

# Form ADV

## Part 2A

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### Horizons Financial Group, Inc.

March 20, 2012

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This brochure ("Brochure") provides information about the qualifications and business practices of Horizons Financial Group, Inc. ("HFG"). You should review this Brochure in conjunction with our separate brochure supplement ("Supplement"). The Supplement(s) has been prepared for the purpose of providing information about the qualifications and background of the supervised person(s) working with you on our behalf or who may otherwise participate in the advisory services provided to you.

If you have any questions about the contents of this Brochure or our Supplement(s), please contact us at 205-871-7743 or mmashburn@horizonsfinancial.com. Additional information about HFG or any of our supervised persons (who are registered under our firm) is also available on the SEC's Investment Adviser Public Disclosure ("IAPD") which can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The format/layout of this Brochure has been dictated by the SEC. As such, the Brochure's table of contents can be found after the "Material Changes" section of this Brochure, not at the beginning of the Brochure. The subsections appearing under each heading shall follow the mandated ordering of the items required to be addressed in this Brochure as set forth in the instructions and guidance issued by the SEC in regard to Part 2A of the Form ADV. HFG's response to each such item shall immediately follow each numbered item. We encourage any reader of this Brochure to also refer to the SEC's instructions and guidance related to Part 2A of the Form ADV. Throughout this Brochure, any references to "we," "our," "ours," "us," etc. are meant to refer to HFG.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **II. Material Changes**

Filing date of last annual ADV update: March 20, 2012.

As part of the financial regulatory reform approved by Congress, many financial advisers previously registered with the SEC are now required to register with the states. These changes affected Horizons Financial Group, and we are now required to register with the individual states in which we do business. Our primary registration (re: our domicile) will be with the State of Alabama (through the Alabama Securities Commission). As there are additional items requested in this brochure for state registered advisers, these have been addressed and answered in Item XIX of the ADV Part 2A and in item VII of the individual IAR's ADV Parts 2B. You should take notice of these items. In the future, this Material Changes section will discuss only specific material changes that are made to the Brochure and will provide you with a summary of such changes.

Since the filing of our last annual ADV update and aside from the answers to those additional items /questions as described above, there have been no other material changes in our control persons, business model or operations.

Amendment: June 11, 2012

We have amended our earlier filing on pp. 8, 11, 14, 16, 18 & 20, reducing our maximum annual, asset-based fee to 200 (two hundred) basis points (or 2.00%).

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## Key Definitions

There are several terms used throughout this Brochure that are defined in the Glossary of the Form ADV. The full Form ADV and its glossary can be found on the SEC's web site at <http://www.sec.gov/about/forms/formadv.pdf>, however, several of the more important terms that are used throughout this Brochure are provided below for your reference. The definitions appear below as they appear in the glossary of the ADV so be mindful that all references made to "you," "your," or "yours" are intended to refer to HFG. Each term is presented in alphabetical order, not necessarily its order of appearance or use in this Brochure.

**Advisory Affiliate:** Your advisory affiliates are (1) all of your officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by you; and (3) all of your current employees (other than employees performing only clerical, administrative, support or similar functions).

**Control:** Control means the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. Each of your firm's officers, partners, or directors exercising executive responsibility (or persons having similar status or functions) is presumed to control your firm. A person is presumed to control a corporation if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the corporation's voting securities; or (ii) has the power to sell or direct the sale of 25 percent or more of a class of the corporation's voting securities. A person is presumed to control a partnership if the person has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the partnership. A person is presumed to control a limited liability company ("LLC") if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the interests of the LLC; (ii) has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the LLC; or (iii) is an elected manager of the LLC. A person is presumed to control a trust if the person is a trustee or managing agent of the trust.

**Management Persons:** Anyone with the power to exercise, directly or indirectly, a controlling influence over your firm's management or policies, or to determine the general investment advice given to the clients of your firm. Generally, all of the following are management persons: Your firm's principal executive officers, such as your chief executive officer, chief financial officer, chief operations officer, chief legal officer, and chief compliance officer; your directors, general partners, or trustees; and other individuals with similar status or performing similar functions; The members of your firm's investment committee or group that determines general investment advice to be given to clients; and If your firm does not have an investment committee or group, the individuals who determine general investment advice provided to clients (if there are more than five people, you may limit your firm's response to their supervisors).

**Person:** A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

**Related Person:** Any advisory affiliate and any person that is under common control with your firm.

**Self-Regulatory Organization or SRO:** Any national securities or commodities exchange, registered securities association, or registered clearing agency. For example, the Chicago Board of Trade ("CBOT"), FINRA and New York Stock Exchange ("NYSE") are self-regulatory organizations.

**Supervised Person:** Any of your 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 your behalf and is subject to your supervision or control.

## IV. Advisory Business

### Item IV.(A). HFG at a Glance

#### Firm Profile

Horizons Financial Group, Inc. is a comprehensive registered investment advisory financial services firm committed to helping you improve your long-term financial success. Our customized programs are designed to grow, and conserve your wealth by delivering an unprecedented level of personalized service.

#### Years in Business

Date of formation: 06/22/2001.

Date of initial application for registration as investment adviser: 03/09/2007.

#### Principal Owners

The following party(s) maintains at least 25% direct/indirect ownership in HFG.

- Michael Mashburn
- James Nix

### IV.(B). HFG's Advisory Services

In this section, we will describe the services we offer as well as the fees that correspond to those services. As far as investment products on which we may provide advice, those product types are identified in the grid below.

#### Product Type Limitations

We generally provide investment advice in relation to the following specific types of securities/investments.

<input checked="" type="checkbox"/>	Exchange listed equities	<input checked="" type="checkbox"/>	Mutual funds (closed-end and open-end funds)
<input checked="" type="checkbox"/>	Over the counter equities	<input checked="" type="checkbox"/>	Real Estate Investment Trusts ("REITs")
<input checked="" type="checkbox"/>	Equities of foreign issuers	<input checked="" type="checkbox"/>	Exchange traded funds
<input checked="" type="checkbox"/>	Interests in privately offered securities (hedge funds, venture capital funds, private equity funds, etc.) involving any of the following: <ul style="list-style-type: none"><li>• Real estate</li><li>• Oil and gas</li><li>• Mortgages or other receivables/assets</li><li>• Other:</li></ul>	<input checked="" type="checkbox"/>	U.S. government securities
<input checked="" type="checkbox"/>	Warrants	<input checked="" type="checkbox"/>	Options on securities
<input checked="" type="checkbox"/>	Corporate debt securities (other than commercial paper)	<input type="checkbox"/>	Options on commodities
<input checked="" type="checkbox"/>	Commercial paper	<input type="checkbox"/>	Options on futures
<input checked="" type="checkbox"/>	Certificates of deposit	<input type="checkbox"/>	Futures contracts (tangibles)

<input checked="" type="checkbox"/>	Municipal securities	<input type="checkbox"/>	Futures contracts (intangibles)
<input checked="" type="checkbox"/>	Variable life insurance	<input type="checkbox"/>	Other:
<input checked="" type="checkbox"/>	Variable annuities	<input type="checkbox"/>	Other:

## Our Services

Service:	<b><i>Ongoing Asset Management</i></b>
Service description:	<p>On a non-discretionary basis, we may provide periodic investment recommendations to you and if such recommendations are approved/authorized, we will ensure that the authorized recommendations are carried out for you. Our services in this regard may involve the use of one or more fee-based brokerage accounts offered through Triad Advisors, Inc. (“Triad”). HFG and Triad are not affiliated entities. HFG may use any of the following Triad-sponsored, fee-based accounts: (1) the Crown Account; (2) the Apex Account; (3) the Summit Account; or (4) the Pinnacle Account. The Pinnacle account is a wrap account which is further addressed below in our “Wrap Program” service description.</p> <p>For more details on each of these account types, please refer to Triad’s ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure).</p>
Use of discretion:	We will not possess or otherwise exercise investment discretion with respect to this service offering.
Service fees:	<p>For the service described above, we will charge an annual, asset-based fee. The Triad-sponsored accounts that we may use each involve a separate fee structure with varying annual fees based on the dollar value of the portfolio assets in each such account. The annual fee ranges between 0.50% and 2.00%. We receive a portion of the fees you pay in connection with each Triad-sponsored account in which you may participate. Our individual fee arrangements are negotiable at our sole discretion. Specific fee arrangements will be set forth in your Agreement with us.</p> <p>For more details on each of these account types, please refer to Triad’s ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure). Specific fee arrangements will be set forth in your advisory service agreement (“Agreement”) with us.</p>
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses). Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	For the service described above, we receive our service fees as a result of automatic fee deduction via the custodian. Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of



	<p>such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees paid directly to us.</li> </ul> <p>For more details, please refer to Triad’s ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure). Specific fee arrangements will be set forth in your Agreement with us.</p>
Fee frequency/timing:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, or <input type="checkbox"/> in arrears.</p> <p>For more details, please refer to Triad’s ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure). Specific fee arrangements will be set forth in your Agreement with us.</p>
Advanced billing and refunds:	<p>As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination (“Termination Notice”) as described in the Agreement, we will calculate a prorata refund of any fees not yet earned by us after the effective termination date of the Agreement. The prorata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice.</p> <p>For more details, please refer to Triad’s ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure). Specific fee arrangements will be set forth in your Agreement with us.</p>

Service:	<p><b><i>Recommendation of Other Investment Advisers and Use of Wrap Programs</i></b></p> <p><b><u>Recommendation of Other Investment Advisers</u></b></p>
Service description:	<p>Under this service, we may recommend (on a non-discretionary basis) other investment advisers to provide the specific investment management services (not on a sub-advisory basis) related to your assets. The other investment advisers that HFG may recommend are ones that are part of a group of investment advisers selected by Triad Advisors, Inc. (“Triad”) as part of Triad’s “Third-Party Managed Accounts” program and its “Turnkey Asset Management Programs,” together, the “Triad Programs.” HFG and Triad are not affiliated entities.</p> <p>Triad has established contractual relationships with third party money management firms to provide investors access to a bevy of investment management services such as discretionary investment management and advisory services. Some of the other investment advisers recommended as part of Triad’s Programs offer wrap fee accounts. Please refer to the “Wrap Program” section below for more details in regard to our role with respect to wrap programs.</p>

Our services in relation to the Triad Programs generally will include assisting you in choosing investment objectives and appropriate investment managers, setting restrictions or limitations on the management of the account, explaining portfolio strategies and transactions and answering any of your questions. We will monitor such other investment advisers' performance with respect their management of your assets. We will NOT retain the authority to engage or terminate any other investment advisers that we recommend to you. At all times, you will retain the authority to engage and/or terminate such other investment advisers.

A list of all third-party managers available in the Triad Programs can be found in Triad's Form ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure). A description of the specific services and fees available from the other investment advisers can be found in such other investment adviser's current disclosure document(s) (i.e. Form ADV, Part 2A and/or Form ADV, Appendix 1 of Part 2A).

### **Wrap Program**

The following information will supplement the wrap fee program information presented in this section. A "wrap fee program" is a program that offers participants a suite of services such as asset allocation; portfolio management; trade execution; and certain administrative activities, all for a single fee – typically an annual, asset-based fee. A wrap fee program is designed to assist clients in obtaining professional asset management, brokerage, custodial, and administrative services for a convenient, "wrapped" fee.

There are several main roles that can be served in relation to a wrap program.

**Lead Sponsor** – The lead sponsor is the investment adviser firm that principally organizes the wrap program and determines which program managers will be made available in the wrap program; which broker-dealers and/or custodians will be used in the wrap program; as well as the overall fee structure for the wrap program. The lead sponsor would also generally coordinate the engagement of other investment advisers (referring parties, or solicitors) who may refer clients of their own to participate in the wrap program. The lead sponsor in some cases may and in some cases may not provide the hands on management of a wrap client's assets within the wrap program. In some cases, the lead sponsor may be responsible for selecting the specific program manager that will be responsible for providing the hands on management of a wrap client's assets within the wrap program.

**Solicitor** – A solicitor generally does not serve as the lead sponsor and does not serve as a program manager within the wrap program. The solicitor simply recommends that its clients participate in the wrap program and in some cases, the solicitor may recommend one or more program managers made available within the wrap program. In certain circumstances, a solicitor may also be considered a sponsor but generally not the lead sponsor.

**Program Manager** – The program manager(s) are generally investment adviser firms that are responsible for the hands on management of a wrap client's assets within the wrap program. The program managers generally are selected by the lead sponsor as investment advisers available within the wrap program.

In relation to wrap programs, we participate in the following manner.

#### ☒ **Solicitor**

- Recommendation (not discretionary selection) of a wrap program(s) sponsored by another party.

	<ul style="list-style-type: none"> <li>• Recommendation (not discretionary selection) of specific program managers within a wrap program.</li> <li>• Provide ongoing monitoring of the activities and performance of program managers selected to manage a wrap participant's program assets.</li> </ul> <p><input checked="" type="checkbox"/> <b><u>Program Manager</u></b></p> <ul style="list-style-type: none"> <li>• Provide the hands on management (non-discretionary) of a wrap client's program assets. Our services in this regard will not differ materially from our non-discretionary, ongoing asset management services with the exception of the wrap fee component.</li> </ul> <p>We will offer a wrap fee brochure or other appropriate disclosure document to any advisory clients who are recommended to participate in a wrap program; whether ours or another investment adviser's wrap program. The wrap fee brochure provides wrap program participants with important information about the wrap fee program itself. We will also provide a copy of current wrap brochure and/or other disclosure document for the specific investment manager(s) selected to manage a client's assets in a wrap program. A wrap program participant should consider all of the information within the wrap fee brochure and the selected investment manager's disclosure document(s) before participating in a wrap fee program. We receive a portion of the wrap fees paid by you.</p>
Use of discretion:	We will not possess or otherwise exercise investment discretion with respect to this service offering.
Service fees:	<p>For the service described above, we will typically charge an asset-based fee. The annual fee range for Triad's Pinnacle account spans between 0.50% and 2.00%. We receive a portion of the fees you pay in connection with the Pinnacle account as well as your accounts managed by other investment advisers we may recommend from time to time. Our individual fee arrangements are negotiable at our sole discretion. Specific fee arrangements will be set forth in your advisory agreement with us.</p> <p>Any other investment advisers that we may recommend will also charge an asset-based fee. In those cases, we receive a portion of the advisory fees charged by such other investment advisers. The fee arrangements for the other investment advisers or wrap programs we may recommend will be set forth in the other investment adviser's Part 2A and/or Appendix 1 of its Part 2A. Your specific fee arrangements will be set forth in your Agreement with us.</p> <p>For more details, please refer to Triad's ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure) and the Part 2A and/or wrap brochure of any other investment adviser we may recommend.</p> <p><i>Referral Fees</i></p> <p>Fees related to our services described in this section may be considered "referral" fees since we will be referring our clients to certain outside investment advisers.</p>
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p>

	<p>For more details, please refer to Triad’s ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure) and the Part 2A and/or wrap brochure of any other investment adviser we may recommend.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee frequency/timing/ collection:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input checked="" type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, or <input checked="" type="checkbox"/> in arrears. Additionally, we receive our service fees by the following method(s):</p> <p><input checked="" type="checkbox"/> automatic fee deduction via the custodian  <input checked="" type="checkbox"/> via the other investment adviser(s) managing your assets</p> <p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees paid directly to us.</li> </ul> <p><i>Use of other Investment Advisers:</i></p> <p>Other investment advisers recommended or selected by us generally charge their own advisory fees for managing client assets. Such fees are generally based on a percentage of the assets under management. Our fees are subject to negotiation and are part of the overall fees charged by such other investment advisers. Our compensation will not increase the overall fees charged by other investment advisers who are actively managing your assets. Additional details related to fees charged by outside investment advisers will be explained in any such adviser’s disclosure document.</p> <p>If another investment adviser is managing your assets, we will not bill or invoice you directly for our fees related to the recommendation or selection of other investment advisers. The fees charged by other investment advisers are assessed by such parties. Such fees may be charged in advance or in arrears; monthly, quarterly, or annually. Further, fees may be collected via the custodian or by way of direct billing by such investment adviser. Regardless of the other investment adviser’s billing practices, our compensation will be received from the other investment adviser in accordance with the normal and customary billing practices as outlined in that outside investment adviser’s disclosure document(s).</p> <p>For more details, please refer to Triad’s ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure) as well as the Part 2A and/or Appendix 1 of Part 2A for any other investment adviser we may recommend to you. Specific fee arrangements will be set forth in your advisory agreement.</p>
Advanced billing and refunds:	<p>As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination (“Termination Notice”) as described in the Agreement, we will calculate a prorata refund of any fees not yet earned by us after the effective</p>

	<p>termination date of the Agreement. The prorata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice.</p> <p><i>Use of other Investment Advisers:</i></p> <p>If another investment adviser(s) is used to manage your assets, any available refund process for fees that may be collected in advance will be dictated by such other investment adviser's disclosure document(s) and/or service agreement(s) with you.</p> <p>For more details, please refer to Triad's ADV, Part 2A as well as its current Appendix 1 of Part 2A (i.e. its wrap brochure) and the Part 2A and/or wrap brochure of any other investment adviser we may recommend. Specific fee arrangements will be set forth in your Agreement with us.</p>
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Service:	<b><i>Financial Planning</i></b>
Service description:	<p>We may prepare a written financial plan for our clients. Our financial planning services may involve consultation, analysis, and recommendations in the six areas of financial planning, which include (1) financial situation; (2) income taxes; (3) insurance; (4) investments; (5) retirement planning; and (6) estate planning.</p> <p>In order to determine a suitable course of action for an individual client, we will perform a review of the variables that are presented. This review may include, but would not necessarily be limited to, investment objectives, consideration of your overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to your particular circumstances.</p> <p>We will review your present financial situation and issue a written analysis and report of recommendations in accordance with your goals and objectives. This service may include an initial consultation and subsequent follow-up visits. The services provided in this regard may include but would not be limited to the following:</p> <ul style="list-style-type: none"> <li>• Prepare an annual net worth statement;</li> <li>• Create a cash flow statement;</li> <li>• Review current investments and make recommendations thereon;</li> <li>• Review client's life insurance and disability insurance and make recommendations thereon;</li> <li>• Review client's estate plan and make recommendations thereon;</li> <li>• Complete a retirement analysis; and</li> <li>• Provide education planning advice.</li> </ul> <p>Unless engaged separately to do so, we will not be responsible for the implementation of the plan. You assume full responsibility for the implementation of the plan.</p>
Use of discretion:	We will not possess or otherwise exercise investment discretion with respect to this service offering.

Service fees:	<p>For the service described above, we may charge fees in the following manner:</p> <p><i>Annual, asset-based fee.</i> Our annual, asset-based fees range from ten (10) basis points to two hundred (200) basis points.</p> <p><i>Annual, flat/fixed fee.</i> Our annual fee (flat/fixed) for our financial planning services ranges from \$300 to \$50,000.</p> <p><i>Non-annual, flat/fixed fee.</i> Our non-annual, fixed/flat fee for our financial planning services ranges from \$300 to \$50,000.</p> <p><i>Hourly fees.</i> Our hourly fee rate for our financial planning services ranges from \$125 to \$400.</p> <p>All fees are negotiable at our sole discretion. Specific fee arrangements will be set forth in your service agreement (“Agreement”) with us.</p>
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	<p>For the service described above, we receive our service fees by the following method(s):</p> <p><input checked="" type="checkbox"/> automatic fee deduction via the custodian  <input checked="" type="checkbox"/> direct invoice to you</p> <p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees paid directly to us.</li> </ul> <p><i>Direct billing.</i></p> <p>If so desired, you may choose to be billed directly by us for our service fees. Specific fee arrangements will be set forth in your Agreement with us.</p>
Fee frequency/timing:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input checked="" type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, <input checked="" type="checkbox"/> in arrears, or <input checked="" type="checkbox"/> a portion in advance and a portion in arrears. Specific fee arrangements will be set forth in your Agreement with us.</p>

Advanced billing and refunds:	<p>As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination (“Termination Notice”) as described in the Agreement, we will calculate a prorata refund of any fees not yet earned by us after the effective termination date of the Agreement. The prorata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice. Specific fee arrangements will be set forth in your Agreement with us.</p>
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Service:	<b><i>Individual Consultations</i></b>
Service description:	<p>We also provide advisory or consulting services not involving the other services already described herein but still pertaining to investments or investment-related matters. As part of these services, may or may not provide any written documentation or other work product. Such services may include, but would not be limited to, the following:</p> <ul style="list-style-type: none"> <li>• Insurance-related services and planning;</li> <li>• One-time analysis of investment accounts/portfolios;</li> <li>• Telephonic, electronic, or in-person consultations/communications regarding investments or investment-related matters;</li> <li>• Serving as an expert witness in judicial or arbitration proceedings;</li> <li>• Conferring with other professionals or service providers (i.e. accountants, CPAs, attorneys, etc.) regarding investments or investment-related matters on your behalf; and/or</li> <li>• Other service as may be specifically requested.</li> </ul> <p>Depending upon the particular service engagement, we may or may not produce any written documentation that supports recommendations or conclusions reached as a result of carrying out these services. If you wish to engage us for some type of service not specifically mentioned or referred to in the services noted above, you may provide us with guidance as to the scope of the engagement. Regardless of the services ultimately requested, the specific services and corresponding fees will be set forth in your Agreement.</p> <p><b><u>Financial Institution Advisory Services</u></b></p> <p>HFG may also offer specialized advisory services to certain types of financial institutions such as banks, credit unions, etc. The services offered to these types of clients may include, but would not be limited to, the following activities.</p> <ul style="list-style-type: none"> <li>• Evaluating securities portfolios and/or individual transactions;</li> <li>• Recommendations related to the pricing of various lending instruments;</li> <li>• Asset/liability consulting;</li> <li>• Creation and monitoring of an Investment Policy Statement (“IPS”);</li> <li>• Etc.</li> </ul>

	Engagements involving these services may vary from client to client and thus, the specific details (services, fees, etc.) of any such engagement will be spelled out in a separate engagement letter or other agreement.
Use of discretion:	We will not possess or otherwise exercise investment discretion with respect to this service offering.
Service fees:	<p>For the service described above, we may charge fees in the following manner:</p> <p><i>Annual, asset-based fee.</i> Our annual, asset-based fees range from three (3) basis points to two hundred (200) basis points.</p> <p><i>Annual, flat/fixed fee.</i> Our annual fee (flat/fixed) for our financial institution advisory services ranges from \$300 to \$100,000.</p> <p><i>Non-annual, flat/fixed fee.</i> Our non-annual, fixed/flat fee for our financial institution advisory services ranges from \$300 to \$50,000.</p> <p><i>Hourly fees.</i> Our hourly fee rate for our financial institution advisory services ranges from \$125 to \$400.</p> <p>All fees are negotiable at our sole discretion. Specific fee arrangements will be set forth in your Agreement with us.</p>
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	<p>For the service described above, we receive our service fees by the following method(s):</p> <p><input checked="" type="checkbox"/> automatic fee deduction via the custodian  <input checked="" type="checkbox"/> direct invoice to you</p> <p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees paid directly to us.</li> </ul> <p><i>Direct billing.</i></p>



	If so desired, you may choose to be billed directly by us for our service fees. Specific fee arrangements will be set forth in your Agreement with us.
Fee frequency/timing:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input checked="" type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, <input checked="" type="checkbox"/> in arrears, or <input checked="" type="checkbox"/> a portion in advance and a portion in arrears.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
Advanced billing and refunds:	<p>As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination (“Termination Notice”) as described in the Agreement, we will calculate a prorata refund of any fees not yet earned by us after the effective termination date of the Agreement. The prorata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>

Service:	<i>Pension Consulting</i>
Service description:	<p>We offer pension consulting services to various types of pension plans, including, but not limited to, profit sharing plans, employee stock ownership plans, defined benefit plans and 401(k), 403(b), 401(a) and 457 plans. Collectively, we consider these types of plans as a specific segment of our client base and in turn, we will refer to these types of plans as “Pension Clients.”</p> <p>We gather and review extensive information regarding each Pension Client on an individualized basis including each Pension Client’s objectives and needs. Our pension consulting services include plan feasibility, plan design, plan review, document preparation, and assistance with Department of Labor and/or IRS issues, among others.</p> <p>Other than those briefly described above, there are several distinct activities that may be available under our pension consulting services. These services may be provided separately or in combination with one another. Although not all-inclusive, the following information will describe some of the activities offered under our pension consulting services.</p> <p><i>Preparation of Investment Policy Statement (“IPS”):</i></p> <p>We may meet with a Pension Client to determine the relevant plan’s investment needs and goals. If required by the Pension Client, we will then prepare a written IPS stating those needs and goals and encompassing a policy under which these goals are to be achieved. The IPS will also list the criteria for selection of plan’s investment options/vehicles and the procedures and timing interval for monitoring of investment performance.</p>

	<p><i>Recommendation of Investment Options:</i></p> <p>The number and type of investment options/vehicles to be recommended will be determined by the Pension Client, based upon the plan's stated needs. We will review various investments, consisting predominantly of mutual funds separate accounts (both index and managed) to determine which of these investments are appropriate to implement the Pension Client's IPS. Our review process will result in the recommendation of specific investment options for the Pension Client to consider for inclusion in the list of plan investment options.</p> <p><i>Monitoring of Investment Performance:</i></p> <p>A plan's investment options will be monitored continuously based on the procedures and timing intervals delineated in the IPS or as otherwise set forth by the Pension Client. Although we will not be involved in any way in the purchase or sale of these investments, we will supervise the plan portfolio and will make recommendations to the Pension Client as market factors and the plan's needs dictate to change investment lineup as needed.</p>
Use of discretion:	We will not possess or otherwise exercise investment discretion with respect to this service offering.
Service fees:	<p>For the service described above, we may charge fees in the following manner:</p> <p><i>Annual, asset-based fee.</i> Our annual, asset-based fees range from three (3) basis points to two hundred (200) basis points.</p> <p><i>Annual, flat/fixed fee.</i> Our annual fee (flat/fixed) for our financial planning services ranges from \$300 to \$100,000.</p> <p><i>Non-annual, flat/fixed fee.</i> Our non-annual, fixed/flat fee for our pension consulting services ranges from \$300 to \$50,000.</p> <p><i>Hourly fees.</i> Our hourly fee rate for our pension consulting services ranges from \$125 to \$400.</p> <p>All fees are negotiable at our sole discretion. Specific fee arrangements will be set forth in your Agreement with us.</p>
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	<p>For the service described above, we receive our service fees by the following method(s):</p> <p><input checked="" type="checkbox"/> automatic fee deduction via the custodian</p> <p><input checked="" type="checkbox"/> direct invoice to you</p>

	<p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees paid directly to us.</li> </ul> <p><i>Direct billing.</i></p> <p>If so desired, you may choose to be billed directly by us for our service fees. Specific fee arrangements will be set forth in your Agreement with us.</p>
Fee frequency/timing:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input checked="" type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, <input checked="" type="checkbox"/> in arrears, or <input checked="" type="checkbox"/> a portion in advance and a portion in arrears.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
Advanced billing and refunds:	<p>As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination ("Termination Notice") as described in the Agreement, we will calculate a prorata refund of any fees not yet earned by us after the effective termination date of the Agreement. The prorata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>

Service:	<b><i>Non-Securities Related Advisory Services</i></b>
Service description:	<p>On more than an occasional basis, individuals associated with HFG may furnish advice to the client on matters not involving securities. Such matters may involve issues related to tax planning, estate planning, insurance products, mortgage financing, college funding, savings strategies, etc.</p> <p>Depending upon the particular service engagement, we may or may not produce any written documentation that supports recommendations or conclusions reached as a result of carrying out these services. If you wish to engage us for some type of service not specifically mentioned or referred to in the services noted above, you may provide us with guidance as to the scope of the engagement. Regardless of the services ultimately requested, the specific services and corresponding fees will be set forth in your</p>

	Agreement.
Use of discretion:	We will not possess or otherwise exercise investment discretion with respect to this service offering.
Service fees:	<p>For the service described above, we may charge fees in the following manner:</p> <p><i>Annual, asset-based fee.</i> Our annual, asset-based fees range from ten (10) basis points to two hundred (200) basis points.</p> <p><i>Annual, flat/fixed fee.</i> Our annual fee (flat/fixed) for our financial planning services ranges from \$300 to \$50,000.</p> <p><i>Non-annual, flat/fixed fee.</i> Our non-annual, fixed/flat fee for our financial planning services ranges from \$300 to \$50,000.</p> <p><i>Hourly fees.</i> Our hourly fee rate for our financial planning services ranges from \$125 to \$400.</p> <p>All fees are negotiable at our sole discretion. Specific fee arrangements will be set forth in your Agreement with us.</p>
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	<p>For the service described above, we receive our service fees by the following method(s):</p> <p><input type="checkbox"/> automatic fee deduction via the custodian; and/or  <input checked="" type="checkbox"/> direct invoice to you.</p> <p><i>Direct billing.</i></p> <p>If so desired, you may choose to be billed directly by us for our service fees. Specific fee arrangements will be set forth in your Agreement with us.</p>
Fee frequency/timing:	For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input checked="" type="checkbox"/> monthly, <input checked="" type="checkbox"/> advance, <input checked="" type="checkbox"/> in arrears, or <input checked="" type="checkbox"/> a portion in advance and a portion in arrears.
Advanced billing and refunds:	As described above, our advisory fees may be charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of the Agreement as the termination process is described in the Agreement. Upon receipt of a proper notice of termination ("Termination Notice") as described in the Agreement, we will calculate a prorata refund of any fees not yet earned by us after the effective termination date of the Agreement. The prorata refund will equal the total number of calendar days remaining in the billing period after the date of the termination of the Agreement to the end of that billing period divided by the total number of calendar days

	in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper Termination Notice.
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#### **IV.(C). Customization of Advisory Services**

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To the fullest extent possible, we will endeavor to tailor our advisory services to meet the specific needs of each and every client. In order to determine a suitable course of action for an individual client, we will perform a review of our clients' financial circumstances. Such review may include, but would not necessarily be limited to, investment objectives, consideration of a client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to a client's particular circumstances.

In making investment recommendations on behalf of a client, we will rely on a data gathering document or other questionnaire, which would be completed based on information provided by a client.

Our clients are free to impose any restrictions or other conditions with regard to how we provide our advisory services. If we agree to such restrictions and/or conditions, please be advised that restrictions and guidelines imposed by a client may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and a client should not expect that the performance of a custom portfolio will be identical to any other individual's portfolio performance) as well as any recommendations provided to the client.

#### **IV.(D). Wrap Fee Program Participation**

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Refer to item IV.(B). above for details as to our participation/involvement with wrap programs.

#### **IV. (E). Assets Under Management<sup>1</sup> ("AUM")**

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AUM (discretionary):	\$ 0
AUM (non-discretionary):	\$ 10,462,980
Total AUM <sup>2</sup> :	\$ 10,462,980
Date of AUM calculation:	12/31/2011

### **V. Fees and Compensation**

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#### **V.(A). HFG Advisory Fees**

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Refer above to Item IV.(B).

#### **V.(B). Fee Collection Process**

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<sup>1</sup> The term, "assets under management" shall carry the same meaning as that term is defined by Form ADV.

<sup>2</sup> Rounded to the nearest \$1.00

Refer above to Item IV.(B).

### **V.(C). Other Fee/Expenses.**

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Refer above to Item IV.(B).

### **V.(D). Fees Charged in Advance**

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Refer above to Item IV.(B).

### **V.(E). Additional Compensation**

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Certain individuals who are associated with us, if properly registered and licensed to do so, may also receive compensation (i.e. commissions) related to the sale of securities or other investment products. Transaction-based compensation (“Additional Compensation”) such as this is separate and distinct from the other fees we may receive in connection with our investment advisory services as described above in Item IV.(B).

#### **V.(E).(1). Conflicts of Interest**

The instructions in the Form ADV require us to tell you that the receipt or potential for the receipt of Additional Compensation gives our supervised persons an incentive to recommend investment products based on the Additional Compensation received, rather than on your specific needs. Although we are obligated to tell you this, our objective as a firm, which is shared by our supervised persons, is to place nothing before your best interests.

*How we address these conflicts.* First and foremost, we address the conflicts described above in relation to Additional Compensation by disclosing them to you in this Brochure as well as your representative’s Brochure Supplement. As a matter of general policy, we aggressively discourage activities that put your interests anywhere but first. Additionally, we have instituted a comprehensive supervisory process, detailed in our Written Supervisory Procedures (“WSPs”) that was designed to address, among other things, conflicts of interest such as Additional Compensation. In addition, we have designated a Chief Compliance Officer, as set forth on Schedule A of our Form ADV, to be the party responsible for the overall application and oversight of our supervisory process and our WSPs. Our Chief Compliance Officer has the authority to delegate certain supervisory responsibilities to other supervised persons within our firm in order to ensure that our overall system of supervision is being carried out adequately and in a timely manner.

The potential conflict of interest resulting from the Additional Compensation described above is commonplace in the investment industry and we believe that such arrangements are not only appropriate but that they are proper in light of the added examination, licensing, registration, and other regulatory oversight that also takes place in the brokerage area of the investment industry. Our supervised persons have satisfied various regulatory examination and registration requirements that allow not only for the offering of the types of products and services described in the information related to the Additional Compensation described above but also the receipt of the normal and customary compensation that any similarly registered, licensed, and qualified person could receive in the form of sales compensation for those same products/services.

Bear in mind that even if our supervised persons were not registered/licensed to sell the types of products/services addressed in the preceding section, the majority of your investments or transactions involving such products would still result in you paying some sort of commission for those products. In the case of our supervised persons, their active registration/licensing may allow them to be able to receive such Additional Compensation as opposed to the executing financial institution keeping that compensation exclusively for itself.

Any Additional Compensation received by our supervised persons in connection with the products/services described in the preceding section is deemed routine and customary compensation for such activities and is not believed to be inappropriate.

*Procedures for disclosing these conflicts.* In an effort to inform you of these conflicts of interest, we have prepared this Brochure and have provided it to you, in part, for the purpose of disclosing these conflicts. You are always welcome to request a current copy of our Brochure. We are obligated to provide you a copy of this Brochure no later than the time you sign our Agreement and on an annual basis, we are required to provide you either (1) a copy of our current Brochure or (2) a set of instructions as to how you can request a copy of our current Brochure.

If we recommend mutual funds to our clients, we may often or occasionally recommend no-load funds.

### **V.(E).(2). Client-Directed Brokerage**

You have the ability to purchase investment products that we recommend through any broker-dealer or other financial institution you choose. If you choose to use a firm other than the broker-dealer(s) we may normally recommend, we may not be able to properly monitor your assets and therefore we cannot be held responsible for the success or failure of any investment products or strategies that you implement at firms other than those we recommend. In other words, our services and responsibilities will not apply to transactions you effect on your own whether through firms you choose on your own or through any broker-dealer we may recommend.

### **V.(E).(3). Brokerage Compensation**

We are not registered as a broker-dealer and thus, we do not receive transaction-based compensation for securities-related activities.

### **V.(E).(4). Advisory Fee Offset**

In the event that we or our supervised persons receive compensation other than our advisory fees as described above in Item IV.(B), we will not adjust our advisory fees to offset those other fees.

## **VI. Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees.

## **VII. Types of Clients**

We will generally provide our services to the following types of clients.

- Individuals
- High net worth individuals
- Pension plans / profit sharing plans
- Trusts for non-natural persons
- Trusts for natural persons
- Estates for natural persons
- Business or corporate entities
- Not for profit hospitals

- Credit unions, thrift institutions, or other banking institutions

For information on any minimum fees, minimum initial/ongoing account balances, or other conditions we may impose, please refer to Item IV.(B).

## **VIII. Methods of Analysis, Investment Strategies and Risk of Loss**

### **VIII.(A). Methods of Analysis**

In the course of our management process and as appropriate on a case by case basis, we will employ some or all of the following methods of analysis. For a description of the risks related to each particular method of analysis, see the information following each analysis method description. A description of each key risk appears later in this section.

#### **Charting / Technical –**

The terms “charting” and “technical” analysis are generally used synonymously and therefore, for the purpose of this document, we will use the term, “technical analysis.” In most cases, technical analysis involves the evaluation of historical market data such as price and volume of a particular security or investment instrument. Technical analysis often times involves the use of charts, graphs, and other tools to evaluate historical factors relating to the investment instrument and perhaps the market as a whole. The goal of technical analysis is to try to identify historical trading patterns that suggest future trading activity or price targets.

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Market Risk, Operational Risk, and Strategy Risk.

#### **Fundamental**

Fundamental analysis is generally the considered the opposite approach to technical analysis. Fundamental analysis involves the attempt to identify the intrinsic value (i.e. the actual, true/real value) of an investment instrument by examining any related economic, financial, and other quantitative/qualitative factors relevant to that instrument. Fundamental analysis can take into account anything that may impact the underlying value of the instrument. Examples of such things may include large-scale economic issues such as the overall condition or current cycle of the economy, industry-specific or sector-specific conditions, etc. Other company/issuer-specific factors may also be taken into consideration such as the company’s/issuer’s current financial condition, management experience and capabilities, legal/regulatory matters, the overall type and volume of current and expected business, etc.

One of the goals of fundamental analysis is to attempt to derive a value that can be compared to the current market price for a particular financial instrument in hopes of determining whether the instrument is overpriced (time to sell) or underpriced (time to buy).

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, and Interest Rate Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

### **VIII.(A). (cont.) Investment Strategies**

In the course of our management process and as appropriate on a case by case basis, we will employ any of the following investment strategies. For a description of the risks related to each particular investment strategy, see the



information following each strategy description. The codes used below relate to risks described further below in this section.

### **Long-Term Purchases**

Long-term purchases generally involve the acquisition of an investment instrument and holding it for a period of at least one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Short-Term Purchases**

Short-term purchases generally involve the acquisition of an investment instrument and holding it for a period of not more than one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Trading**

Trading generally involve the acquisition of an investment instrument and holding it for a period of at not more than thirty days.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Short Sales**

Selling short involves the sale of an investment instrument that you do not own. In most cases, a short seller will have to go out and borrow or arrange for the borrowing of a particular investment instrument before selling short. When selling short, the seller is expecting the price of the underlying investment instrument to decline but if it does, the seller is able to sell the investment instrument(s) at the present day price (in effect at the time of entering into the short sale) and the profit potential is the difference between the sale price of the borrowed shares and the cost of purchasing the borrowed shares in order to make good on the delivery of the investment instrument(s) to the party on the other side of the initial short sale.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Margin Trading**

Margin trading, or “trading on margin,” as it is generally stated, involves the ability to purchase a dollar value of securities that is greater than the dollar value of funds you have available for the purchase. Essentially, trading on margin means that you can borrow additional funds, generally from the firm that holds your brokerage account, to purchase investment instruments that exceed the amount with which you have funded your account.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Option Writing** (including covered/uncovered options or spreading strategies)

We will also employ the use of options trading in the event that such trading complements an investment strategy we may be carrying out for a particular client. An option is the right either to buy or sell a specified amount or value of a particular underlying investment instrument at a fixed price (i.e. the “exercise price”) by exercising the option before its specified expiration date. Options giving you the right to buy are called “call” options. Options giving you the right to sell are called “put” options. When trading options on behalf of a client, we may use covered options. Covered options involve options trading when you own the underlying instrument on which the option is based.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

## **VIII.(B). Risk Disclosures**

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### **Capital Risk**

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

### **Credit Risk**

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

### **Currency Risk**

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, German mark, Euro, Japanese yen, French franc, etc.).

### **Economic Risk**

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### **Financial Risk**

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### **Higher Trading Costs**

For any investment instrument or strategy that involves active or frequent trading, you may experienced larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

### **Inflation Risk**

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk**

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Legal/Regulatory Risk**

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Liquidity Risk**

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Market Risk**

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

**Operational Risk**

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

**Past Performance**

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

**Strategy Risk**

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

**VIII.(C). Investment-Specific Risks**

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There is no single type of investment instrument that we predominantly recommend, however, please be mindful that all investments carry some form and degree of risk. Certain types of investments carry greater types and levels

of risk than others and you should make sure that you fully understand not only the investment product itself but also the attendant risk factors associated with such products.

## IX. Disciplinary Information

The purpose of this section is for us to disclose to you any legal, disciplinary, or other events that you may consider material in your evaluation of our firm or the integrity of our management. Following each of the numbered items below, we shall provide details as to each applicable matter or we will answer “No” or “N/A.” This information is presented in a question and answer format. The time period required to be covered by our answers in this section is ten years from the date of the events requiring disclosure.

### IX.(A). Criminal or Civil Action

In any domestic, foreign, or military court of competent jurisdiction, has HFG or any of its management persons...		
Been convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been identified as the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been found to have been involved in a violation of an investment-related statute or regulation; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### IX.(B). Administrative Proceedings

Has HFG or any of its management persons been the subject of an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which HFG or any of its management persons...		
Was found to have caused an investment-related business to lose its authorization to do business; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority...		
denying, suspending, or revoking the authorization of HFG or one of its management persons to act in an investment-related business;	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
barring or suspending HFG or one of its management person’s association with an investment-related business;	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
otherwise significantly limiting HFG or one of its management person’s investment-related activities; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

imposing a civil money penalty of more than \$2,500 on HFG or one of its management persons?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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### **IX.(C). SRO Proceedings**

Has HFG or any of its management persons been involved in a SRO proceeding in which HFG or any of its management persons ...		
Was found to have caused an investment-related business to lose its authorization to do business; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## **X. Other Financial Industry Activities and Affiliations**

The following information will address any active or pending financial industry affiliations that you need to know about for the purpose of identifying any related conflicts of interest that you might consider material in regard to letting us handle your investment advisory needs.

### **X.(A). Broker-Dealers**

Neither HFG nor any of its management persons is registered as a broker-dealer nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as a broker-dealer. Certain of our management persons, however, are currently or may become registered as registered representatives of a broker-dealer.

### **X.(B). Futures Commission Merchants, Introducing Brokers, Commodity Trading Advisors, Commodity Pool Operators**

Neither HFG nor any of its management persons is registered as a futures commission merchant, an introducing broker, a commodity trading adviser, or a commodity pool operator, nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as any of these types of firms. Further, none of our management persons are registered as or currently seeking registration as associated persons of any of these types of firms.

### **X.(C). Related Persons**

The purpose of this section is to address any relationship or arrangement (that is material to (1) our advisory business or (2) our clients) that we or any of our management persons have with any of our related persons that meet certain categories as identified by the Form ADV. Those categories are listed below and in the event that we have a related person that is included in one of those categories, we will address not only the relationship or arrangement that is material to our advisory business or our clients but also any conflict(s) arising out of this relationship/arrangement and how we address such conflict(s). It should be understood that if the checkbox

immediately preceding a category is unselected, that category shall be deemed not applicable for the purpose of this item X.(C).

☐ **Broker-dealer, municipal securities dealer, or government securities dealer or broker**

*Related Person:* None.

*Conflict(s):* N/A

*How we Address the Conflict(s):* N/A

☐ **Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Other investment adviser or financial planner**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Futures commission merchant, introducing broker, commodity pool operator, or commodity trading advisor**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Banking or thrift institution**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Accountant or accounting firm**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Lawyer or law firm**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☒ **Insurance company or agency**

*Related Person:* Nix Mashburn, LLC

*Conflict:* Certain individuals associated with HFG may also be registered representatives and/or insurance agents of Nix Mashburn, LLC, an Alabama licensed insurance agency, and affiliate of HFG. As such, Nix Mashburn, LLC and these individuals, in their separate capacities as insurance agents, will be able to effect insurance transactions and will receive separate, yet customary compensation for effecting any such transactions.

*How we Address the Conflict(s):* First and foremost, we address this conflict by disclosing it to you in this Brochure as well as your representative's Brochure Supplement. As a matter of general policy, we aggressively discourage activities that put your interests anywhere but first. Additionally, we have instituted a comprehensive supervisory process, detailed in our Written Supervisory Procedures ("WSPs") that was designed to address, among other things, conflicts of interest such as the relationship between HFG and Nix Mashburn, LLC. In addition, we have designated a Chief Compliance Officer, as set forth on Schedule A of our Form ADV, to be the party responsible for the overall application and oversight of our supervisory process and our WSPs. Our Chief Compliance Officer has the authority to delegate certain supervisory responsibilities to other supervised persons within our firm in order to ensure that our overall system of supervision is being carried adequately out and in a timely manner.

As we stated above, in an effort to inform you of these conflicts of interest, we have prepared this Brochure and have provided it to you, in part, for the purpose of disclosing these conflicts. You are always welcome to request a current copy of our Brochure. We are obligated to provide you a copy of this Brochure no later than the time you sign our Agreement and on an annual basis, we are required to provide you either (1) a copy of our current Brochure or (2) a set of instructions as to how you can request a copy of our current Brochure.

☐ **Pension consultant**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Real estate broker or dealer**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Sponsor or syndicator of limited partnerships**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

## **X.D Use of Other Investment Advisers**

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As described previously in Item IV.(B), from time to time we may recommend or select other investment advisers for you and in return, we will receive compensation (i.e. solicitor/referral fees) from those other investment advisers. In these cases, we will generally enter into a formal, written agreement (i.e. a solicitor agreement) with such other investment advisers. These sorts of arrangements are often times referred to as “solicitor arrangements” and under such arrangements, we would be serving the role of solicitor for the other investment adviser.

As a result of these such arrangements, we may be incentivized to recommend only the investment advisers from whom we receive solicitor/referral fees as opposed to another investment adviser from whom we do not receive such fees. We continually monitor other investment advisers that we might recommend under a solicitor arrangement in the event that such investment advisers are not meeting the standards that we believe meet your needs, we will seek other investment advisers that may be a better fit for your specific management needs.

Additional details about any such arrangement can be found in the applicable solicitor disclosure document that we are obligated to provide to each of our clients that we may refer to any other investment adviser under one of these solicitor arrangements. You are always welcome to request a copy of our current solicitor disclosure document for any investment adviser that we may have recommended or selected for you.

## **XI. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **XI.A Code of Ethics**

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We take great pride in our commitment to serving our clients’ needs and the integrity with which we conduct our business. In our recent history, the financial services industry has come under significant scrutiny, especially in the area of the inherent responsibility of financial professionals to behave in the best interests of their clients.

We have developed a Code of Ethics (“Code”) as a means of memorializing our vision of appropriate and professional conduct in carrying out the business of providing investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material non-public information
- The addressing of conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- The firm’s IPO and private placement policy
- The reporting of violations of the Code
- Educating employees about the Code



- Enforcement of the Code

Each of our representatives has been furnished with a copy of our Code and has signed their names to a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all current and/or prospective clients upon request.

## **XI.(B) Participation in Client Trading**

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The information in this item is intended to address situations in which we or one of our related persons may have a material financial interest in the investment instruments we may recommend to you. No such arrangements exist.

## **XI.(C) Trading Alongside Our Clients**

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On occasion, we may invest for our own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for the accounts of our clients. Further, we may also engage in transactions that are the same as or different than transactions recommended to or made for our client's accounts. Such transactions are permitted if effected, pre-cleared and reported in compliance with our policy on personal securities transactions. Generally, personal securities transactions will not be pre-cleared when an order for the same or a related security is pending for the account of a client. Our Designated Supervisor reviews reports of personal transactions in securities by all of our associated persons quarterly or more frequently if required.

### Investment Policy

None of our associated persons may effect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the following procedures.

### Firm Procedures

In order to implement our Investment Policy, the following procedures have been put into place.

- 1) If we are recommending that any of our clients buy any security, no associated person may purchase that security prior to a client's purchase of that security; and
- 2) If we are recommending that any of our clients sell any security, no associated person may sell that security prior to a client's sale of that security.

It is the primary intent of these procedures to ensure that the best interests of our clients are always served over that of our own. Trading on our own behalf that results in our own interests being served over that of our clients could be considered a breach of our fiduciary duty and thus, is aggressively discouraged.

## **XI.(D) Trading Around the Same Time as Clients**

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The information in this item is intended to address situations in which we or any of our related persons may invest in the investment instruments we may recommend to you. Transactions for the client's account will be effected independently. We will not combine or "batch" such orders.

## **XII. Brokerage Practices**

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The purpose of this Item is to present to you the factors that we take into consideration when (1) selecting or recommending broker-dealers to you for the purpose of effecting transactions on your behalf and (2) for determining the reasonableness of such broker-dealers' compensation related to such transactions.

HFG is not a broker-dealer. Unless the client directs otherwise, HFG shall generally recommend that all the client's accounts be maintained at, by, or through certain other firms that are unaffiliated with HFG. Such firms shall generally be broker-dealers that may also maintain registrations that allow such firms to engage in other types of businesses outside of their broker-dealer activities.

Any such other firm may act in the capacity of "broker of record" for the client's accounts, in which case, another firm may serve as the custodian for the Client account(s). Alternatively, any such other firm may serve as both the "broker of record" and "custodian" for the client's accounts. In no case shall HFG act or attempt to act in the capacity of "broker of record" or "custodian" of the client's account, funds, or other assets.

Although not all-inclusive, HFG may recommend the following brokers of record and their corresponding custodian.

Broker of Record	Custodian
Triad Advisors, Inc.	National Financial Services, LLC

Factors which HFG considers in recommending certain broker-dealers or custodians to clients may include such entity's financial strength, reputation, execution, pricing, and service. In return for effecting securities transactions through certain broker-dealers/custodians, HFG or certain of its representatives may receive certain support services that may assist HFG in its investment decision-making process for all of HFG's clients.

Certain investment adviser representatives of HFG, in connection with their association as registered representatives of a broker-dealer, may receive benefits such as hotel accommodations, meals, and related travel expenses when attending broker-dealer sponsored conferences. Additionally, such persons may also receive selling compensation from such broker-dealer as a result of the facilitation of certain securities transactions on Client's behalf through such broker-dealer.

In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a brokerage services, including factors such as execution capability, commission rates, and responsiveness. Accordingly, although HFG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for the client's account transactions.

The client may direct HFG to use a particular broker-dealer (subject to HFG's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such an event, the client will negotiate terms and arrangements for the account with that broker-dealer, and HFG will not seek better execution services or prices from other broker-dealers. 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.

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## **XII.(A).(1). Research and Soft Dollar Benefits**

Soft dollar benefits are items such as research or other products or services (other than the typical execution and other brokerage services available to all other investment advisers) that we may receive from a broker-dealer or other party in connection with the client securities transactions we direct to that/a broker-dealer(s). We do not participate in any soft dollar arrangements.

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## **XII.(A).(2). Brokerage for Client Referrals**

In certain circumstances, firms like ours may receive client referrals as a result of recommending particular broker-dealers or other service providers. We, however, do not participate in any formal arrangements wherein we receive client referrals from any particular broker-dealer in return for selecting or recommending such broker-dealer.

## **XII.(A).(3). Directed Brokerage**

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This item is intended to address situations where we may recommend, request, or require you to provide us instructions as to how to direct brokerage activity on your behalf.

### ***XII.(A).(3)(a). Directed Brokerage – Recommended, Requested, or Required***

Not all investment advisers require their clients to direct brokerage activity through any particular broker-dealer. We do not routinely recommend, request, or require that you direct us as to how to execute brokerage transactions on your behalf (i.e. using a particular broker-dealer for execution purposes).

### ***XII.(A).(3)(b). Directed Brokerage – Permitted***

Not all investment advisers require their clients to direct brokerage activity through any particular broker-dealer, however, you may direct us to use a particular broker-dealer (subject to our right to decline such a request) to execute some or all transactions for your account or otherwise on your behalf. In such an event, we will not negotiate terms and arrangements for the account with the other broker-dealer, and we will not seek better execution services or prices from other broker-dealers. As a result, you 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.

## **XII.(B). Order Batching**

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Transactions for the client's account will be effected independently. We will not combine or "batch" such orders.

## **XIII. Review of Accounts**

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### **XIII.(A). Review of Accounts or Financial Plans**

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#### **Review of client accounts.**

We will review your accounts annually. The Designated Supervisor (i.e. the person named in our written supervisory procedures as the responsible party for this function) will review your accounts for best execution, suitability, and service. The Designated Supervisor will review the performance and cost basis for your transactions. Your investment objectives are used to review for suitability. Transactions are reviewed referencing your investment objectives for any transaction that may not fit your stated objectives, or our understanding of your investment objectives will be flagged and reviewed with the investment adviser representative placing the trade.

Name and title of Designated Supervisor: James S Carter, CCO (Chief Compliance Officer). Mr. Carter will employ the procedures noted above for the client's accounts subject to HFG's investment advisory services.

#### **Review of Financial Plans.**

Unless specifically engaged to do so, we do not periodically review financial plans that we have prepared for clients.

### **XIII.(B). Non-Periodic Account Reviews**

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Events that may trigger further client account reviews in addition to the standard quarterly review process may include, but would not be limited to, a notable increase in the volume of requests by the client to effect transactions in his/her accounts, where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Other factors may include requests by the client to liquidate certain securities positions/contracts where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This last trigger would be a prime example of a trigger for an intermittent review of a client account.

### **XIII.(C). Reports to Clients**

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Account statements will be provided no less frequently than quarterly by the custodian, not by us. Account statements will identify account positions, balances, and transaction details. Upon your request, a quarterly account appraisal (written or electronic) may be created for you as well as an annual year-end statement.

In the event we also send account statements to you in addition to those provided by the qualified custodian, you are urged to compare any account statements provided by us to those provided by the custodian.

## **XIV. Client Referrals and Other Compensation**

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### **XIV.(A). Compensation we Receive**

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Certain of our associated persons, when acting as registered representatives of a broker-dealer, may receive selling compensation from such broker-dealer as a result of the facilitation of certain securities transactions on your behalf through such broker-dealer.

Additionally, certain of our associated persons, through such associated person's association as a licensed insurance agent, may also receive selling compensation resulting from the sale of insurance products to you or other clients of ours.

Arrangements involving someone's receipt of both advisory and brokerage or other compensation in connection with the advisory services we provide to you can be considered "double-dipping." That term carries negative connotations but in the financial services industry, it is not only acceptable but is completely appropriate and within the permissible activities of those individuals and entities who are properly registered and licensed to engage in such activities. You should be aware that some investment advisers do not receive brokerage or other compensation for transactions they may effect on your behalf and as a result of dealing with other firms, you will not necessarily pay any less for the same services that you may receive from us, however, the individual that you may deal with or his/her sponsoring firm may not be eligible to receive brokerage or other compensation other than the investment advisory compensation that you would normally expect to pay an investment adviser for the same services.

The general industry standard for a client's overall annual fee for investment advisory services is a cap of 3.0%. This means that most investment advisers will keep their service fees for investment advisory work below 3.0% (of the assets they have been engaged to manage) on an annual basis. That said, a client could easily pay in excess of 3.0% of the assets that their investment adviser has been engaged to manage in light of other fees such as brokerage fees/commissions, execution costs, custodial fees, etc. We routinely monitor our fees to ensure that they are not only consistent with those found in the industry for similar services, but we also review our fees for the purpose of ensuring that our billing practices are consistent with the provisions set for in your advisory agreement with us.

## **XIV.(B). Compensation we Pay**

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From time to time, we may enter into agreements with various independent solicitors who may refer prospective investment advisory clients to us. We do not charge clients introduced by third-parties fees or costs greater than the fees or costs that we would normally charge any other clients who were not introduced by a third-party solicitor, and have similar portfolios under management with us. Any such agreements will be handled in accordance with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940. The specific compensation arrangements vary from situation to situation but can be found in the specific solicitor disclosure document relating to each such solicitor arrangement. For more information on our solicitor arrangements, please call 205-871-7743.

## **XV. Custody**

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We engage in certain activities that result in us being deemed to have custody of certain of our client's funds and/or securities.

- ☒ Automatic fee deduction from your brokerage or other trading accounts
- ☐ Physical possession or control (even temporary) of client funds or securities
- ☐ The ability to gain access to any client funds and/or securities
- ☐ One of our related persons has custody of funds and/or securities subject to our investment advisory services
- ☐ We or one of our related persons serves as the general partner, managing member, or other similar type of control person to an investment fund to which we provide investment advisory services.

As stated previously in Item XIII.(C)., your account statements will be provided by the qualified custodian that maintains physical possession of your accounts/assets. In the event that we also provide you information related to your accounts, you are urged to review that information to the information contained on the account statements or other statements received from the qualified custodian.

## **XVI. Investment Discretion**

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In connection with our investment advisory services, we will not exercise discretionary authority.

## **XVII. Voting Client Securities**

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### **XVII.(A). Proxy Voting**

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#### **Proxy Voting Policies and Procedures and Client Instruction**

We do not vote proxies on behalf of any securities you own.

### **XVII.(B). Proxy Voting**

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Since you have not authorized us to vote proxies on your behalf, we will not do so. Proxies related to the securities you own will be disseminated as dictated by the issuer, transfer agent, or as otherwise set forth in the account opening paperwork you completed for the custodian holding your account/assets. If you have questions related to a particular proxy notice, please call us at 205-871-7743.

## **XVIII. Financial Information**

### **XVIII.(A). Balance Sheet**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. As a result, we are not required to provide our clients with a copy of our balance sheet from our most recently completed fiscal year.

### **XVIII.(B). Adverse Financial condition**

In the event that we have discretionary authority or custody of any of our clients' assets or if we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments with our clients. No such conditions exist.

### **XVIII.(C). Bankruptcy-Related Matters**

HFG has never been the subject of a bankruptcy petition.

## **XIX. Requirements for State-Registered Advisers**

**XIX.(A).** Executive Officers and Management Persons are identified in ADV Part I, Schedule A. Their formal education and business backgrounds are in their individual ADV Part 2B Sec II.

**XIX.(B).** Other Business Activities are identified in ADV Part II, Section X(C). Related Persons. The other activities are not our primary business.

**XIX.(C).** As we do not use performance based fees, no disclosures are applicable to this question.

**XIX.(D). (1. and 2.)** No applicable events, therefore no disclosures are applicable to this question.

**XIX.(E).** We have no arrangements or relationships with an issuer of securities, therefore no disclosures are applicable to this question.