknowledge this fact and HFA will manage their account accordingly as long as HFA feels this would be appropriate.

HFA's primary responsibility is to evaluate the client's situation and determine the appropriate strategies for investment purposes. QA does all of its trading on the first trading day of each month.

Risks of Loss

Mutual Funds and Exchange Traded Funds (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 significantly 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 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 indexed-based ETFs and 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 50,000 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.

Use of Independent Managers

HFA may recommend the use of *Independent Managers* for certain clients. HFA will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, HFA does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Item 9. Disciplinary Information

HFA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. HFA does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

HFA is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. HFA has described such relationships and arrangements below.

Referrals to Related Certified Public Accountants

As discussed above, HFA will do income tax returns for clients. To the extent that a client requires additional accounting advice, HFA, if requested, will recommend the services of a Certified Public Accountant. In limited circumstances, HFA may engage a Certified Public Accountant on behalf of a client and include the fees as part of the HFA's management fee.

Specifically, the individual members of HFA are also Certified Public Accountants. Darian Klein is the President of Darian Klein, Ltd., ("DK"), a Certified Public Accounting firm. Ronald Evans may render tax services through REE Consulting LLC ("RC").

To the extent that any of the members of HFA provides accounting and/or tax preparation services to any of HFA's clients through a relationship separate from HFA, all such services shall be performed by DK or RC, in each firm's separate capacity, independent of HFA, for which services HFA shall not receive any portion of the fees charged by DK and/or RC, referral or otherwise. Although HFA shall not receive referral fees from these entities, the individual members may be entitled to receive compensation or dividends (as appropriate) relative to their respective ownership interest in these entities.

Receipt of Insurance Commission

Certain of HFA's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While HFA does not sell such insurance products to its investment advisory clients, HFA does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that HFA recommends the purchase of insurance products where HFA's *Supervised Persons* receive insurance commissions or other additional compensation.

Fees from Independent Managers

As discussed above, HFA recommends that clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*. Because the *Independent Manager's* compensation is generally included in the advisory fee charged by HFA, there may be a conflict of interest to choose an *Independent Manager* with whom HFA is able to negotiate a lower fee.

Item 11. Code of Ethics

HFA and persons associated with HFA (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with HFA’s policies and procedures.

HFA has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by HFA or any of its associated persons. The *Code of Ethics* also requires that certain of HFA’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in HFA’s *Code of Ethics*, none of HFA’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of HFA’s clients.

When HFA is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when HFA is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. 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 mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact HFA to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

As discussed above, in Item 5, HFA generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which HFA considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables HFA 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 HFA's clients comply with HFA'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 HFA 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. HFA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

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

The client may direct HFA 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 HFA 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 HFA (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, HFA may decline a client's request to direct brokerage if, in HFA's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless HFA decides to purchase or sell the same securities for several clients at approximately the same time. HFA 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 HFA'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, transactions will generally be averaged as to price and allocated among HFA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that HFA determines to aggregate client orders for the purchase or sale of securities, including securities in which HFA's *Supervised Persons* may invest, HFA generally 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. HFA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that HFA determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may 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, HFA 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.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist HFA in its investment decision-making process. Such research generally will be used to service all of HFA'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 HFA does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

HFA may receive from *Fidelity*, without cost to HFA, computer software and related systems support, which allow HFA to better monitor client accounts maintained at *Fidelity*. HFA may receive the software and related support without cost because HFA renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit HFA, but not its clients directly. In fulfilling its duties to its clients, HFA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that HFA's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence HFA's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, HFA may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate

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shares to client accounts; and access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

For those clients to whom HFA provides investment management services, HFA monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom HFA provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of HFA’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with HFA and to keep HFA informed of any changes thereto. HFA contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

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. Those clients to whom HFA provides investment advisory services will also receive a report from HFA that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from HFA.

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

Item 14. Client Referrals and Other Compensation

HFA is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, HFA is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to HFA by either an unaffiliated or an affiliated solicitor, HFA may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from HFA's investment management fee, and does not result in any additional charge to the client. If the client is introduced to HFA by an unaffiliated solicitor, the solicitor provides the client with a copy of HFA's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of HFA discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of HFA's written disclosure brochure at the time of the solicitation.

Item 15. Custody

HFA's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize HFA through such *Financial Institution* to debit the client's account for the amount of HFA's fee and to directly remit that management fee to HFA in accordance with applicable custody rules.

The *Financial Institutions* recommended by HFA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to HFA. In addition, as discussed in Item 13, HFA also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from HFA.

Item 16. Investment Discretion

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

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

HFA is required to disclose if it accepts authority to vote client securities. HFA does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

Item 18. Financial Information

HFA does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, HFA is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. HFA has no disclosures pursuant to this Item.

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Prepared by:



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