

# **FORM ADV PART 2A**

## **Brochure**

### **HERITAGE WEALTH ADVISORS**

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This brochure provides information about the qualifications and business practices of Heritage Wealth Advisors. If you have any questions about the contents of this brochure, please contact us at 804-643-4080. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

**Additional information about Heritage Wealth Advisors is also available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov)**

## **Material Changes**

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This ADV Part II was last updated on January 6, 2010. The only changes in this new brochure are related to new format requirements adopted by the Securities and Exchange Commission (SEC) on July 21, 2010.

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## Advisory Business

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Heritage Wealth Advisors provides investment advisory services to high net worth individuals, trusts and estates and other institutions. The company is organized as a Limited Liability Company (LLC) and has been in business since 2005. The owners of the company are Delores Ann Remo, Steven Frederick Cooke, Charles Thomas Hill, Jr. and Marshall Ogden Chambers.

Heritage Wealth Advisors provides financial planning and tax planning services in addition to portfolio management (investment advisory services). These services include but are not limited to:

- a. Asset allocation
- b. Investment analysis and selection
- c. Cash flow analysis
- d. Retirement planning
- e. Insurance planning
- f. Estate planning
- g. Charitable giving planning
- h. Income tax planning and compliance

The financial and tax planning services listed above include the following steps:

- Heritage Wealth Advisors holds a preliminary meeting with the client so that the client can articulate short- and long-range goals. Heritage Wealth Advisors begins gathering information about the client including the client's family situation and major anticipated financial obligations.
- Heritage Wealth Advisors organizes and reviews the client's current financial data. The firm analyzes the quantitative information in terms of tax liability (both income and estate), cash flow, net worth, risk management, and insurance needs.
- Based on analysis of the data, Heritage Wealth Advisors outlines alternative strategies or courses of action intended to help meet the client's immediate and long-term goals and objectives and to mitigate problems the firm identifies. Heritage Wealth Advisors then tests the various alternatives to determine their potential impact on the projections.
- At the conclusion of the engagement, Heritage Wealth Advisors prepares and discusses with the client a report that includes recommendations and projections. Heritage Wealth Advisors is available to assist in implementing the actions agreed upon, including investment advisory services. If the client chooses to engage the firm for these services, the firm and the client sign an investment advisory agreement. The nature and extent of the implementation services are established at that time.

Heritage Wealth Advisors tailors advisory services to individual client's needs. Heritage Wealth Advisors considers the client's time horizon, risk tolerance, cash flow needs and other personal preferences when designing an investment portfolio. The firm designs more conservative investment allocations for clients who are more risk adverse or more aggressive investment allocations for clients that desire a more growth-oriented portfolio. When the firm designs and reviews a client's portfolio careful consideration is

also given to which type of assets are held in each account to maximize tax-efficiencies and keep costs to a minimum. Clients may impose restrictions on investing in certain securities or types of securities within their portfolio.

As of February 11, 2011, Heritage Wealth Advisors had \$241,368,343 in total assets under management.

## **Fees and Compensation**

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For services such as financial planning, tax preparation or other consulting services, Heritage Wealth Advisors is compensated through fixed fees or hourly charges. The amount of the fee is determined based on the amount of time needed to complete the work and the professionals involved with the engagement. Heritage Wealth Advisors sends bills for consulting services upon completion of the engagement. For some large or lengthy projects, Heritage Wealth Advisors may send progress bills as parts of an engagement reach points of completion. Clients may choose to have consulting bills paid from an investment account by signing an authorization form or they may pay by check.

For investment advisory services, compensation is based on a percentage of assets under management. Asset based fees are charged based on the following schedule:

Assets Under Management	Advisory Fee
First \$1 Million	100 bps (1.0%)
Next \$2 Million	75 bps (0.75%)
Next \$2 Million	50 bps (0.50%)
Next \$5 Million	35 bps (0.35%)

Under special circumstances, such as the “householding” of accounts for clients with multiple family members or entities, Heritage Wealth Advisors may negotiate the amount of the fee. Heritage Wealth Advisors determines the fee based upon a number of factors including the amount of work involved, the assets placed under management and the attention needed to manage the account.

For both investment advisory services and other consulting services clients agree to the compensation method in advance before any services are rendered.

Heritage Wealth Advisors charges fees for investment advisory services in advance on the first day of each calendar quarter based on the value of accounts on the last day of the previous quarter. If a client

makes contributions and/or withdrawals during a calendar quarter, a pro-rata adjustment for the fee will be made based on the number of days remaining in the quarter multiplied by the quarterly rate for the client. Heritage Wealth Advisors will deduct the fee directly from the client's brokerage or custodial account, pursuant to the written agreement between Heritage Wealth Advisors and the client, unless the client requests that Heritage Wealth Advisors send an invoice for the client to pay directly. Regardless of the payment method, Heritage Wealth Advisors sends a statement on a quarterly basis reflecting the fees being charged.

Investment advisory services begin with the effective date of a signed Investment Advisory Agreement and in conjunction with the transfer of assets to one of the custodians used by Heritage Wealth Advisors. For the calendar quarter in which investment advisory services begin, fees will be adjusted pro rata based on the number of calendar days in the calendar quarter for which the Agreement was effective.

The fees described above are for advisory services only and do not include other costs that clients may incur. Fees and expenses that mutual funds or unaffiliated investment managers charge, some transaction fees, some commissions, and custodial fees are in addition to the Heritage Wealth Advisors fee for advisory services. For example, certain share classes of mutual fund investments can incur an additional commission charge for each transaction. Heritage Wealth Advisors considers all costs associated with an investment when determining whether it is appropriate for a client and may use different share classes of the same mutual fund in order to achieve optimal cost efficiency on behalf of clients.

Heritage Wealth Advisors or a client may terminate an Investment Advisory Agreement in writing at any time. Because investment advisory fees are charged in advance, when an Agreement is terminated, the fees charged for advisory services will be pro-rated and a refund for any unearned fees will be issued. The amount of the fee to be refunded is calculated by multiplying the number of calendar days remaining in the quarter in which the Agreement is terminated by the client's quarterly rate. The client is responsible to pay for services rendered until the termination of the Agreement. A client may terminate the Agreement without penalty within the first five business days after signing the Agreement.

Neither Heritage Wealth Advisors nor its employees accepts compensation for the sale of securities or other investment products.

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

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Neither Heritage Wealth Advisors nor its employees accepts performance-based fees. Performance-based fees are fees based on a share of capital gains or capital appreciation of the assets of a client.

## **Types of Clients**

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Heritage Wealth Advisors provides investment advisory services to high net worth individuals, trusts and estates and other institutions including charitable organizations and foundations.

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

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Heritage Wealth Advisors utilizes mutual funds and separately managed accounts to invest clients' assets. The firm first designs a personalized target asset allocation model based on a client's time horizon, risk tolerance, and other client criteria and then selects specific funds or separately managed accounts for each asset class. Portfolios are reviewed at least once per quarter. When the Investment Committee determines that a change in the asset allocation model is warranted due to changes in the economic environment, perceived risks or a client's individual situation, Heritage Wealth Advisors will make changes to the percentage of assets that are allocated to each asset class.

Before selecting a mutual fund or separately managed account for use in clients' portfolios, Heritage Wealth Advisors screens funds utilizing risk and return parameters as well as other key data points including alpha, beta, standard deviation and other data metrics. The firm then analyzes an investment company's history of regulatory compliance, investment philosophy, management tenure, investment process, and fee structure. The investment advisory team conducts conference calls and in-person interviews with the portfolio managers and runs hypothetical scenarios of the blended portfolios to analyze the risk and return data before utilizing an investment.

Heritage Wealth Advisors monitors mutual funds and separately managed accounts on an ongoing basis for changes in risk and performance. If the Investment Committee determines that an investment is no longer in clients' best interests due to unsubstantiated poor performance, unacceptable changes in how the fund is managed, such as departure of the fund manager, or changes in investment strategy due to market risks or opportunities, a mutual fund or separately managed account may be removed from client portfolios.

In addition to using mutual funds and separately managed accounts, Heritage Wealth Advisors may use other investment strategies within client portfolios. The firm may utilize an options strategy to protect a concentrated position of stock from a sudden price change. When appropriate, the firm will offer advice on individual securities including exchange-listed securities, securities traded over-the-counter, certificates of deposit, municipal securities, United States government securities or interests in partnerships including hedge funds, though this is not the primary function of Heritage Wealth Advisors.

Investing in securities involves risks of loss that clients should be prepared to bear. Both equity and fixed income investments may lose value due to market fluctuations, interest rate pressures, corporate changes, political changes, or other outside factors. High concentrations in individual equities carry additional risk associated with the performance of a single company's stock.

## **Disciplinary Information**

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Neither Heritage Wealth Advisors nor its management personnel have been subject to any legal or disciplinary action.

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

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Heritage Wealth Advisors utilizes the services of Charles Schwab and Fidelity to custody and trade client assets. Neither the firm nor its employees receives commissions, bonuses, or other incentives from Charles Schwab or Fidelity. Clients may choose to use either custodian when establishing an investment account.

Investment companies that manage mutual funds or separately managed accounts for client assets are independent of Heritage Wealth Advisors. Neither the firm nor its employees receives commissions, bonuses or other incentives from any investment company.

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

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### Code of Ethics

Heritage Wealth Advisors has adopted a Code of Ethics that all employees must sign and adhere to. The firm will provide a copy of the full Code of Ethics to clients or prospective clients at the initiation of an Investment Advisory Agreement or at any time upon request.

The Code of Ethics requires, among other things, that all employees of Heritage Wealth Advisors:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Heritage Wealth Advisors above one's own personal interests;



- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

### Employee Trading

The principals and employees of Heritage Wealth Advisors may buy and sell the same securities in their own personal accounts as those in client accounts. To avoid any potential conflicts of interest involving personal trades, Heritage Wealth Advisor's Code of Ethics requires Employees to:

- 1) Pre-clear certain personal securities transactions
- 2) Report personal securities transactions on at least a quarterly basis
- 3) Provide Heritage Wealth Advisors with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

Employees of Heritage Wealth Advisors are prohibited from:

- Trading opposite of the company's recommendations or front-running client accounts, which is a practice generally understood to be employees personally trading ahead of proposed client transactions
- Engaging in short-term trades of mutual fund shares, also known as market timing
- Engaging in the following insider trading activities:
  - Trading by an insider while in possession of material non-public information
  - Trading by a non-insider while in possession of material non-public information
  - Communicating material non-public information to others in breach of a fiduciary duty

## **Brokerage Practices**

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### Custodial Firm Selection

Heritage Wealth Advisors utilizes the services of Fidelity and Charles Schwab to custody client assets. Heritage Wealth Advisors will assist clients in selecting which custodian to use after evaluating the

client's preferences, anticipated trading patterns, and fees. Heritage Wealth Advisors does not receive compensation or other incentives for recommending a custodian to a client.

#### Charles Schwab:

Schwab Advisor Services provides Heritage Wealth Advisors and its clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to retail customers. Schwab also makes available various support services. Some of these services help Heritage Wealth Advisors manage or administer clients' accounts while others help manage and grow our business. These support services are generally available on an unsolicited basis and at no charge to the firm as long as Heritage Wealth Advisors keeps a total of at least \$10 million of clients' assets in accounts at Schwab. The availability of Schwab's products and services is not based on Heritage giving particular investment advice, such as buying particular securities for clients.

*Services that Benefit You.* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and the custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

*Services that May Not Directly Benefit You.* Schwab also makes available other products and services that benefit the firm but may not directly benefit a client. These products and services assist us in managing and administering clients' accounts. They include investment research from Schwab and that of third parties. We may use this research to service all or some substantial number of clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements);
- Provides pricing and other market data;
- Facilitates payment of our fees from clients' accounts; and
- Assists with back-office functions, recordkeeping and client reporting.

*Services that Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services. In other cases, they will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive their fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel. Heritage Wealth Advisors and Charles Schwab are not affiliates.

Fidelity:

Heritage Wealth Advisors also has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Heritage with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Heritage Wealth Advisors to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. Heritage Wealth Advisors does not receive any of the commissions that Fidelity charges.

As part of the arrangement, Fidelity also makes available to Heritage Wealth Advisors, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies.

As a result of receiving such services for no additional cost, Heritage Wealth Advisors may have an incentive to continue to use or expand the use of Fidelity's services. Heritage examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of the firm's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Heritage Wealth Advisors determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Heritage will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Heritage Wealth Advisors and Fidelity are not affiliates.

## **Review of Accounts**

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Heritage Wealth Advisors reviews client accounts four times per year at a minimum, following the end of each calendar quarter. Often, client accounts are reviewed on a more frequent basis as economic and market environments warrant or if a client's personal financial situation changes. Where applicable, client accounts are also reviewed to harvest tax losses at least once per year.

During an account review, Heritage Wealth Advisors considers each client's appropriate risk and return parameters, whether the account should be rebalanced, and cash flow needs of the client. The underlying investments within client accounts are also reviewed four times per year at a minimum. For additional information about the review of accounts' underlying investments, please see the section on Methods of Analysis, Investment Strategies and Risk of Loss.

Client account reviews are conducted by the firm's Director of Investments and the firm's Investment and Relationship Managers.

Heritage Wealth Advisors provides written consolidated quarterly performance reports to clients regarding their investment accounts. These reports are in addition to account statements provided by Charles Schwab or Fidelity, the firm's custodians.

## **Client Referrals and Other Compensation**

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Heritage Wealth Advisors occasionally offers professional referrals to clients for services it does not provide such as legal services, insurance, banking services, etc. The firm does not receive any financial incentive for providing these referrals.

Other professionals or clients occasionally refer prospective clients to Heritage Wealth Advisors. Other professionals or clients are never compensated for referring a prospective client to the firm.

## **Custody**

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Heritage Wealth Advisors does not custody client funds or securities. The firm's custodians, Charles Schwab and Fidelity, hold client assets and send monthly account statements directly to the firm's clients. Clients should carefully review the statements received from the custodial firms and should compare the account statements to the consolidated performance reports provided by Heritage Wealth Advisors.

## **Investment Discretion**

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Heritage Wealth Advisors accepts discretionary authority to manage securities accounts on behalf of clients. Clients may place limitations on this authority such as restrictions on selling or buying specific

securities or types of securities. An Investment Advisory Agreement and account application must be signed and initialed by the client before discretionary authority is assumed over client assets.

## **Voting Client Securities**

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It is the policy of Heritage Wealth Advisors not to vote proxies on behalf of clients. Heritage Wealth Advisors will allow contracted third party portfolio managers to vote proxies for clients. In the event a third party portfolio manager votes proxies for clients a summary of the manager's proxy voting policy is included in the manager's disclosure brochure, Form ADV Part 2. For individually held positions, clients will receive proxies by mail or email from the custodian holding the securities. Clients are able to vote on these proxies on their own behalf. Clients may wish to have their proxies voted by an independent third party or other named fiduciary or agent, at the client's cost.

Heritage Wealth Advisors will provide a copy of the full Proxy Voting Policy to clients or prospective clients upon request.

## **Financial Information**

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Heritage Wealth Advisors has never been subject to a bankruptcy petition and is not aware of any financial condition that is expected to affect its ability to manage client accounts.