

# Hillegas Advisory Services, Inc.

CRD# 125275

## **Brochure Dated 3/13/2012**

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**This brochure provides information about the qualifications and business practices of Hillegas Advisory Services, Inc. (“HAS”). If you have any questions about the contents of this brochure, please contact us at (858) 756-6111 or [craig@haswealth.com](mailto:craig@haswealth.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 Hillegas Advisory Services, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Hillegas Advisory Services, Inc. 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 Hillegas Advisory Services, Inc.'s disclosure statement since last year's Annual Amendment filing on March 29, 2011.

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

- A. Hillegas Advisory Services, Inc. (“HAS”) was founded 1993 as a sole proprietorship and was subsequently incorporated in December 2008 in the State of California. HAS became registered as an Investment Adviser Firm in 1993. HAS is principally owned by Craig Hillegas, MSBA, CFP. Mr. Hillegas is also HAS’s President.
- B. As discussed below, HAS offers to its clients (individuals, business entities, trusts, estates, pension and profit sharing plans and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, wealth design, financial planning and consulting services. HAS offers Investment Management Services, on a *fee only* basis, to both accredited and non-accredited investors. (Accredited investors are defined as those with \$1,000,000 or greater market value of assets placed under HAS’s management). The following three investment management services are offered.

##### **1. INVESTMENT MANAGEMENT PLUS (“PLUS”) (non-accredited investors)**

PLUS services will be provided at a quarterly rate of 0.30% of assets under management (or 1.20% per year) subject to a \$600 per quarter minimum fee payable in arrears on a quarterly basis. PLUS includes benefits of HAS Network, including access to specialized institutional fund managers, ongoing HAS communications, risk-profiling services, investment strategy updates and the creation of a personal financial statement.

##### **2. INVESTMENT MANAGEMENT PLUS Value-Added Planning Services (“PLUS with Planning”) (available to both accredited and non-accredited investors)**

- ☐ Includes all the PLUS Services shown above plus these additional services:
- ☐ “Where now” - Your Current Financial Situation (e.g. overview including personal financial statement)
- ☐ “Where to” – Your Destinations - Goals and Objectives Discovery. Identify and prioritize goals
- ☐ Taxation integration – tax savings opportunities and tax advantaged investment strategies
- ☐ Annual overview and update of financial goals

PLUS with Planning will be provided at a quarterly rate of 0.35% of assets under management (or 1.40% per year) subject to a \$900 per quarter minimum fee payable in arrears on a quarterly basis. For accounts with assets over \$500,000, HAS’s annual PLUS with Planning fee shall be reduced by 0.40%.

### 3. INVESTMENT MANAGEMENT PLUS SERVICES (“PLUS Accredited”) (accredited investors)

- ☐ Includes all the PLUS with Planning Services shown above plus these additional services:
- ☐ Access to private and specialized alternative investments, including tax-advantaged investments (available to accredited investors)
- ☐ Annual review and update includes financial statement analysis with observations & recommendations
- ☐ Annual Priceless Conversation Offer

PLUS Accredited may be provided at to those clients with at least \$1,000,000 of assets placed under HAS’s management. PLUS Accredited will be provide at a quarterly rate between 0.10% and 0.25% (0.40% to 1.00% per year).

### 4. WEALTH DESIGN, FINANCIAL PLANNING AND CONSULTING SERVICES (Provided on a Stand-Alone basis)

To the extent specifically requested by a client, HAS *may* determine to provide wealth design, financial planning and/or consulting services (including investment and non-investment related matters, including retirement planning, estate-related consultations, tax planning, cash flow management, financial statements, etc.) on a stand-alone, separate fee basis. HAS’s planning and consulting fee will vary depending upon the scope of requested services and the complexity of one’s personal, family, business, investment and estate affairs. Special project or one-time services will be billed on a monthly basis, beginning on the first day of the month following the date Client executes their agreement. For ongoing consulting services, Client will be (billed quarterly, in advance) in return for services rendered.

Prior to engaging HAS to provide planning or consulting services, clients are generally required to enter into a *Wealth Design, Financial Planning and Consulting Agreement* with HAS 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 HAS commencing services. If requested by the client, HAS may recommend the services of other professionals for implementation purposes. 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 HAS. **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 HAS if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/ revising HAS’s previous recommendations and/or services.

### MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent specifically requested by the client, HAS *may* provide consulting services regarding non-investment related matters, such as estate-related, tax planning, insurance, cash flow management,

financial statements etc. Neither HAS, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of HAS's services should be construed as same. To the extent requested by a client, HAS may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of HAS in their separate registered/licensed capacities as discussed below. 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 HAS. **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 HAS if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising HAS's previous recommendations and/or services.

**Independent Managers.** HAS may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. HAS shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which HAS shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Private Investment Funds.** HAS may provide investment advice regarding unaffiliated private investment funds. HAS's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of HAS calculating its investment advisory fee. HAS's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that HAS references private investment funds owned by the client on any supplemental account reports prepared by HAS, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the

initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Client Obligations.** In performing its services, HAS 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 HAS if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising HAS's previous recommendations and/or services.

**Disclosure Statement.** A copy of HAS'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 *Wealth Design, Financial Planning and Consulting Agreement*.

- C. HAS 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, HAS 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 HAS's services.
- D. HAS does not participate in a wrap fee program.
- E. As of December 31, 2011, HAS had \$77,366,984 in assets under management on a discretionary basis and \$5,151,880 on a non-discretionary basis.

## **Item 5            Fees and Compensation**

- A. HAS offers Investment Management Services, on a *fee only* basis, to both accredited and non-accredited investors. (Accredited investors are defined as those with \$1,000,000 or greater market value of assets placed under HAS's management). The following three investment management services are offered:

### **1.    INVESTMENT MANAGEMENT PLUS (non-accredited investors)**

PLUS services will be provided at a quarterly rate of 0.30% of assets under management (or 1.20% per year) subject to a \$600 per quarter minimum fee payable in arrears on a quarterly basis. PLUS includes benefits of HAS Network, including access to specialized institutional fund managers, ongoing HAS communications, risk-profiling services, investment strategy updates and the creation of a personal financial statement.

**2. INVESTMENT MANAGEMENT PLUS Value-Added Planning Services  
(available to both accredited and non-accredited investors)**

PLUS with Planning will be provided at a quarterly rate of 0.35% of assets under management (or 1.40% per year) subject to a \$900 per quarter minimum fee payable in arrears on a quarterly basis. For accounts with assets over \$500,000, HAS's annual PLUS with Planning fee shall be reduced by 0.40%.

**3. INVESTMENT MANAGEMENT PLUS SERVICES (accredited investors)**

PLUS Accredited may be provided at to those clients with at least \$1,000,000 of assets placed under HAS's management. PLUS Accredited will be provide at a quarterly rate between 0.10% and 0.25% (0.40% to 1.00% per year) payable in arrears on a quarterly basis as follows:

<u>% of Assets</u>	<u>Market Value of Portfolio</u>
1.00%	up to \$1,500,000
0.75%	over \$1,500,000 and up to \$3,000,000
0.60%	over \$3,000,000 and up to \$6,000,000
0.50%	over \$6,000,000 and up to \$10,000,000
0.40%	over \$10.0 Million

**WEALTH DESIGN, FINANCIAL PLANNING AND CONSULTING SERVICES  
(Provided on a Stand-Alone basis)**

To the extent specifically requested by a client, HAS *may* determine to provide wealth design, financial planning and/or consulting services (including investment and non-investment related matters, including retirement planning, estate-related consultations, tax planning, cash flow management, financial statement, insurance planning, charitable planning etc.) on a stand-alone fee basis. Fees are negotiable.

HAS's planning and consulting fee will vary depending upon the scope of requested services and the complexity of one's personal, family, business, investment and estate affairs. Prior to engaging HAS to provide planning or consulting services, clients are generally required to enter into a *Wealth Design, Financial Planning and Consulting Agreement*, in which HAS sets 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 HAS commencing services. Special project or one-time services will be billed on a monthly or quarterly basis, beginning on the first day of the month following the date Client executes their agreement. For ongoing consulting services, Client will be (billed quarterly, in advance) in return for services rendered.

HAS may offer service based on a percentage of assets (usually for an investment-related project) or offer service on an hourly basis from \$295 to \$495, 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 HAS's advisory fees deducted from their custodial account. Both HAS's *Investment Advisory Agreement* and the custodial/ clearing agreement may



authorize the custodian to debit the account for the amount of HAS's investment advisory fee and to directly remit that management fee to HAS in compliance with regulatory procedures. In the limited event that HAS bills the client directly, payment is due upon receipt of HAS's invoice. HAS shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. HAS may offer billing on a semi-annual basis in arrears; in general, this arrangement may apply to smaller accounts or grandfathered clients who continue with a semi-annual billing and reporting schedule.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, HAS shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*"), TIAA-CREF, *American Funds ("AF")*, *Pensco* and *SEI Investments ("SEI")* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers/custodians such as *Schwab*, *AF*, *Pensco* and *SEI* may 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 HAS'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).
- D. HAS'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. HAS, in its sole discretion, may elect to bill a client less frequently than quarterly (e.g. semi-annually) and prorate the fee based on the market value of the Assets on the last business day of the extended billing period. HAS generally requires a minimum account of \$1,200,000 for its active discretionary investment management services offered under its PLUS Accredited package. However, HAS, in its sole discretion, may reduce its account minimum, minimum annual fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related or family member accounts, historical relationship, account composition, negotiations with client, *HAS* employee or independent contractor, etc.).

The *Investment Advisory Agreement* between HAS 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, a pro-rated portion of the unearned but paid advisory fee shall be returned to the client. In the event fees are paid in arrears (eg due to a historical agreement and fee arrangement), upon termination a pro-rated portion of the earned but unpaid advisory fee shall be due.

- E. Neither HAS, nor its representatives accept compensation from the sale of securities or other investment products.

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

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



## Item 7           Types of Clients

HAS's clients shall generally include individuals, business entities, trusts, estates, pension and profit sharing plans and charitable organizations. HAS generally requires a minimum account of \$1,200,000 for its active discretionary investment management services offered under its PLUS Accredited package. However, HAS, in its sole discretion, may reduce its account minimum, minimum annual fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related or family member accounts, historical relationship, account composition, negotiations with client, *HAS* employee or independent contractor, etc.).

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

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

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices with the intention of purchasing at reduced or discounted prices, especially when purchasing closed-end funds which may trade at a discount relative to the investments' NAV or Net Asset Value)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

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

- Long Term Purchases (securities held at least a year)
- 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 HAS) will be profitable or equal any specific performance level(s).

B. HAS'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 HAS must have access to current/new market information. HAS has no control over the dissemination rate of market information; therefore, unbeknownst to HAS, certain analyses may be compiled with outdated market information, severely limiting the value of HAS'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.

HAS'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, HAS primarily allocates client investment assets among various, mutual funds and/or exchange traded funds ("ETFs") (and to a significantly lesser extent, amongst various individual equity (stocks), and/or fixed income securities), on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

**Private Investment Funds.** HAS may provide investment advice regarding unaffiliated private investment funds. HAS's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of HAS calculating its investment advisory fee. HAS's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that HAS references private investment funds owned by the client on any supplemental account reports prepared by HAS, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price. (See Item 4 B).

**Independent Managers.** HAS may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. HAS shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which HAS shall consider in

recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

## **Item 9            Disciplinary Information**

HAS has not been the subject of any disciplinary actions.

## **Item 10          Other Financial Industry Activities and Affiliations**

- A. Neither HAS, 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 HAS, 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. HAS does not have a relationship or arrangement with a related person that is material to its advisory business.
- D. HAS 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. HAS maintains an investment policy relative to personal securities transactions. This investment policy is part of HAS's overall Code of Ethics, which serves to establish a standard of business conduct for all of HAS'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, HAS also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by HAS or any person associated with HAS.

- B. Neither HAS nor any related person of HAS recommends, buys, or sells for client accounts, securities in which HAS or any related person of HAS holds a material financial interest.
- C. HAS and/or representatives of HAS *may* buy or sell securities that are also recommended to clients. This practice may create a situation where HAS and/or representatives of HAS 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 HAS 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 HAS's clients) and other potentially abusive practices.

HAS employs a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of HAS's "Access Persons". HAS's securities transaction policy requires that Access Person of HAS must provide the Chief Compliance Officer or his/her designee with a written report of 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 HAS selects; provided, however that at any time that HAS retains only one Access Person, he or she shall not be required to submit any securities report described above.

- D. HAS and/or representatives of HAS *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where HAS and/or representatives of HAS 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, HAS employs a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of HAS's Access Persons.

## **Item 12            Brokerage Practices**

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

Factors that HAS considers in recommending *Schwab, AF, Pensco and/or SEI* (or any other broker-dealer/custodian to clients) include historical relationship with HAS, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by HAS's clients shall comply with HAS'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 HAS 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 services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although HAS 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, HAS's investment management fee. HAS'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, HAS may receive from *Schwab and/or SEI* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist HAS to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by HAS 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 HAS 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 HAS in managing and administering client accounts. Others do not directly provide such assistance, but rather assist HAS to manage and further develop its business enterprise.

HAS's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab and/or SEI* as a result of this arrangement. There is no corresponding commitment made by HAS to *Schwab and/or SEI* 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.

**HAS's Chief Compliance Officer, Craig Hillegas, 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. HAS does not receive referrals from broker-dealers.
3. HAS 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 HAS 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 HAS. 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 HAS 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 HAS.

**HAS's Chief Compliance Officer, Craig Hillegas, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that HAS provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless HAS decides to purchase or sell the same securities for several clients at approximately the same time. HAS 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 HAS’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. HAS 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 HAS provides investment supervisory services, account reviews are conducted on an ongoing basis by HAS's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise HAS 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 HAS on an annual basis.
- B. HAS *may* conduct account reviews 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. HAS 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, HAS may receive an indirect economic benefit from *Schwab and/or SEI*. HAS, without cost (and/or at a discount), may receive support services and/or products from *Schwab and/or SEI*.

HAS’s clients do not pay more for investment transactions effected and/or assets maintained at *Schwab and/or SEI* as a result of this arrangement. There is no corresponding commitment made by HAS to *Schwab and/or SEI* 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.

**HAS's Chief Compliance Officer, Craig Hillegas, 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. HAS does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15 Custody**

HAS 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. HAS may also provide a written periodic report summarizing account activity and performance.

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

#### **Item 16 Investment Discretion**

The client can determine to engage HAS to provide investment advisory services on a discretionary basis. Prior to HAS assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming HAS as client's attorney and agent in fact, granting HAS 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 HAS on a discretionary basis may, at anytime, impose restrictions, **in writing**, on HAS'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 HAS's use of margin, etc.).

#### **Item 17 Voting Client Securities**

- A. Unless the client directs otherwise in writing, HAS is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). HAS shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. HAS shall monitor corporate actions of individual issuers and investment companies consistent with HAS's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which HAS will consider when determining how it will vote differ on a case by case basis, they may, but are not be limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, HAS may be solicited to vote on matters including corporate governance, adoption or amendments to



compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), HAS may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. HAS shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how HAS voted on any specific proxy issue is also available upon written request. Requests should be made by contacting HAS's Chief Compliance Officer, Craig Hillegas.

- B. To the extent that client elect to vote their own proxies, client's will receive their proxies or other solicitations directly from their custodian. Clients may contact HAS to discuss any questions they may have with a particular solicitation.

#### **Item 18      Financial Information**

- A. HAS does not solicit fees of more than \$500, per client, six months or more in advance.
- B. HAS 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. HAS has not been the subject of a bankruptcy petition.

#### **Item 19      Requirements for State-Registered Advisors**

- A. Craig Hillegas is the President of HAS. More information about Craig Hillegas can be found in his Form ADV Part 2B Brochure Supplement.
- B. HAS does not have a relationship or arrangement with a related person that is material to its advisory business.
- C. As discussed above in Item 6, HAS is not compensated on a performance fee basis.
- D. Neither HAS nor any management person have any reportable disciplinary information.
- E. Neither HAS, nor its representatives, have any relationship or arrangement with any issuer of securities.

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