

# **Herbein Wealth Management, L.L.C.**

SEC File Number: 801 – 63116

## **ADV Part 2A, Firm Brochure Dated 2/6/2014**

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**This Brochure provides information about the qualifications and business practices of Herbein Wealth Management, L.L.C. (“HWM”). If you have any questions about the contents of this brochure, please contact us at (610) 376-8271 or [saworley@herbeinwealth.com](mailto:saworley@herbeinwealth.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 Herbein Wealth Management, L.L.C. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Herbein Wealth Management, L.L.C. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Herbein Wealth Management, L.L.C.'s ("HWM") disclosure statement since last year's Annual Amendment filing on February 5, 2013.

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	6
Item 6	Performance-Based Fees and Side-by-Side Management .....	8
Item 7	Types of Clients.....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9	Disciplinary Information .....	10
Item 10	Other Financial Industry Activities and Affiliations .....	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12	Brokerage Practices .....	12
Item 13	Review of Accounts.....	14
Item 14	Client Referrals and Other Compensation .....	14
Item 15	Custody.....	15
Item 16	Investment Discretion.....	15
Item 17	Voting Client Securities.....	15
Item 18	Financial Information .....	15

#### **Item 4            Advisory Business**

- A. HWM is a limited liability company formed on May 24, 1999 in the Commonwealth of Pennsylvania. HWM became registered as an Investment Adviser Firm in May 2004. HWM is principally owned by William A. Morgan, HWM's Managing Member.
- B. As discussed below, HWM offers to its clients (individuals, business entities, trusts, estates and charitable organizations, and pension and profit sharing plans.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage HWM to provide discretionary investment advisory services on a *fee-only* basis. HWM's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under HWM's management.

HWM's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of HWM), HWM may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### **RETIREMENT CONSULTING**

HWM also provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, HWM shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between HWM and the plan sponsor.

HWM also offers the Advisors Access™ 401(k) in coordination with BAM Advisor Services, LLC. In Advisors Access™, HWM provides those services as described above with the direct support of BAM Advisor Services. Clients choosing Advisors Access™ will engage both HWM and BAM Advisor Services, which will provide to the client additional discretionary investment management services.

In Advisors Access™, BAM Advisor Services will exercise discretionary authority to select the plan investments made available to plans' participants. BAM Advisor Services will exercise discretionary authority to select and maintain the plans' investments according to the goals and investment objectives of the plan.

HWM will continue to work with plan's to monitor plan investments, provide fiduciary plan advice including regular considerations of the goals and objectives of the plan, and provide participant education services to the plan.

The Advisors Access™ 401(k) annual pension consulting fee is based upon a percentage (%) of the market value of the assets placed under HWM's management.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, HWM *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging HWM to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with HWM setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HWM commencing services. If requested by the client, HWM may recommend the services of other professionals for implementation purposes, including its affiliated certified public accounting firm and/or HWM's representative, Chiara A. Renninger, in her individual capacity as a licensed insurance agent. (*See* disclosure at Items 10.C.6 and 10.C.8 respectively). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HWM. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify HWM if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising HWM's previous recommendations and/or services.

#### **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, HWM *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither HWM, nor any of its representatives, serves as an attorney, and no portion of HWM's services should be construed as same. To the extent requested by a client, HWM may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including HWM's representative, Chiara A. Renninger, in her individual capacity as a licensed insurance agent. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HWM. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify HWM if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising HWM's previous recommendations and/or services.

**Dimensional Fund Advisors.** HWM may purchase mutual funds sponsored by Dimensional Fund Advisors (“DFA”) for client accounts. DFA funds are available exclusively through registered investment advisors, such as HWM. Accordingly, upon termination of the *Investment Advisory Agreement*, DFA funds will be subject to sale unless they are retained in a Charles Schwab and Co., Inc. (“*Schwab*”) account or transferred to another custodian able to hold DFA funds. Furthermore, the client shall not be able to purchase any additional shares of DFA funds, except through dividend reinvestment.

**Sub-Advisory Arrangements.** HWM may engage sub-advisors for the purpose of assisting HWM with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by HWM. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by HWM. HWM shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Clients grant HWM the authority to allocate assets to sub-advisors in the Investment Advisory Agreement. Currently, HWM uses the sub-advisor of BAM Advisor Services, LLC for fixed income services (“BAM Fixed Income”). HWM does not use BAM’s services in a typical sub-advisory relationship. Under the discretion of HWM, BAM may be fired and another sub-advisor hired at anytime, given reasonable notice. All prospective clients receive BAM’s Form ADV Part 2A & 2B and Privacy Policy prior to becoming a client. Clients also receive annually: BAM’s Privacy Policy, BAM’s summary of Material Changes to BAM’s Form ADV Part 2, and an offer of BAM’s Form ADV Part 2. HWM determines for each client account whether fixed income mutual funds or individual fixed income securities are more appropriate. If mutual funds are more appropriate, then HWM will execute the transactions without engaging BAM Fixed Income. If individual fixed income securities are more appropriate then HWM submits instructions to BAM Fixed Income electronically or telephonically providing parameters for the fixed income security trade required. The buy parameters include type of bond (i.e., federal agency, US Treasury, CD, municipal, etc); maturity date range; amount available for bond purchase; client account number. BAM Fixed Income places the trade after soliciting multiple brokers. Trade confirmations are reviewed by HWM to ensure execution within buy parameters. Buy parameters are consistent with the client’s Investment Policy Statement and BAM’s Fixed Income Purchase Parameters which exclude certain high default sectors and low credit quality issuers. Currently, HWM recommends the fixed income investment management services of BAM Advisor Services, LLC, an SEC registered investment adviser. BAM Fixed Income provides weekly maturity reports and notification of any credit rating changes. HWM uses the maturity report to take action to reinvest maturing proceeds. HWM uses credit rating changes to monitor compliance within the Fixed Income Investment Policy Statement. **HWM’s Chief Compliance Officer, Scott A. Worley, remains available to address any questions concerning HWM’s sub-advisory arrangements.**

**BAM Advisor Services, LLC.** HWM may contract with other firms for administrative services in carrying out its duties under this Agreement, including trade processing at the direction of HWM, collection of management fees, record maintenance and report preparation, and Client agrees to execute a limited power of attorney in favor of such firms as required for them to carry out those services. HWM intends to use BAM Advisor Services LLC for such services, plus research and marketing assistance. Client acknowledges that BAM Advisor Services LLC is acting only as a provider of Administrative services to HWM and HWM is responsible to Client for all investment

advice provided pursuant to this Agreement. HWM pays a fee for services based on the fees paid to HWM on accounts that use BAM Advisor Services, LLC. There is no additional charge to the client for these services.

**Non-Discretionary Service Limitations.** Clients that determine to engage HWM on a non-discretionary investment advisory basis **must be willing to accept** that HWM cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, HWM will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**Client Obligations.** In performing its services, HWM shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify HWM if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising HWM's previous recommendations and/or services.

**Disclosure Statement.** A copy of HWM's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. HWM shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, HWM shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on HWM's services.
- D. HWM does not participate in a wrap fee program.
- E. As of December 31, 2013, HWM had \$280,090,337 in assets under management on a discretionary basis, \$10,013,414 in assets under management on a non-discretionary basis, and \$40,633,062 in assets under advisement.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage HWM to provide discretionary investment advisory services on a negotiable *fee-only* basis. HWM's annual investment advisory fee is generally based upon a percentage (%) of the market value of the assets placed under HWM's management (between 0.50% and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
On the first \$500,000	1.25%
On the next \$1,000,000	1.00%
On the next \$3,500,000	0.50%
On the next \$3,000,000	0.35%
More than \$8,000,000	Negotiable

HWM's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of HWM), HWM may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### **RETIREMENT CONSULTING**

HWM also provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, HWM shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between HWM and the plan sponsor. HWM's negotiable annual pension consulting fee is generally based upon a percentage (%) of the market value of the assets placed under HWM's management (between 0.35% and 1.00%) as follows:

Assets Under Management	Annual Fee
On the first \$1,000,000	1.00%
On the next \$1,000,000	0.75%
On the next \$3,000,000	0.55%
On the next \$5,000,000	0.40%
On all amounts thereafter	0.35%

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, HWM *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. HWM's planning and consulting fees are negotiable, but generally range from \$2,000 to \$10,000 on a fixed fee basis, and from \$150 to \$450 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have HWM's advisory fees deducted from their custodial account. Both HWM's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of HWM's investment advisory fee and to directly remit that management fee to HWM in compliance with regulatory procedures. In the limited event that HWM bills the client directly, payment is due upon receipt of HWM's invoice. HWM shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, HWM shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") or Fidelity Investments, LLC ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab*

and *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to HWM's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (generally, *Schwab* and/or *Fidelity*).

- C. HWM's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. HWM generally requires an annual minimum annual fee of \$7,500 for investment advisory services. HWM, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum fee requirement 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, negotiations with client, etc.).

The *Investment Advisory Agreement* between HWM and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, HWM shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- D. Neither HWM nor its representatives accept compensation for the sale of securities or other investment products.

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

Neither HWM nor any supervised person of HWM accepts performance-based fees.

## **Item 7            Types of Clients**

HWM's clients shall generally include individuals, business entities, trusts, estates, charitable organizations, and pension and profit sharing plans. HWM generally requires an annual minimum annual fee of \$7,500 for investment advisory services. HWM, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum fee requirement 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, negotiations with client, etc.).

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

A. HWM may utilize the following methods of security analysis:

- Modern Portfolio Theory – HWM’s investment approach is firmly rooted in the belief that markets are “efficient” and that investor’s returns are determined primarily by asset allocation decisions, rather than market timing or security selection. HWM recommends diversified portfolios, principally through the use of passively managed mutual funds.

HWM may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year) HWM’s investment philosophy is designed for investors who desire a buy and hold strategy, with an investment time horizon minimum of five years and preferably ten years or more.
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HWM) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

B. HWM’s methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis HWM must have access to current/new market information. HWM has no control over the dissemination rate of market information; therefore, unbeknownst to HWM, certain analyses may be compiled with outdated market information, severely limiting the value of HWM’s analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

HWM’s primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

C. Currently, HWM primarily allocates client investment assets among various mutual funds and/or fixed income securities, on a discretionary basis in accordance with the client’s designated investment objective(s).

## Item 9            Disciplinary Information

HWM has not been the subject of any disciplinary actions.

## Item 10           Other Financial Industry Activities and Affiliations

- A. Neither HWM, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither HWM, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.

**Accountant and Accounting Firm.** Certain of HWM's members are also shareholders in Herbein + Company, Inc. ("H+C"), a certified public accounting firm. HWM **does not** render accounting advice or tax preparation services to its clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, HWM, if requested, will recommend the services of H+C, all of which services shall be rendered independent of HWM pursuant to a separate agreement between the client and H+C. HWM shall not receive any of the fees charged by H+C, referral or otherwise. Although HWM shall not receive referral fees from H+C, certain of HWM's members, who individually own an interest in H+C shall be entitled to receive distributions relative to their respective ownership interests in H+C. HWM also acquires certain services from H+C for a fee. Included in those services are subleased space, bookkeeping, information technology support, human resource consulting, mail sorting and marketing assistance.

**Please Note:** The recommendation that a client engage H+C in its capacity as a certified public accounting firm, presents a ***conflict of interest***. No client is under any obligation to engage H+ C for accounting advice or tax preparation services. **HWM's Chief Compliance Officer, Scott A. Worley, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Insurance Agency/Agent.** HWM is a dually licensed insurance agency. Additionally, HWM's representative, Chiara A. Renninger, in her individual capacity, is a licensed insurance agent with various insurance companies and in such capacity may recommend the purchase of certain insurance products on a fully-disclosed basis. With respect to the purchase of any variable annuity, the client will also incur a charge imposed directly by the insurance company, the details of which will be presented to the client separately in connection with the sale of the insurance product. **Conflict of Interest:** The recommendation by any of HWM's representative that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from HWM or its representatives. Clients are reminded that they may purchase insurance products recommended by HWM through other, non-affiliated insurance agents. **HWM's Chief Compliance Officer, Scott A. Worley,**

**remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. HWM does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. HWM maintains an investment policy relative to personal securities transactions. This investment policy is part of HWM's overall Code of Ethics, which serves to establish a standard of business conduct for all of HWM's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, HWM also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by HWM or any person associated with HWM.

- B. Neither HWM nor any related person of HWM recommends, buys, or sells for client accounts, securities in which HWM or any related person of HWM has a material financial interest.
- C. HWM and/or representatives of HWM *may* buy or sell securities that are also recommended to clients. This practice may create a situation where HWM and/or representatives of HWM are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if HWM did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of HWM's clients) and other potentially abusive practices.

HWM has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of HWM's "Access Persons". HWM's securities transaction policy requires that an Access Person of HWM must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date HWM selects; provided, however that at any time that HWM has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. HWM and/or representatives of HWM *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where HWM and/or representatives of HWM are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, HWM has a personal securities

transaction policy in place to monitor the personal securities transaction and securities holdings of each of HWM's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that HWM recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct HWM to use a specific broker-dealer/custodian), HWM generally recommends that investment management accounts be maintained at *Schwab* and/or *Fidelity*. Prior to engaging HWM to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with HWM setting forth the terms and conditions under which HWM shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that HWM considers in recommending *Schwab* and/or *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with HWM, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by HWM's clients shall comply with HWM's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where HWM determines, in good faith, that the commission/transaction fee is 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although HWM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, HWM's investment management fee. HWM's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, HWM may receive from *Schwab* and/or *Fidelity* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist HWM to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by HWM may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by HWM in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist HWM in managing and administering client accounts. Others do

not directly provide such assistance, but rather assist HWM to manage and further develop its business enterprise.

HWM's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Fidelity* as a result of this arrangement. There is no corresponding commitment made by HWM to *Schwab* and/or *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**HWM's Chief Compliance Officer, Scott A. Worley, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. HWM does not receive referrals from broker-dealers.
3. HWM does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and HWM will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by HWM. As a result, 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.

**Please Note:** In the event that the client directs HWM to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through HWM.

**HWM's Chief Compliance Officer, Scott A. Worley, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that HWM provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless HWM decides to purchase or sell the same securities for several clients at approximately the same time. HWM may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among HWM'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 be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. HWM shall not receive any additional compensation or remuneration as a result of such aggregation.

### Item 13      **Review of Accounts**

- A. For those clients to whom HWM provides investment supervisory services, account reviews are conducted on an ongoing basis by HWM's Principal and representatives. All investment supervisory clients are advised that it remains their responsibility to advise HWM of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with HWM on an annual basis.
- B. HWM *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. HWM may also provide a written periodic report summarizing account activity and performance.

### Item 14      **Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, HWM may receive an indirect economic benefit from *Schwab* and/or *Fidelity*. HWM, without cost (and/or at a discount), may receive support services and/or products from *Schwab* and/or *Fidelity*.

HWM's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Fidelity* as a result of this arrangement. There is no corresponding commitment made by HWM to *Schwab* and/or *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**HWM's Chief Compliance Officer, Scott A. Worley, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to HWM by either an unaffiliated or an affiliated solicitor, HWM *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from HWM's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to HWM by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of HWM's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between HWM and the solicitor, including the compensation to be received by the solicitor from HWM.

## **Item 15           Custody**

HWM shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. HWM may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that HWM provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by HWM with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of HWM's advisory fee calculation.

## **Item 16           Investment Discretion**

The client can determine to engage HWM to provide investment advisory services on a discretionary basis. Prior to HWM assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming HWM as client's attorney and agent in fact, granting HWM full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage HWM on a discretionary basis may, at anytime, impose restrictions, **in writing**, on HWM's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe HWM's use of margin, etc.).

## **Item 17           Voting Client Securities**

- A. HWM does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact HWM to discuss any questions they may have with a particular solicitation.

## **Item 18           Financial Information**

- A. HWM does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. HWM 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.

- C. HWM has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: HWM's Chief Compliance Officer, Scott A. Worley, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**