

# HARBOR WEALTH MANAGEMENT, INC.

16475 DALLAS PARKWAY, SUITE 600

ADDISON, TX 75001

TELEPHONE: (972) 897-6500

[www.HWMinc.com](http://www.HWMinc.com)

## **BROCHURE**

FORM ADV, PART 2A

March 31, 2011

This Brochure provides information about the qualifications and business practices of Harbor Wealth Management, Inc. If you have questions about the contents of this Brochure, please contact us by email at [jburandt@HWMinc.com](mailto:jburandt@HWMinc.com), or by telephone at (972) 897-6500, or by mail at the address above. 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.

Harbor Wealth Management, Inc., is an investment adviser registered with the United States Securities and Exchange Commission. Registration with the SEC does not imply that Harbor Wealth Management, Inc., or any person associated with Harbor Wealth Management, Inc., has achieved a certain level of skill or training.

Additional information about Harbor Wealth Management, Inc., is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), either by searching our firm name or our firm IARD number, 150766.

## **ITEM 2: MATERIAL CHANGES**

This is Harbor Wealth Management, Inc.'s first Brochure prepared pursuant SEC Rule 204-3, as amended effective October 12, 2010. As such, this Brochure is organized differently and includes information not contained in previous versions of our Form ADV, Part II and Schedule F, most recently amended July 20, 2009.

In the future, annual updates of this Brochure will include a summary of any changes in our policies, practices, or conflicts of interest since the date of the prior year's Brochure that may be important to you.

## **TABLE OF CONTENTS**

|                 |  |           |
|-----------------|--|-----------|
| <b>Item 1:</b>  | <b>COVER PAGE .....</b>  | <b>1</b>  |
| <b>Item 2:</b>  | <b>MATERIAL CHANGES .....</b>  | <b>2</b>  |
| <b>Item 3:</b>  | <b>TABLE OF CONTENTS.....</b>  | <b>3</b>  |
| <b>Item 4:</b>  | <b>ADVISORY BUSINESS .....</b>   | <b>5</b>  |
|                 | A. Firm Background & Principal Owners .....                                    | 5         |
|                 | B. Investment Advisory Services .....  | 6         |
|                 | C. Tailored Advisory Services & Client-Imposed Restrictions.....               | 10        |
|                 | D. Information about Wrap Fee Programs .....                                   | 10        |
|                 | E. Managed Assets.....   | 11        |
| <b>Item 5:</b>  | <b>FEES &amp; COMPENSATION .....</b>   | <b>11</b> |
|                 | A. Program Fees for the HWM Program & Third-Party Programs .....               | 11        |
|                 | B. Deduction of Fees by the Custodian .....                                    | 11        |
|                 | C. Additional Fees & Expenses.....   | 12        |
|                 | D. Prepayment of Fees, Termination & Refunds.....                              | 14        |
|                 | E. Compensation from the Sale of Securities or Other Investment Products ..... | 14        |
| <b>Item 6:</b>  | <b>PERFORMANCE COMPENSATION &amp; SIDE-BY-SIDE MANAGEMENT .....</b>            | <b>15</b> |
| <b>Item 7:</b>  | <b>TYPES OF CLIENTS &amp; ACCOUNT REQUIREMENTS.....</b>                        | <b>15</b> |
| <b>Item 8:</b>  | <b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES &amp; RISK OF LOSS.....</b>      | <b>15</b> |
|                 | A. Methods of Analysis .....   | 16        |
|                 | B. Investment Strategies & Risks .....   | 17        |
| <b>Item 9:</b>  | <b>DISCIPLINARY INFORMATION.....</b>   | <b>20</b> |
| <b>Item 10:</b> | <b>OTHER FINANCIAL INDUSTRY ACTIVITIES &amp; AFFILIATIONS .....</b>            | <b>20</b> |
| <b>Item 11:</b> | <b>CODE OF ETHICS, INTEREST IN TRANSACTIONS &amp; PERSONAL TRADING.....</b>    | <b>20</b> |
|                 | A. Code of Ethics.....   | 20        |
|                 | B. Recommendations Involving Our Financial Interests .....                     | 22        |
|                 | C. Investments in Securities We Recommend to Clients.....                      | 22        |
|                 | D. Investments Around Same Time as Client Transactions.....                    | 22        |
| <b>Item 12:</b> | <b>BROKERAGE PRACTICES .....</b>   | <b>23</b> |
|                 | A. Factors We Consider When Recommending Broker-Dealers .....                  | 23        |
|                 | B. Aggregation of Security Transactions.....                                   | 25        |

|                 |   |           |
|-----------------|---|-----------|
| <b>Item 13:</b> | <b>REVIEW OF ACCOUNTS .....</b>   | <b>26</b> |
|                 | A. Account Reviews.....   | 26        |
|                 | B. Client Reports.....  | 26        |
| <b>Item 14:</b> | <b>CLIENT REFERRALS &amp; OTHER COMPENSATION.....</b>                         | <b>26</b> |
| <b>Item 15:</b> | <b>CUSTODY &amp; ACCOUNT STATEMENTS.....</b>                                  | <b>26</b> |
| <b>Item 16:</b> | <b>INVESTMENT DISCRETION.....</b>   | <b>26</b> |
| <b>Item 17:</b> | <b>VOTING CLIENT SECURITIES .....</b>   | <b>27</b> |
| <b>Item 18:</b> | <b>FINANCIAL INFORMATION.....</b>   | <b>27</b> |
|                 | A. Prepayment of More Than \$1,200 in Fees Six Months or More in Advance..... | 27        |
|                 | B. Disclosure of Certain Financial Conditions .....                           | 27        |
|                 | C. Bankruptcy within Past Ten Years .....                                     | 28        |

## **Item 4: ADVISORY BUSINESS**

### **A. Firm Background & Principal Owners**

Harbor Wealth Management, Inc. (“HWM,” “Firm,” “we,” or “us”), is a Texas corporation headquartered in Addison, Texas. We have been in business since 2009. Jeffrey M. Burandt is the only owner of 25% or more of HWM.

HWM offers investment advisory programs and services intended to meet a variety of client needs and objectives:

- Investment Management Program;
- Third-Party Adviser Programs; and
- Consulting Services.

We have identified independent institutional investment managers, brokerage firms, custodians, and insurance companies who are able to provide a diverse range of investment products and services to meet the often complex financial and investment needs of our clients.

As you review this Brochure, please note which products and services are provided by independent companies and which are provided by HWM. Your legal and contractual rights will differ in important ways depending on (i) the specific product or service, (ii) whether we or another company provides the product or service, (iii) the capacity in which we or another company is acting when providing the product or service, and (iv) the terms of your written agreement for the product or service.

The HWM investment adviser representative you work with (the “Representative”) may be employed by or associated with one of the separate businesses that sell securities or insurance products to our clients. For example, HWM’s president is an investment adviser representative, and is also engaged as a registered representative by a separate, independently-owned broker-dealer, Worth Financial Group Inc. (“WFG”). WFG is registered as a broker-dealer with the SEC and certain states. Brokerage accounts for customers of WFG are generally held by one of WFG’s clearing firms, Southwest Securities, Inc., or National Financial Services, LLC (each a “Clearing Firm”).

In the Representative’s capacity as a registered representative of WFG, the Representative may recommend that clients who are also brokerage customers of WFG buy or sell securities in their brokerage accounts (or in accounts maintained by the customer directly at a mutual fund company or insurance company), and for which WFG and Representative will receive commissions, sales charges, 12b-1 fees, or other forms of direct and indirect compensation. Similarly, the Representative has also been appointed by various separate, independently-owned insurance companies to sell insurance products which the Representative may recommend to clients, and for which Representative and WFG will receive compensation.

The Representative is also licensed as a certified public accountant in the State of Texas, and in his separate capacity as an accountant, may agree to provide tax, accounting, or related services to a client for separate compensation. In the event that the Representative agrees to provide such tax, accounting, or other related services, such services and the compensation therefor will be described in writing for the client.

Clients are not under any obligation to buy any securities or insurance products recommended by the Representative, or to receive any tax, accounting, or related services from Representative, and may choose to buy such products or receive such services from third parties, if so desired. However, clients should be aware that the possibility of compensation from the sale of such products or from providing such services creates a conflict of interest that could affect the decision to recommend that clients purchase such products or engage the Representative to provide such services.

Clients are encouraged to contact HWM's Chief Compliance Officer at the address and telephone number shown in this Brochure, or WFG's Chief Compliance Officer, 16660 Dallas Parkway, Suite 1600, Dallas, Texas 75248, to discuss any questions about the products or services provided by HWM or WFG.

## **B. Investment Advisory Services**

In this Brochure, we describe our programs and services, investment strategies, costs, and conflicts of interest. If you have any questions, please contact us at the phone number, email address, or street address on the front of this Brochure.

### **Investment Management Program**

The Investment Management Program ("HWM Program") is a managed account program for clients seeking professional portfolio management services. Typically, we manage accounts on a discretionary basis; however, we may, in our discretion, accept accounts on a non-discretionary basis.

HWM's process begins by the Representative obtaining from the client information regarding the client's personal and financial situation, and the account's investment objectives, financial goals, tolerance for risk, investment time horizon, and any reasonable restrictions the client wishes to impose on the account (all referred to as the "Suitability Information"), among other information.

Generally, HWM's strategies are comprised of two main components: a longer-term, strategic allocation component, and a more market-specific, tactical allocation component. The strategic allocation component is generally based upon the account's desired rate of return and seeks a mix of investments that is designed to achieve that rate of return over a full market cycle while minimizing volatility. The tactical allocation component is generally based on a closer examination of the valuations of the various underlying asset classes, such as fixed income versus equities, as well as investment sectors and style valuations. Both the strategic allocation and tactical allocation components are continuously monitored and analyzed, and will be adjusted as and when HWM deems appropriate, under prevailing market conditions.

Based on the Representative's discussions with the client and the Suitability Information, HWM will identify securities of various asset classes and investment characteristics intended to achieve an appropriate balance between investment returns and risks that is suitable for the particular account, and will provide continuous and regular investment supervisory or management services for the account, in a manner intended to achieve the account's goals and objectives.

Clients who desire to participate in the Program will enter into an Advisory Agreement with HWM, and will establish an account with the Custodian designated either in the Advisory Agreement or in separate account documentation provided by the Representative. All Advisory Agreements

must be approved by HWM. The Custodian or an affiliate of the Custodian may, if registered as a broker-dealer, also serve as the broker for the account.

For discretionary accounts (as stated in the client's Advisory Agreement), client will authorize and grant full discretion to HWM (including Representative, acting on HWM's behalf) to select the investments, to designate the strategies, and to buy, sell, or otherwise invest the account, all without prior notice or consent of the client. For non-discretionary accounts, the Representative will recommend to client the strategies and transactions for the account, but will obtain client's consent prior to making investments for the account; provided, even in non-discretionary accounts, the client may provide written authorization for HWM to make certain investments for the account without prior consent of the client under such circumstances as the client may specify.

Generally, accounts participating in the Program will be invested in shares of registered, open-end investment management companies ("mutual funds"), exchange-traded funds ("ETFs"), or subaccounts of variable annuity or variable life insurance contracts (all "variable products"). Prospective clients should review and understand the risks, potential rewards, fees, and expenses of the mutual funds, ETFs, or variable product subaccounts before deciding to participate in the Program.

The Advisory Agreement may provide that HWM will retain the authority to recommend for the account (for non-discretionary accounts) or to invest (for discretionary accounts) in any of the following: listed or over-the-counter, domestic or foreign, common or preferred stock; warrants; corporate debt securities; commercial paper; certificates of deposit; municipal securities; convertible stocks or bonds; shares of closed-end investment companies or unit investment trusts; U.S. Government securities; or options.

HWM may use model portfolios (each a "Model") that HWM (or a third party) constructs and adjusts from time to time to achieve specific investment objectives. During the initial discussions with a client, if HWM determines it appropriate, HWM will recommend and assist the client to select a suitable Model for the account; however, client will have sole authority to select the Model for the account.

Each Model will be comprised of investments of various asset classes, having volatility and other investment characteristics which HWM deems appropriate to achieve the overall investment objective of the Model. Except as described below or in the Advisory Agreement, accounts for which the client has selected a Model will be managed to reflect such Model.

Clients are advised that HWM may change, add, or remove Models (and the objectives and strategy for each Model) from time to time, without prior notice to the client. If a Model is changed or removed, HWM will manage the account according to the most similar remaining Model, and will notify the client that such transfer has occurred; provided, for non-discretionary accounts, HWM will obtain client's prior consent, as required under the client's Advisory Agreement.

### **Third-Party Adviser Programs**

HWM may from time to time enter into an arrangement with a Third-Party Adviser pursuant to which HWM may refer persons to participate in a Third-Party Solicitor Program or Third-Party Advisory Program offered by or through the Third-Party Adviser.

In some third-party programs (referred to as "Third-Party Solicitor Programs"), HWM will be acting solely as a solicitor on behalf of the Third-Party Adviser in referring persons to the Solicitor Program. Persons referred to a Solicitor Program will sign an advisory agreement directly with the Third-Party Adviser (or with a Program sponsor which has engaged the Third-Party Adviser as a subadviser) describing the services to be provided. In the Third-Party Solicitor Programs, HWM will not establish an advisory relationship with the person referred, will not enter into an investment advisory agreement with such person, and will not owe any fiduciary duties to such person (except as otherwise may exist under any separate written agreement for unrelated advisory services).

In other third-party programs (referred to as "Third-Party Advisory Programs"), HWM and the client will enter into an Advisory Agreement, and HWM will refer the client to one or more Third-Party Advisers identified by HWM or by the sponsor of the Third-Party Advisory Program. In the Third-Party Advisory Programs, the client may (or may not) enter into a separate written agreement with the Third-Party Adviser (or with a Program sponsor which has an arrangement with the Third-Party Adviser). Alternatively, the client may enter into an Advisory Agreement with HWM, and HWM will enter into a subadvisory relationship with the Third-Party Adviser for services to be provided for the account.

HWM will make referrals only to Third-Party Advisers that HWM has reviewed and approved. HWM will approve only Third-Party Advisers who agree to compensate HWM for making referrals to a Third-Party Solicitor Program, or agree to share advisory fees under a Third-Party Advisory Program. Such compensation and arrangements may create an incentive for HWM to make referrals to a particular Third-Party Adviser over other investment managers with which HWM may have a less favorable or no compensation arrangement, or over alternative investment products or services.

Among the factors HWM may consider in recommending a Third-Party Solicitor Program or a Third-Party Advisory Program are the following: (i) HWM's preference for a particular Third-Party Adviser or Program; (ii) a client's goals and objectives, and investment experience; and (iii) the amount of the assets available for investment.

With respect to both the Third-Party Solicitor Programs and Third-Party Advisory Programs, the Third-Party Adviser will be responsible for all decisions regarding the investment and management of the account. HWM will not monitor or manage the investments or Third-Party Adviser in any Third-Party Solicitor Program. HWM will not make any recommendations with respect to changes in the investments or in the Third-Party Adviser in a Third-Party Advisory Program, except to the limited extent provided in the Advisory Agreement between the client and HWM.

A description of the current programs and services available through Third-Party Advisers will be provided upon request. Clients and persons referred to a Third-Party Adviser will be provided with the Third-Party Adviser's Form ADV – Part II or alternative disclosure document, applicable agreements, and account opening documents. For Solicitor Programs, the Representative will provide the Solicitor's Disclosure Document which will disclose any affiliation between HWM and the Third-Party Adviser, a description of the compensation to be paid to HWM for its referral services, and the additional cost to the person referred, if any, as a result of the solicitation arrangement. The list of approved Third-Party Advisers, Solicitor Programs, and Third-Party Advisory Programs is under periodic review and revision and is therefore subject to change. Clients and other persons should consult directly with the Representative to confirm the most current programs. Not all Third-Party Advisers or Programs are available or offered to all clients.



The Advisory Agreement between HWM and the client with respect to a Third-Party Advisory Program will be terminable on the same terms as discussed above with respect to termination of an HWM Program Advisory Agreement. Clients should be aware, however, that the terms for termination of any written agreement between the client and a Third-Party Adviser may be different, and client will be bound by the terms of such written agreement.

### **Consulting Services**

HWM may agree to provide consulting services for clients who request such services. Typically, the consulting services will involve the client contacting HWM and arranging for one or more meetings to discuss specific, limited issues or questions regarding the client's portfolio or particular investments. HWM and the client will enter into an Advisory Agreement which will set forth the specific consulting services to be provided, the terms and conditions of the arrangement, and the Fees to be charged, all of which will be negotiated on a case-by-case basis. Advisory Agreements for consulting services are negotiated on a client-by-client basis. The Fees may be calculated on an hourly, fixed, or other basis as stated in the Advisory Agreement; provided, hourly fees shall not exceed \$450 per hour.

### **Changes in the Client's Circumstances**

Clients are advised that changes in the client's or an account's financial situation, investment objectives, tolerance for risk, or investment time horizon may cause a Program or service selected by the client to be no longer suitable. In the event of any such change, the client should contact HWM promptly in order to adjust the client's current portfolio, or identify another Program or service that meets the client's needs.

### **Negotiability of Fees, Account Minimums & Other Terms**

For all services, we have the discretion to negotiate our fees, minimum account size, minimum annual fees, and other terms of each client's relationship with us, and to negotiate alternative fees, minimums, or other terms on a client-by-client basis.

When considering and negotiating these matters, we usually consider, among other factors, the dollar amount of assets to be placed under management by the client and related accounts, anticipated future revenues and anticipated future additional assets or accounts from the client or related persons, and other existing or anticipated relationships. We may elect, in our discretion, to aggregate related client accounts for the purpose of achieving the minimum account size requirements and determining annualized fees. Waivers, discounts or more favorable terms not generally available to other clients may be offered to family members and friends of our employees and affiliates.

### **Securities for Which We Provide Advice**

HWM offers advice regarding a wide variety of investment products, including:

- exchange-listed or over-the-counter debt or equity securities of domestic or foreign issuers
- certificates of deposit; municipal securities
- securities issued by the US Treasury, agencies, or government sponsored enterprises
- money market funds, open-end investment companies (mutual funds), closed-end funds, unit investment trusts, and exchange-traded funds ("ETFs")
- variable life insurance, variable annuities, and their investment subaccounts
- option contracts on securities

The types of securities for which we offer advice are significantly more extensive than the types of investments we generally recommend to our clients. Please refer to Item 8 for information about the investments and strategies we recommend to clients.

### **C. Tailored Advisory Services & Client-Imposed Restrictions**

We tailor our advice to the specific needs and objectives of the client. Depending on the particular Program, HWM or the Representative will complete an account profile or questionnaire so that it accurately reflects the account's financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations, and will also answer client questions about the programs and our services. Based on this information, HWM or the Representative will recommend and assist the client to designate a model portfolio and investment strategy that is suitable for the account. We permit clients to impose reasonable restrictions on the types of securities we purchase for their account, and permit clients to change the restrictions by written instruction to us.

Once the client has designated a model portfolio and investment strategy that is suitable for the account, we will manage the account assets to reflect the allocation and achieve the objectives of the model and strategy, subject to reasonable restrictions imposed by the client. Due to client restrictions and other differences regarding each account, performance of a client's account may be different from the performance of other accounts in the same model or strategy. On an on-going basis, HWM reviews and adjusts the portfolios to ensure they continue to reflect the intended allocations and objectives, as well as any reasonable restrictions imposed by the client.

### **D. Information about Wrap Fee Programs**

We are required to provide information about wrap fee programs for which we provide portfolio management services.

Although we may recommend various wrap fee programs to our clients, we do not provide "portfolio management services" for those programs. We may assist our clients in choosing a wrap fee program, model investment portfolio or strategy, and for some programs, an appropriate third-party manager to meet their needs, and then monitor account performance and exercise discretion to change or replace the account's model, strategy, or third-party manager, as necessary.

***Special Considerations Regarding Wrap Fee Programs.*** Clients participating in wrap fee programs should consider that wrap fee arrangements are not suitable for every account. The benefits of the arrangement depend on a number of factors, particularly the amount of the wrap fee, the number and frequency of account trades, and the types of securities the account will trade.

A wrap fee arrangement is likely to be more beneficial for accounts that expect relatively frequent trading, such as where a third-party manager intends to pursue an active trading strategy. In that case, a wrap fee arrangement that combines the costs of investment advice and brokerage services into a single fee may cost less than a traditional managed account arrangement where the account pays brokerage commissions separate from (and in addition to) fees for investment advice. Conversely, an account that expects a relatively small number of trades each year would likely find a wrap fee arrangement to be more costly than paying the separate costs of brokerage commissions and fees for investment advice.

Clients are cautioned to review the information in the disclosure brochure for wrap programs they are considering to understand the costs and factors they should consider when deciding

whether to participate in (or to continue to participate in) the programs. Clients should also consider that lower cost programs for similar advisory, brokerage, and custodial services may be available through programs available through other advisers or broker-dealers, either through a wrap fee or on a separate cost basis.

## **E. Managed Assets**

As of December 31, 2010, we managed client assets of \$31,800,000 on a discretionary basis, and \$930,000 on a non-discretionary basis.

## **Item 5: FEES & COMPENSATION**

### **A. Program Fees for the HWM Program & Third-Party Programs**

HWM charges accounts participating in the HWM Program and in Third-Party Programs a quarterly Program Fee that is calculated and paid in advance based upon the market value of all assets under management. The maximum Program Fees for the HWM Program are set forth in the Fee Schedule below, subject to negotiation:

| HWM ADVISORY ACCOUNT PROGRAM<br>THIRD-PARTY PROGRAMS**<br>Fee Schedule |   |
|--|---|
| Account Value  | Quarterly Fee Rate                        |
| Entire value of account  | 0.3750% per quarter<br>(1.50% annualized) |

#### **\*\*Program Fees for Third-Party Programs**

For Third-Party Programs, the Program Fee shown above represents only the Program Fee charged by HWM for its services in advising, monitoring, and servicing the account participating in a Third-Party Program. The Program Fee does not reflect the additional fees charged by the sponsor or any third-party manager pursuant to the terms of the Third-Party Program. The total fees payable by clients in a Third-Party Program are described in the Brochure provided by the Sponsor or Third-Party Manager of the Third-Party Program.

### **B. Deduction of Fees by the Custodian**

For accounts participating in the HWM Program, the Advisory Agreement will authorize and direct the custodian to deduct the Program Fee directly from the account upon receipt of HWM's instructions. We require clients to authorize the custodian to deduct our Program Fees from the account and pay us; clients may not choose to have Program Fees billed to the client for payment in lieu of billing the custodian. The amount of the Program Fee will be reflected on the custodian's regular statements to the client.

We invoice the account custodian quarterly in advance for our Program Fees. The Program Fee will be paid quarterly in advance. Except for the initial calendar quarter the Advisory Agreement is in effect, the Program Fee will be calculated on the first day of each calendar quarter in an amount equal to one-fourth of the annualized Program Fee based on the value of the Account as of the close of the last trading day of the preceding calendar quarter. For the first calendar

quarter that the Advisory Agreement is in effect, and for all other quarters in which an asset is transferred into the Account after the last trading day of the preceding quarter, the Program Fee will be calculated and billed with respect to each such asset beginning on the date such asset is received by the Custodian, using the value determined by the Custodian as of such date, as reflected on the Custodian's statement. The Program Fee for the last calendar quarter will be prorated based on the number of calendar days this Agreement is in effect, and any unearned amount will be refunded to the Client within 30 days. All unpaid Fees are due and payable immediately upon termination of the Advisory Agreement. The Fee for the initial quarter may be charged, in Adviser's discretion, at the time assets are deposited either with the Custodian or with the Program Fee for the following quarter.

Unless otherwise provided in the Advisory Agreement, HWM will calculate the Program Fee on the basis of a 365-day year so that the Program Fee payable for each quarter will be based on the actual number of calendar days in that quarter; provided, HWM may calculate fees on the basis of a 360-day year, and 90-day calendar quarter, in its discretion on a consistent basis.

For the first calendar quarter that the account is open, the Program Fee will be pro-rated to cover the period from the date the Advisory Agreement is accepted by HWM through the end of the calendar quarter. For the last calendar quarter that the account is open, the Program Fee will be pro-rated to cover the number of days this Agreement is in effect and will be debited from the account prior to closing of the account, where possible.

#### **Risk of Liquidations to Pay Fees**

The custodian will be authorized to deduct the Program Fees directly from the account and pay us according to our instructions, without notice to the client. If sufficient cash is not available in the account to pay the Program Fees when due, HWM will liquidate securities selected by HWM without prior notice to the client. If mutual funds are liquidated, the client may be charged a contingent deferred sales charge, an early redemption fee, or a fee to discourage short-term trading of fund shares. If the liquidated securities have declined in value, the client will realize a loss and forego the opportunity for future appreciation of the securities.

#### **Computing Market Value**

Typically, the value of an account will be based on the value reported by the Custodian on its monthly or quarterly statements (or its internal electronic system, if any, for values calculated other than at the end of a month or quarter); provided, HWM may, in the exercise of its fiduciary obligations, determine the value an account or any asset in such manner as it shall determine in good faith to reflect its fair value.

### **C. Additional Fees & Expenses**

The Program Fees are separate and distinct from Consulting Fees payable to HWM, and from any Fees payable pursuant to a Third-Party Program. Additionally, the Program Fees and Consulting Fees are separate and distinct from the costs accounts in the HWM Program or in any Third-Party Program will incur with respect to transactions to purchase or sell securities for their account.

Except for accounts participating in a Third-Party Program that is offered as a wrap fee program, all accounts that purchase or sell securities or other investment products will bear the Brokerage and Investment Expenses, Mutual Fund and ETF Expenses, Custodial Expenses, and Cash Management Expenses described in this Item 5.C.

Accounts participating in a Third-Party Program may bear other additional costs and expenses, including the additional management fees of the Sponsor and Third-Party Manager, as determined pursuant to the client's agreement for the Third-Party Program.

***Please refer to Item 5.E for further information about compensation broker-dealers and the Representative will receive if you purchase securities or insurance products.***

#### **ADDITIONAL FEES AND EXPENSES**

**(If Recommendations to Buy or Sell Investment Products Are Implemented)**

---

##### **Brokerage and Investment Expenses**

Clients who purchase or sell securities will incur brokerage and may incur other transaction costs, which may include the following:

commissions, sales charges, or other transaction costs by brokers who execute the purchase or sale of securities on an agency basis;

mark-ups, mark-downs, or other dealer spreads for securities bought or sold on a principal basis; and underwriting fees, dealer concessions, or related compensation in connection with securities acquired in underwritten offerings;

odd lot differentials, transfer or other taxes, floor brokerage fees, exchange fees, service and handling fees, electronic fund or wire transfer fees, costs of exchanging currencies, margin interest, and other expenses of investments made or assets held for the account; and

initial and deferred sales charges in connection with the purchase or redemption of mutual funds (or variable annuity contracts or variable life insurance contracts, if any), plus short-term redemption fees if shares are sold within a short time period, usually within 30, 60 or 90 days from the date of purchase.

##### **Additional Fees and Expenses**

Clients will bear the direct and indirect fees and expenses incurred for margin, credit, and cash management services (including "sweeps" of idle cash into bank deposit accounts or money market mutual fund accounts), and other financial or investment services provided by brokers, custodians, or other institutions.

##### **Mutual Fund and ETF Expenses**

Clients who invest in mutual funds or ETFs will indirectly bear the internal management, operating, and investment fees and expenses charged by the funds or ETFs to their shareholders, including servicing and distribution fees paid pursuant to Rule 12b-1 ("12b-1 Fees"), recordkeeping fees, transfer and sub-transfer agent fees. The risks, potential benefits, fees, and expenses of funds and ETFs are described in the product's prospectus or summary disclosure. Clients should become familiar with such information prior to investing.

##### **Custodial Expenses**

Clients must pay the cost of services provided by the qualified custodians of their accounts for: (1) arranging for the receipt and delivery of account securities purchased, sold, borrowed or loaned; (2) making and receiving payments for account securities; (3) custody of account securities; and (4) custody of all cash, dividends, distributions, and rights accruing to the account, and delivery of cash to client bank accounts. We recommend custodians whose custodial services are reasonably priced. Typically, these custodians do not charge separately for their custodial services. Instead, they are compensated by commissions or other transaction-based fees for securities transactions or by arrangements to receive asset-based fees (such as distribution fees payable on mutual fund investments under SEC Rule 12b-1) for securities that settle into the custodian's accounts, or both. The specific fees and terms of each custodian's services are described in the custodian's separate account agreement.

##### **Availability of Similar Services from Other Firms**

Clients can generally purchase the same or similar investment products or services through other firms that are not affiliated with us. However, clients who obtain investment products or services through other firms will not receive the benefit of the services we provide in determining which investment products or services may be appropriate in view of the client's financial situation, investment objectives, risk tolerance, and liquidity needs.

Our Program Fees may be higher (or lower) than fees charged by other advisers or institutions for similar services with better (or worse) performance or lower (or higher) risk. Clients should

consider carefully all of the direct and indirect fees and expenses of our services and the investment products we recommend to fully understand the total costs and assess the value of our services.

*Please refer to Item 12 for additional information regarding brokerage, transaction, and other fees and expenses clients will incur.*

#### **D. Prepayment of Fees, Termination & Refunds**

Advisory Agreements may be terminated by the client or us at any time upon written notice to the other. Upon termination, any earned but unpaid Program Fees owed to us will be immediately due and payable; and any unearned Program Fees we have received will be refunded to the client within 30 days, based on the number of days that the Advisory Agreement was in effect during such quarter. We will not ask or require prepayment of Program Fees of more than \$1,200 per client six months or more in advance.

After an Advisory Agreement has been terminated: transactions involving client's assets will be executed at the prevailing rates for, and client will incur commissions and other costs for transactions, clearance, settlement, and custodial charges imposed by the Custodian and any broker-dealers; client will be responsible for monitoring the assets; and neither HWM nor the Representative will have any further obligation with respect to client or those assets.

#### **E. Compensation from the Sale of Securities or Other Investment Products**

For accounts participating in the HWM Program, HWM generally recommends "no-load" classes of mutual fund shares or institutional classes of mutual fund shares for which any sales load is waived. For transactions involving ETFs or other securities, Schwab or Fidelity will charge a commission or transaction fee. However, HWM and Mr. Burandt will not receive any sales-related compensation (including commissions, sales charges, asset-based service fees, or 12b-1 Fees) for securities recommended or purchased for an account participating in the HWM Program or a Third-Party Program.

Our President, Jeffrey Burandt, is separately registered as a broker-dealer representative of Worth Financial Group ("WFG"), a FINRA-registered broker-dealer, and is also appointed as an agent for various life insurance companies. Clients who wish to purchase fixed or variable insurance products or wish to invest in individual securities (including mutual funds, stocks, bonds, or other securities) outside of a managed account (for example, to implement recommendations made through our Consulting Services) may choose to work through Mr. Burandt for these types of transactions. Mr. Burandt will receive separate, yet customary brokerage commissions, sales charges, insurance commissions, or other compensation for selling securities or other investment products, and he may be eligible to receive incentive awards (such as sales awards or other prizes such as trips or bonuses) for recommending certain types of insurance policies or investment products.

Clients are under no obligation to implement any recommendations Mr. Burandt makes to buy or sell securities, insurance, or other investment products. If a client wishes, they may choose to implement any recommendations through other financial services firms not affiliated with us.

To the extent Mr. Burandt receives separate sales-related compensation from the sale of securities or investment products, HWM does not reduce or offset the Program Fees or any Consulting Fees by the amount of such compensation.

The potential of compensation may impair the objectivity of Mr. Burandt and may influence him to make recommendations based on the additional sales compensation he will receive rather than the needs or best interests of the client. In order to address this conflict of interest, HWM has implemented the following procedures:

- We disclose the potential conflicts to our clients;
- We collect and maintain adequate information about our clients and accounts, including their financial circumstances, investment objectives, and risk tolerance, and we conduct regular account reviews to confirm portfolios are suitable;
- We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of unusual treatment; and
- We educate our employees regarding our fiduciary responsibilities, regardless of fee arrangement.

Please refer to Item 12 for information regarding our brokerage practices.

#### **Item 6: PERFORMANCE COMPENSATION & SIDE-BY-SIDE MANAGEMENT**

We are required to disclose in Item 6 certain information about any “performance-based” fee arrangements with clients, and any situations where we manage both accounts with performance-based fee arrangements and accounts without such arrangements.

Because we do not have any performance-based fee arrangements with our clients, we do not have further disclosures for Item 6.

#### **Item 7: TYPES OF CLIENTS & ACCOUNT REQUIREMENTS**

We provide investment advisory services to the following types of clients:

- Individuals, including high net worth individuals;
- Pension and profit sharing plans;
- Trusts, estates, and charitable organizations;
- Corporations and other businesses not listed above.

We require a minimum account size of \$100,000 (the “Account Minimum”) for the HWM Program, subject to negotiation or waiver by HWM. HWM may waive the Account Minimum or require a higher or lower minimum for an account, in its sole discretion. If the aggregate value of the client’s account falls below the Account Minimum, HWM has the right to require deposit of additional amounts to bring the value of the Account up to the Account Minimum or close and liquidate the Account and send the proceeds to the client in accordance with the client’s written delivery instructions. Third-Party Advisers may establish separate minimum sizes for accounts they accept, or other conditions for participation in their programs. Such minimums or other conditions will be described in the Third-Party Adviser’s disclosure document or in their separate advisory agreement, if any, with the client..

#### **Item 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS**

We use the following methods of analysis in formulating advice and managing client accounts:

## **A. Methods of Analysis**

### **1. Fundamental Analysis**

Fundamental analysis attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the asset class of the security and the management of the company) to determine if the security should be included in the portfolio.

Fundamental analysis does not attempt to anticipate market movements. As such, this method of analysis carries a risk that it may not recognize when the price of a security is moving up or down as a result of overall market movement regardless of the economic and financial factors considered in a fundamental analysis of the security.

### **2. Technical Analysis**

Technical analysis utilizes a number of different statistical measures and calculations (such as the direction and velocity of movements in certain market averages and indices, prices for securities or other investment products, and economic indicators, among other factors) to identify short, intermediate, and longer term market trends or cycles, and recurring patterns of market movement, to assist in determining when to enter or leave a market.

Technical analysis provides indications of market direction and potential turning points, but is an imprecise tool that can result in inaccurate buy or sell signals that do not coincide with actual market turns. Technical analysis does not consider the underlying financial condition of a company. As such, technical analysis carries the risk of generating a buy signal based on market trends for stock in a company that is poorly managed or financially unsound and that may underperform regardless of overall market movement.

### **3. Modern Portfolio Theory and Asset Allocation**

Modern portfolio theory (MPT) can be used to develop asset allocation recommendations for clients. MPT is a quantitative asset allocation methodology used in balancing expected risk and return in a portfolio. Asset allocation focusing primarily on identifying an appropriate ratio of investments in equity securities (e.g., stocks), fixed income securities (e.g., corporate bonds), cash, and other types of investments consistent with the client's investment goals and risk tolerance.

MPT emphasizes portfolio diversity with a long-term investment perspective, and is firmly rooted in the belief that markets are fairly efficient and that investors' gross returns are determined largely by asset allocation decisions for deriving an optimal set of risk-return combinations among individual portfolio assets.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry, or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to market movements and, if not corrected, the portfolio will no longer be appropriate for the client's goals.

Also, MPT requires assessment of three critical "inputs" of portfolio assets: (i) expected returns; (ii) expected risk; and (iii) an expected correlation matrix for each position. There can be no assurance that Infinex will be successful in accurately forecasting the required inputs or that an optimal risk-return asset allocation combination will be achieved. Similarly, there is no assurance that MPT (or any other investment methodology) will be profitable over any specific time period.



While we generally subscribe to the MPT investment philosophy, occasionally an IAR may find unexpected investment opportunities. In these circumstances, the IAR may recommend the investment even though it deviates from the account's general strategy.

#### **4. Analysis of Mutual Fund, ETFs & Third-Party Managers**

We use similar methods for analyzing mutual funds, ETFs, and third-party managers that we recommend to clients.

We look at the experience and track record of the portfolio managers to determine if they have demonstrated the ability to invest successfully over periods of time and in different economic conditions. We also consider whether or not there is a significant overlap with the underlying investments held by other mutual funds, ETFs, or third-party managers. We monitor the mutual funds, ETFs, and third-party managers in an attempt to determine if they are continuing to follow their stated investment strategies or mandates. We also evaluate the fees of the portfolio managers and the internal expenses of the mutual funds and ETFs to determine whether the client is receiving adequate value for these fees and expenses.

A risk of our method of analysis is that past performance does not guarantee future results. A portfolio manager who has been successful in the past may not be able to replicate that success in the future. In addition, we do not control and do not have complete information about the underlying securities owned or managed by the mutual funds, ETFs, or third-party managers. Also, we may not be aware that two or more portfolio managers may have invested in the same security, which would increase the risk to the client if that security were to fall in value. Additionally, a portfolio manager may deviate from the stated investment mandate or strategy of a fund, ETF, third-party manager, which could cause the investment to become less suitable for the client. Moreover, we do not control the portfolio manager's daily business or compliance operations, and we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

#### **5. Portfolio Rebalancing**

Unless or until the client notifies us in writing to designate a different strategy or portfolio or change to a different asset allocation, we will continue to manage the client's account according to the original strategy and portfolio. Clients should inform us promptly of significant changes in their individual or family circumstances or financial situation, or in their investment goals or objectives, investment time horizon, tolerance for risk, or liquidity needs so that appropriate changes can be made in the portfolio and asset allocation for their account.

#### **6. Risks of Inaccurate or Biased Information**

Our methods of analysis assume the accuracy of the information we analyze, such as ratings, financials, and research. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **B. Investment Strategies & Risks**

We use the following strategies, as appropriate, depending on the particular needs of the client and the investments in the account. Each strategy carries material risks.

## **1. Long-term Investments**

This strategy involves buying and holding a security for a year or longer, which may occur when we believe a security is currently undervalued or we seek exposure to a particular asset class over time, regardless of the current values. A long-term investment strategy carries the risk that the investments will not achieve the price targets our analysis suggests. The risks of this strategy will be influenced by the types of securities and issuers in which we invest. We may invest in securities of issuers with any size market capitalization.

A risk of a long-term purchase strategy is that by holding the security for the anticipated length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, the security may decline in value before we make the decision to sell.

## **2. Short-term Purchases**

This strategy involves purchasing securities with the idea of selling them within a relatively short time to take advantage of conditions we believe will soon result in a favorable price swing. There is no assurance the securities will perform as expected. A short-term purchase strategy poses risks that the anticipated price swing may not materialize, leaving a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. This strategy involves more frequent trading than a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term gains.

## **3. Trading**

Trading involves purchasing securities with the idea of selling them relatively quickly. We may use this strategy to take advantage of our predictions of brief price swings. A trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize, and could result in having a long-term investment in a security that was designed to be a short-term purchase, or the potential of a loss.

We do not anticipate using a trading strategy on any regular basis, if at all. To the extent such a strategy is used, however, clients should expect high rates of portfolio turnover, which will lead to an increase in the account's brokerage and transactions costs, and may also result in the realization of net short-term capital gains, taxable as ordinary income for federal income tax purposes.

## **4. Short Sales**

We do not expect to engage in short sales of securities on any regular basis. However, in the event we identify an investment opportunity in which we believe a short sale is consistent with the overall objective and risk tolerance of an account, client should be familiar with key aspects of these types of transactions.

In a short sale, the client's account will sell a security that it does not own. It can do this by "borrowing" the stock from its broker with the promise to replace the security on a future date. If the security's price falls before the account must return the security to the broker, the account will repurchase it at the lower price, thereby making a profit. If the price is higher than the amount received from the original short sale, the account will incur a loss.

These transactions are speculative and involve special risk considerations. For example, you will lose money if the value of the security increases and you have to buy it at a higher price in order

to return it to your broker. Because there is theoretically no limit to how high the price of the security can go, the potential losses can be infinite. Also, you must pay interest to the broker during the time you have borrowed the security, and you must also pay the broker's commissions or other transaction costs to engage in the initial short sale and the repurchase of the security.

## **5. Margin Transactions**

Occasionally, we may use a margin account offered by the custodian to borrow sufficient funds to purchase a security for your account. This typically happens if sufficient cash is not available in the account to purchase the security and it is not advantageous to sell other investments. The use of margin carries risks that you should understand. We do not expect to use significant amounts of margin or other leverage in our strategies. However, certain types of transactions may or must be executed through a "margin account" (e.g., short sales).

In volatile markets, security prices can fall very quickly. If the net value of your account (less the amount you owe the broker) falls below a certain level, the broker will issue a "margin call" and you will be required to sell the security (and other positions) or add more cash to the account. You could lose more money than you originally invested. Additionally, you must pay interest on the margin balance you owe to the broker until it is repaid in full. The amount of margin interest will diminish your profits and in some cases could cause net losses in your account.

## **6. Caution Regarding Account Investments and Volatility**

HWM anticipates that over the course of complete market cycles (or even longer periods), that accounts with higher levels of equity investments will experience greater volatility, but may be able to achieve greater returns than accounts with lower levels of equity investments and lower anticipated volatility. However, there is no assurance that an account with higher amounts of equity investments or greater anticipated volatility will, in fact, outperform other accounts. Similarly, there is no assurance that accounts with lower amounts of (or no) equity investments or lower anticipated volatility will, in fact, experience smaller losses than other accounts. Past performance is no guarantee of future results.

## **7. Insolvency of Brokers and Others**

Clients will be subject to the risk of failure of the brokerage firms that execute their trades, the clearing firms that such brokers use, or the clearinghouses of which such clearing firms are members. Although we believe the institutions we recommend have sufficient capital, there is no assurance this will continue to be the case.

## **8. Trade Errors**

On infrequent occasions, an error may be made in a client account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, if HWM is responsible for such error, HWM's policy is to restore or return the account to the position it would have been in had the trading error not occurred. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, or reimbursing the account.

## **9. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Securities are not guaranteed and you may lose money on your investments. We ask that you work with us to

be sure we understand your willingness and financial ability to bear the risks of your current investments and the investments we recommend for your account.

**Item 9: DISCIPLINARY INFORMATION**

We are required to disclose in Item 9 information about legal or disciplinary events that would be material to your evaluation of our advisory business or the integrity of our management.

We do not have any disclosures to make for this Item.

**Item 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

Jeffrey Burandt is registered as an investment adviser representative of WFG, and is also a certified public accountant. Mr. Burandt devotes approximately 95% of his business time to investment-related activities on behalf of HWM, approximately 5% of his business time to activities on behalf of WFG, and 1% or less of his time providing accounting services.

When effecting the purchase or sale of securities outside of an account participating in the HWM Program, Jeffrey Burandt may be acting in his capacity as a registered representative of WFG. For transactions outside of an HWM Program account, the client will pay WFG's customary commissions and other transaction-related expenses for transactions in the account.

Clients should also be aware that although the amount time Mr. Burandt typically devotes to his separate activities on behalf of WFG or as an accountant is generally insignificant, situations could arise when these other business activities could limit the amount of time Mr. Burandt is available to manage advisory client accounts.

We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser and take the following steps to address the conflicts that exist or may arise:

- We disclose the existence of all material conflicts of interest, including the potential for our firm or its employees to earn compensation in addition to our advisory fees;
- We disclose to clients that they are not obligated to purchase any recommended investment, insurance, or accounting products or services from our employees;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

**Item 11: CODE OF ETHICS, INTEREST IN TRANSACTIONS & PERSONAL TRADING**

**A. Code of Ethics**

HWM has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. HWM's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and sets forth

HWM's practice of supervising the personal securities transactions of supervised persons with access to information regarding client recommendations or transactions.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy of our Code of Ethics by email sent to [jburandt@HWMinc.com](mailto:jburandt@HWMinc.com) or by calling us at (972) 897-6500.

We owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Our Chief Compliance Officer may grant exceptions to certain provisions contained in the Code where the interests of our clients will not be adversely affected or compromised. Doubts arising in connection with personal securities trading should be resolved in favor of the client even at the personal expense of our employees.

Our Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

HWM and its principals, officers, affiliates, employees and Representatives may act as investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with HWM's Code of Ethics. In doing so, HWM or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular client.

HWM will provide a copy of its Code of Ethics to any client or prospective client upon request at HWM's principal address.

Nothing in this Brochure or otherwise shall impose upon HWM or any Representative any obligation to purchase or sell, or to recommend for purchase or sale, any security which HWM or any principal, officer, employee or Representative purchases or sells for his own account or for the accounts of other clients, unless not to engage in such activity would violate HWM's fiduciary duty.

#### **Confidentiality of Client Information**

Protecting the confidentiality of its customers' nonpublic information is paramount for HWM. As such, the Firm has instituted policies and procedures to ensure that nonpublic customer information is kept confidential. HWM does not disclose nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as provided pursuant to its privacy policies or as required by or permitted by law. In the course of servicing a client's

account, HWM may share client information with service providers, such as transfer agents, custodians, broker-dealers, accountants, and attorneys. HWM, WFG, and the Representative share information regarding the client, the client's account, and account activity, and each has agreed to keep such information confidential.

## **B. Recommendations Involving Our Financial Interests**

We are required to disclose in Item 11 if we recommend that clients invest in securities in which HWM or our employees have a material financial interest.

We do not make any such recommendations to our clients.

## **C. Investments in Securities We Recommend to Clients**

Individuals associated with HWM may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the policy of HWM that no person employed by HWM shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of clients. Subject to the Code of Ethics, HWM and its employees are permitted to trade for their own accounts side-by-side and in block transactions with the firm's clients in the same securities, and at the same time. We have adopted the procedures described in Item 11.D to address the actual and potential conflicts of interest raised by our policies.

## **D. Investments Around Same Time as Client Transactions**

Subject to the procedures in this section 11.D, HWM and its employees are permitted to trade for their own accounts side-by-side with clients in the same securities at or around the same time as clients on the same trading day, and are permitted to aggregate trades for their proprietary accounts with trades for client accounts. HWM, its employees, and its affiliates may buy or sell securities for their personal accounts identical to the securities recommended to customers. We have adopted the procedures described below to address the conflicts of interest arising from our policies described in Items 11.C and 11.D:

- HWM prohibits employees from purchasing or selling securities (other than mutual funds or other securities which are not treated as "reportable securities") immediately prior to client transactions, in order to prevent employees from benefitting from transactions placed on behalf of advisory accounts.
- A director, officer, or employee of HWM shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry.
- No person of HWM shall prefer his or her own interest to that of the advisory client.
- HWM maintains a list of all securities holdings for itself, and anyone associated with it with access to advisory recommendations. These holdings are reviewed on a regular basis by the Chief Compliance Officer of HWM.
- HWM emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where HWM is granted discretionary authority of the client's investments.
- HWM requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to discipline, including termination.

## **Item 12: BROKERAGE PRACTICES**

### **A. Factors We Consider When Recommending Broker-Dealers**

Clients grant us discretion to select the broker-dealers to effect transactions for their accounts. We have evaluated the services of the Schwab Institutional (SI) program offered by Charles Schwab & Co., Inc. ("Schwab"), and the Fidelity Institutional Wealth Services Program ("FI") offered by Fidelity Brokerage Services LLC ("Fidelity"), to maintain the account's cash and securities and provide brokerage services. HWM is independently owned and operated, and is not affiliated with Schwab or Fidelity.

HWM has evaluated Schwab and Fidelity and believes each is capable of providing clients with a blend of execution services, commission costs, and professionalism that will assist HWM in meeting its fiduciary obligations to clients.

We may decline acceptance of an account for which the client directs the use of a broker-dealer other than Schwab or Fidelity if HWM believes that this choice would hinder its fiduciary duty to the client or its ability to service the account.

Schwab and Fidelity provide HWM with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at the custodian. These services are not contingent upon our firm committing to any specific amount of business (assets in custody or trading commissions). Schwab's and Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in their custody, Schwab and Fidelity generally do not charge separately for their custodial services but are compensated by our clients through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian's accounts.

The products and services that Schwab and Fidelity make available to us may not directly benefit your account. These products and services may be used to service all or any number of our client accounts, including accounts not maintained at the custodian who provides the product or service. Clients should understand that when we use client brokerage commissions, markups, or markdowns to obtain research or other products or services from brokers, HWM receives a benefit because it does not have to produce or pay for the research, products, or services. Therefore, we may have an incentive to select or recommend a broker based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

We do not attempt to put a specific dollar value on the services received by each account or to allocate the relative costs or benefits of these services among accounts, believing that the research will help our firm to fulfill its overall duty to its clients. We may not use each product or service to service all clients. As a result, a client may pay brokerage commissions that are used, in part, to purchase products or services that are not used to benefit that specific client.

Schwab's and Fidelity's products and services that assist us in managing and administering client accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office, recordkeeping, and client reporting functions.
- Schwab and Fidelity also offer other services to help us manage and develop our business:
  - access to compliance, legal, and business consulting;
  - access to publications and conferences on practice management and business succession;
  - access to employee benefits providers, human capital consultants, and insurance providers.

Schwab or Fidelity may make available, arrange, or pay third-party vendors for the types of services rendered to HWM. Likewise, they may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab or Fidelity may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that clients engage Schwab or Fidelity, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

In selecting Schwab and Fidelity, we consider the transaction costs (including commissions or spreads, market impact costs, and opportunity costs), as well as the full range and quality of the brokerage and related services Schwab provides to help us in managing client accounts. We consider the speed, consistency, and accuracy of execution, responsiveness to our inquiries and requests, willingness and speed in resolving errors or other discrepancies, access to financial products and markets, and research, analyses, and various electronic products and services provided by the broker-dealer.

Because of the incentive we may have to select Schwab and Fidelity based on our interest in participating in their institutional investment programs, we have adopted the following policies and procedures to monitor and mitigate this conflict:

- We conduct periodic analyses of the volume of transactions sent to each approved broker along with the competitiveness of the commission schedules of each such broker;
- We periodically evaluate the usefulness of services received from brokers in relation to the compensation we estimate that each broker-dealer receives from client transactions; and
- We regularly consider qualitative rankings of broker-dealers.



We do not have procedures to direct client transactions to particular broker-dealers in return for the products and services described above. However, we typically only recommend broker-dealers that we have approved and those we have approved provide products and services that may benefit us.

### **Brokerage for Client Referrals**

HWM does not currently receive client referrals from the broker-dealers we recommend or select for our clients, and we do not have procedures to direct client transactions to particular broker-dealers in return for client referrals. If HWM receives future client referrals from a broker-dealer, we will not commit to compensate the referring broker-dealer. Nonetheless, if referrals are offered or made to us, a potential conflict of interest may arise between our interest in continuing to receive referrals and our clients' interests in obtaining best price and most favorable execution.

### **Directed Brokerage**

We do not recommend, request, or require clients to direct us to execute transactions through a specified broker-dealer. We require clients to grant us discretion to select the broker-dealers to effect transactions for their accounts, and do not accept client instructions to direct brokerage to other broker-dealers. Not all investment advisers require clients grant them discretion. Some advisers permit the client to direct the use of a particular broker-dealer for their account.

## **B. Aggregation of Security Transactions**

The Advisory Agreement grants HWM the authority, but not the obligation, to combine or aggregate orders for multiple accounts with orders for other accounts for the purpose of "block trading." Block trading can enable us to obtain better prices and reduce overall transaction charges by negotiating volume discounts, executing trades in a timelier manner, and allocating transaction costs among all of the accounts included in the block, typically, on a prorated basis. However, clients should be aware that due to the types of investments in various accounts, and differences in account objectives, cash positions, account types, and the systems HWM has available for placing orders with broker-dealers, block orders may be uncommon for some or all accounts. Accounts whose orders are not aggregated with other orders of other accounts will not receive the benefits of potentially lower transaction costs, timelier or better execution, or volume discounts that might be obtained by accounts whose orders are aggregated.

Block orders will usually be executed through an "average price account" or similar account such that transactions for all accounts participating in the order will be averaged as to price and transaction costs, and the securities purchased or net proceeds received will be allocated pro rata among the accounts in proportion to their respective orders placed that trading day. Typically, partial fills will be allocated among accounts in proportion to the total orders participating in the block, unless HWM determines that another method of allocation is equitable (such as a rotation or other method). Such exceptions may occur due to varying cash availability across accounts, divergent investment objectives, existing concentrations, tax considerations, investment restrictions, performance relative to the applicable benchmark, performance relative to other accounts in the same Strategy, or desire to avoid "odd lots" (an amount of a security that is less than the normal unit of trading for that security).

In certain situations, aggregation of orders may operate to the disadvantage of some accounts, such as where an account may have been able to have its order executed at a more favorable

time on a particular trading day. Adviser will ensure that no account is unreasonably or systematically disadvantaged through the use of block trading.

### **Item 13: REVIEW OF ACCOUNTS**

#### **A. Account Reviews**

All Accounts are reviewed regularly by HWM's portfolio manager or administrative staff to ensure that they are correctly allocated according to the selected Strategy. At least quarterly, HWM will notify the client to contact HWM or the Representative if there have been changes in the account's financial situation or investment objectives, or if the client wishes to impose or modify any reasonable account restrictions. At least annually, the client will also be contacted to determine if there have been any changes in the account's financial situation or investment objectives, or if the client wishes to impose or modify any reasonable account restrictions. Jeffrey Burandt will be responsible for overseeing all reviews

#### **B. Client Reports**

Clients will receive statements from their account custodian on at least a quarterly basis. HWM does not provide additional reports to clients.

### **Item 14: CLIENT REFERRALS & OTHER COMPENSATION**

*Please refer to Item 12 for information about benefits we receive from broker-dealers because we recommend their services, and how we address these conflicts of interest.*

### **Item 15: CUSTODY & ACCOUNT STATEMENTS**

Clients will receive account statements directly from their account custodian on at least a quarterly basis showing all transactions in the account during the reporting period. Please review the custodian's account statements carefully.

The custodian's statements are separate from any reports we may agree to provide; our reports are not account statements. However, to the extent any reports refers to assets held by the account's custodian, we recommend that the client compare the information in the report with the custodian's statement. Any discrepancies should be reported promptly to our President, Jeffrey Burandt, by email at [jburandt@HWMinc.com](mailto:jburandt@HWMinc.com) or by telephone at (972) 897-6500.

### **Item 16: INVESTMENT DISCRETION**

In the Advisory Agreement for discretionary HWM Program accounts, the client will grant HWM full authority and discretion, on client's behalf and at client's risk to buy, sell, retain and exchange investments, and exercise such other powers as HWM deems appropriate to manage and execute transactions for the Account so that the Account continues to reflect the Model selected by the client or, if none, the strategy intended by HWM. HWM will have full discretion to adjust or change the asset classes which comprise any Model, the percentage which each asset class represents of each Model, the mutual funds, ETFs, variable product subaccounts, or other securities comprising each asset class, and the third party, if any, that provides research, buy and sell signals, or other information or services used to manage any Model or Account. HWM will also have the discretion to invest the Account's assets in cash or similar investments, and may effect temporary "sweep" transactions of all uninvested cash balances in the Account to a

money market mutual fund, which may be managed by the Custodian or an affiliate of the Custodian.

All grants of discretionary authority must be in writing. If a client wishes to impose reasonable limitations on our discretionary authority (such as restrictions on the type of securities held in their account), such limitations must be included in the client agreement or otherwise submitted to us in writing. The client may change or amend these limitations, as desired, by written instruction to the attention of Jeffrey Burandt, by email at [jburandt@HWMinc.com](mailto:jburandt@HWMinc.com), by telephone at (972) 897-6500, or by mail to the address shown on the cover page of this Brochure. All grants of discretionary authority must be in writing.

## **ITEM 17: VOTING CLIENT SECURITIES**

We require the client to retain responsibility for voting all account securities. We will not vote, exercise rights, make elections, or take other such actions with respect to securities held for accounts we manage. If desired, a client may instruct us in writing to forward to the client or a third party materials we receive pertaining to proxy solicitations or similar matters. Upon receipt of such written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard account proxy and related materials.

Clients may obtain proxy materials directly by written request to the account's custodian. For information about how to obtain proxy materials from a custodian, clients may contact us by email to Jeffrey Burandt at [jburandt@HWMinc.com](mailto:jburandt@HWMinc.com), or by mail to the address on the front of this Brochure. However, we do not provide advice about the issues raised by proxy solicitations or other requests for corporate action.

Similarly, we do not advise or exercise rights, make elections, or take other actions with respect to legal proceedings involving companies whose securities are or were held in a client's account, such as asserting claims or voting in bankruptcy or reorganization proceedings, or filing "proofs of claim" in class action litigation. If desired, a client may instruct us in writing to forward to the client or a third party any materials we receive pertaining to such matters. Upon our receipt of such written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard such materials. Written instructions should be sent to Jeffrey Burandt by email at [jburandt@HWMinc.com](mailto:jburandt@HWMinc.com), or by telephone at (972) 897-6500, or by mail to the address shown on the cover page of this Brochure.

## **Item 18: FINANCIAL INFORMATION**

### **A. Prepayment of More Than \$1,200 in Fees Six Months or More in Advance**

Investment advisers that accept fees of more than \$1,200 per client, six months or more in advance are required to provide their clients an audited balance sheet.

Because we do not accept pre-paid fees exceeding \$1,200 per client, six months or more in advance, we have not provided a balance sheet.

### **B. Disclosure of Certain Financial Conditions**

SEC-registered advisers with custody or discretion over client funds or securities, or who require prepayment of fees exceeding \$1,200, six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients.

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

**C. Bankruptcy within Past Ten Years**

Advisers who have been the subject of a bankruptcy petition at any time during the past ten years must disclose certain information about the matter.

HWM has never been the subject of a bankruptcy petition.