



Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Heirloom Wealth Management, LLC ("HWM"). If you have any questions about the contents of this brochure, please contact us at 720-328-2877 or [Heirloominfo@heirloomwm.com](mailto:Heirloominfo@heirloomwm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. HWM is a Registered Investment Adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about HWM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a IARD number. The IARD number for HWM is 292277.

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## ITEM 2 – MATERIAL CHANGES

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Since our initial ADV filing on February 26, 2018, the following are material changes to our firm:

*Item 8: Risk of Loss*

**Liquidity Risk** - Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price. Our Firm may recommend to clients mutual funds that would have liquidity restrictions but no less than quarterly subject to 90 days’ notice to the Manager. Use of these particular mutual funds would only be recommended to clients who understand the liquidity differences and have a long term investment horizon.

*Item 14: Client Referrals and Other Compensation*

Our Firm also receives from TD Ameritrade certain additional economic benefits (“Additional Services”) that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include Morningstar, MoneyGuide Pro, RedTail, Orion and Valuentum. TD Ameritrade provides the Additional Services to our Firm in its sole discretion and at its own expense, and our Firm does not pay any fees to TD Ameritrade for the Additional Services. Our Firm and TD Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

Our receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to us, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with us, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, we may have an incentive to recommend to its Clients that the assets under management by our Firm be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. Our receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Rick Hurley at 720-328-2877 or [Heirloominfo@heirloomwm.com](mailto:Heirloominfo@heirloomwm.com). We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

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This Disclosure document is being offered to you by Heirloom Wealth Management, LLC (“HWM” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

We are an investment management firm located in Englewood, Colorado. We specialize in investment advisory services for individuals, high net worth individuals, employee sponsored retirement plans, institutions, charitable organizations, trusts and estates. Our Firm became a registered investment adviser in February 2018. Michael G. Euston, William M. “Michael” Miller, Richard “Rick” L. Hurley, Jr. are all Managing Members of the Firm.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance that helps clients to achieve their stated financial goals. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and HWM execute an Investment Management Agreement.

### Investment Management Services

We manage advisory accounts on a discretionary basis. For discretionary accounts, once we have determined a profile and investment plan with a client, we will execute the day to day transactions without seeking prior client consent. Account supervision is guided by the written profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various equities, Exchanged Traded Funds (“ETFs”), mutual funds and debt securities in accordance with their stated investment objectives.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs, we develop a client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the types of investments to be included in your portfolio and allocated them, we will provide ongoing investment review and management services. This approach requires us to periodically review your portfolio.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have

the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization from you.

Where appropriate, we provide advice about any type of legacy position held in client portfolios. Typically, these are assets that are ineligible to be custodied at our primary custodian. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

### **Financial Planning**

Through the financial planning process, our team strives to engage our clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, our team will offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer and family legacy objectives. Our team partners with our client's other advisors (CPA, estate attorney, insurance broker, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets and periodic updates.

Our specific services in preparing your plan may include:

- Review and clarification of your financial goals;
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management and estate planning;
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession and other personal goals;
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, expenses, risk and liquidity factors for each goal. This includes IRA and qualified plans, taxable and trust accounts that require special attention;

- Design of a risk management plan including risk tolerance, risk avoidance, mitigation and transfer, including liquidity as well as various insurance and possible company benefits; and
- Crafting and implementation of, in conjunction with your estate and/or corporate attorneys as tax advisor, an estate plan to provide for you and/or your heirs in the event of an incapacity or death.

A written evaluation of each client's initial situation or Financial Plan is provided to the client. The recommendations will not be reviewed nor updated, unless requested by the client at which point a new Agreement between Client and Adviser may be executed.

### **Employer Sponsored Retirement Plan Services**

For employer-sponsored retirement plans with participant-directed investments, our firm provides its advisory services as an investment advisor as defined under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

When serving as an ERISA 3(21) investment advisor, the Plan Sponsor and HWM share fiduciary responsibility. The Plan Sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Investment Advisor Agreement between HWM and the Plan Sponsor. HWM provides the following services to the Plan Sponsor:

- Screen investments and make recommendations.
- Monitor the investments regularly and suggests replacement investments when appropriate.
- Provide an annual investment report.
- Assist the Plan Sponsor in developing an Investment Policy Statement ("IPS").

We can also be engaged to provide financial education to Plan participants. The scope of education provided to participants will not constitute "investment advice" within the meaning of ERISA and participant education will relate to general principles for investing and information about the investment options currently in the Plan. We may also participate in initial enrollment meetings and periodic workshops and enrollment meetings for new participants.

### **Wrap Fee Program**

We do not participate in a Wrap Fee Program.

### **Assets**

As of June 13, 2018, we manage assets totaling \$125,800,754. We have \$111,744,628 under discretionary management and \$14,056,126 under non-discretionary management.

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## ITEM 5 - FEES AND COMPENSATION

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### Investment Management Fees and Compensation

Our Firm charges a fee as compensation for providing Investment Management services on your account. These services include advisory services, trade entry, investment supervision, and other account-maintenance activities. Our custodian charges transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

The fees for investment management are based on an annual percentage of assets under management and are applied to the household asset value on a pro-rata basis and billed monthly in arrears. The monthly fee will be calculated on the average monthly balance of the account. The value will be determined as reported by the Custodian. Fees are assessed on all assets under management, including securities, cash and money market balances. Margin account balances are not included in the fee billing.

Our maximum investment advisory fees as a percentage of assets under management is 1.75%. Our annual fixed fees range from \$1,000 to \$20,000 depending on the level of engagement. The specific advisory fees are set forth in your Investment Advisory Agreement.

We may negotiate a lower advisory fee or have the right to waive the minimum fee. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated. Our employees and their family related accounts are charged a reduced fee for our services.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as “house-holding” portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of house-holding accounts for fee purposes looks at the overall family dynamic and relationship. When applicable and noted in the Investment Management Agreement, legacy positions will also be excluded from the fee calculation.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement to you on a monthly basis indicating all the amounts deducted from the account including our advisory fees.

Either HWM or you may terminate the Investment Advisory Agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given and the unearned fee refunded to your account as indicated in your Agreement. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, HWM will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

### **Financial Planning Fees**

Financial Planning Fees are included in the Investment Management Fee described above.

### **Employer Sponsored Retirement Plan Services**

For Retirement Plan Advisory Services compensation, we charge an annual fee as negotiated with the client and disclosed in the Employer Sponsored Retirement Plans Investment Advisory Agreement. The compensation method is explained and agreed upon in advance before any services are rendered. Asset based fees range from 0.10% to 0.50% annually and fixed fees range from \$1,000-\$50,000 annually.

Plan advisory services begin with the effective date of the Employer Sponsored Retirement Plans Investment Advisory Agreement, which is the date you sign the Employer Sponsored Retirement Plans Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. Our fee is billed in arrears on the last business day of the calendar quarter or month as outlined in the Agreement. For Plans where our fee is billed to the custodian, the fee is deducted directly from the participant accounts. Written authorization permitting us to be paid directly from the custodial account is outlined in the Agreement.

Either party may terminate the Investment Advisory Agreement at any time upon immediate notice. You are responsible to pay for services rendered until the termination of the Agreement.

### **Administrative Services Provided by Orion Adviser Services, LLC**

We have contracted with Orion Adviser Services, LLC to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion Adviser Services, LLC will have access to client accounts, but Orion Adviser Services, LLC will not serve as an investment adviser to our clients. HWM and Orion Adviser Services, LLC are non-affiliated companies. Orion Adviser Services, LLC charges our Firm an annual fee for each account administered by Orion Adviser Services, LLC. Please note that the fee charged to the client will not increase due



to the annual fee HWM pays to Orion Adviser Services, LLC, the annual fee is paid from the portion of the management fee retained by HWM.

**Additional Fees and Expenses:**

In addition to the advisory fees paid to our Firm, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. HWM’s brokerage practices are described at length in Item 12, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

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**ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage side by side management.

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**ITEM 7 - TYPES OF CLIENTS**

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We provide investment advice to individuals, high-net worth individuals, employee sponsored retirement plans, institutions, charitable organizations, trusts and estates. We have no minimum initial household value for opening accounts.

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**ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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Portfolio Strategy at HWM is designed around the Live Well Planning Process. It’s our aim for you to always know where you stand financially in relation to your personal goals, and understand how your investments are designed to meet those goals. Here are the steps we follow to achieve that:

1. Develop well defined goals and priorities to help you invest with your “big picture” in mind.
2. Design a Live Well Financial Plan to align your real life financial situation with what you envision for your future.
3. We regularly stress test your plan objectives, resulting in your own Live Well Plan Score to give you confidence as to where you stand.
4. Review options, select and implement the Live Well Investment Strategy best suited to meet plan goals.

5. Revisit regularly to stay updated on changes in your life, goals, and priorities. Keep track of your plan over time to monitor the progress made with your plan score, and investment strategy performance.

### **Heirloom Live Well Strategy Selection**

With a solid understanding of your goals and priorities we begin discussing suitable investments for you. We have multiple strategies tailored to various investor levels of risk, and return. Education is the key to our mutual goal of success; we want to help you understand our process and select a suitable investment approach because this will directly impact your life. Progress towards your financial goals is dependent on maintaining discipline and sticking to our agreed upon plan. Investment strategies are specifically designed to achieve successful results as measured by your Live Well Plan Index Score.

### **Heirloom Live Well Investment Belief System**

Here are the principle concepts to understand about our investment process:

1. **Compounding:** Compounding is the process of generating more return on an asset's reinvested earnings. To work, it requires two things: the reinvestment of earnings and time. Compounding can help your initial investment grow exponentially. Seemingly small amounts can make a big difference when compounded over time. Compounding your money is our primary objective.
2. **Gains, Losses & Diversification:** Portfolio gains and losses have disproportionate impacts and it is particularly important to understand the impact large losses have on an investor's ability to compound their earnings. For instance, 50% loss requires a 100% gain to get back to even. We cannot avoid all losses; however, we attempt to reduce the risk of large losses by diversifying sources of risk and return as much as possible. Investing in assets that behave similarly can be risky as bad and good times tend to come together; however, investing in assets that behave differently than each other may benefit long term performance. This is because when certain assets in a portfolio are flat or suffer weak performance, other investments in the portfolio can still perform well <sup>1</sup>. Our Firm believes striving to reduce the risk of large losses may help investors stick with their long-term investment strategy.
3. **Income & Income Growth:** While we embrace the role of capital appreciation (rising asset prices) within portfolios, we believe the compounding of interest and dividends, not rising prices, are the most important component of long term stock and bond market returns. For example, since 1926, reinvestment of dividends has

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<sup>1</sup> This refers to the concept of correlation, which is a statistical measure of how two variables move in relation to one another. Positive correlation implies that as one security moves, either up or down, the other security will move in the same direction. Negative Correlation means that if one security moves in either direction the other security will move in the opposite direction. The concept is important for portfolio construction as a combination of unrelated (or uncorrelated) assets can result in lower portfolio volatility.

been responsible for more than 96% of the stock market's return helping a \$10,000 investment grow to about \$47.6 million – more than \$46 million over the stock market price returns alone (Jeremy Siegel, Professor of Finance at the Wharton School of the University of Pennsylvania, 2016).

### Heirloom Live Well Portfolio Design

- **HWM Portfolios:** HWM offers clients a variety of discretionarily managed portfolios, each based on the Live Well Investment Belief System. Portfolios strive to achieve strong risk adjusted returns and are designed to meet the goals outlined by the client's Live Well Financial Plan, stated investment objective, and risk/return profile.
- **HWM Portfolio Strategic Allocations:** Strategic allocations set target percentages for various asset classes within portfolios. These target percentages are determined by the HWM Investment Committee ("HWMIC") comprised of seasoned and credentialed industry veterans working in conjunction with partners such as JP Morgan Chase, PIMCO, Transamerica and Morningstar to name a few. When necessary, portfolios are rebalanced back to target percentages to maintain alignment with stated client investment objectives.
- **Security Selection:** With access to thousands of investments, the HWMIC utilizes multiple third-party investment research resources to select securities and build portfolios to meet the target percentages outlined by corresponding strategic allocations. Securities are traded discretionarily by the HWMIC within the parameters of the client's stated investment objectives and HWM's own disciplined proprietary process.

### Investment Considerations

Portfolios may contain a variety of different publicly traded securities at any point in time. Securities may include Open End Mutual Funds, Closed End Mutual Funds, Exchange Traded Funds (ETF), individual stocks, Real Estate Investment Trusts (REIT), Master Limited partnerships (MLP), and Alternative Investments (AI) via Open End Mutual Fund format. We define AI as investments other than stocks or bonds. With an MLP it is worth noting that it will generate K1 tax forms in conjunction with your 1099's annually. We are happy to combine and relay all necessary tax documents to you and/or your accountant in a single package, just let us know. While we work to keep portfolios tax efficient, before implementing any investment strategy we always recommend consulting a tax professional as we are unable to provide tax advice. While securities held in your portfolio may change the overarching investment objective you select will remain constant. If you wish to discuss any specifics with us regarding the underlying securities that are/may be held in your portfolio or omit any security or type of security within your account, please let us know so we can discuss further.

### **Asset Classes:**

While there are numerous subsets of asset classes, broadly speaking, securities in HWM portfolios can be classified into three primary asset classes: Equities, fixed income, and alternative investments.

**Equities:** Depending on the strategy, portfolios may contain equity mutual funds, Exchange Traded Funds (ETF's), and/or individual equities. While the type of security may vary, the overall philosophy is to consistently seek positive "total returns", or the combined returns of both capital appreciation and income. Within equity portfolios we pursue ownership of what we view to be great, difficult to replicate businesses. We aim to maintain attractive levels of portfolio income in aggregate relative to appropriate benchmarks, and try to grow income in the mid to high single digit range annually over the long term. Historically, while equity prices have risen over the last 200 years, there have been extended periods of time, even decades where prices decline.

Dividends may continue to grow even if stock prices decline and in our opinion, provide ballast to the portfolio. However, the payment and growth of dividends does not guarantee future capital appreciation or to prevent losses. Dividends are not guaranteed, and it is our view that diligent forward-looking analysis of investments is of paramount importance rather than relying on historical dividend payments to predict the future.

**Fixed Income:** When investing in fixed income, or bonds, depending on the strategy we primarily utilize open and closed end mutual funds within portfolios. Broadly speaking as an asset class, fixed income investments offer these potential benefits:

- **Principal Preservation:** Historically, bonds have exhibited lower levels of volatility than stocks and may be viewed as a safe haven in times of equity market distress. Bonds may also be secured by a variety of collateral or be backed by promises to pay interest and principal by various entities such as corporations, municipalities, and sovereign entities.
- **Income:** Fixed income investments make interest payments at regular intervals.
- **Total Return:** Like equities, fixed income investments may offer the potential for price appreciation in conjunction with income.
- **Diversification:** Fixed income investments generally do not move in tandem with equities or alternative investments offering diversification benefits.

**Alternative Investment Strategies:** Many investors' portfolios have traditionally relied on only two sources of returns: stocks and bonds. Generally, investors

consider bonds to be a good portfolio diversifier to stocks. They tend to have lower risk, dampen portfolio volatility, and may be good hedges against economic uncertainty. However, many investors are surprised to learn that seemingly balanced portfolios of 60% stocks and 40% bonds are 98% correlated to the stock market (Shahidi, 2012). So, what are alternative investments? What are their risk and return characteristics?

Alternative investments are thought of as investments other than stocks and bonds. The alternative investment strategies we offer tend to move independently of stock and bond markets. The main goal of alternatives is to provide access to other return sources, with the potential benefits of reducing the risk of an investor's portfolio, improving returns, or both. Because these strategies seek to earn profits from opportunities that are distinct from stock and bond markets, they can be among the more diversifying strategies available to investors (AQR Capital Management, LLC, 2017).

Alternatives may offer benefits for risk management. As detailed in our investment belief system, investing in assets that behave similarly can be risky as bad and good times tend to come together; however, investing in assets that behave differently than each other may benefit long term performance. This is because when certain assets in a portfolio are flat or suffer weak performance, other investments in the portfolio can still perform well.<sup>ii</sup>

Our firm's use of alternative investing is limited through our use of mutual funds in a client's portfolio. The mutual funds used in our alternative allocation may invest in assets and strategies similarly used in hedge funds. While alternative investments may offer potential benefits when used in conjunction with traditional stock and bond portfolios there are additional risks to consider. For example, many alternative strategies utilize leverage, short selling and derivatives to meet their objectives. Alternative investments are a broad category. As with any investment, it is very important to read prospectus information and work with your advisor to educate yourself on the potential risks and rewards of the strategies that may be considered for inclusion for your portfolio.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there will be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

**Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

**Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

**Capitalization Risk** — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

**Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

**Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

**Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

**Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

**Performance of Underlying Managers** — We select the mutual funds and ETFs in the asset allocation portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.

**Liquidity Risk** - Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price. Our Firm may recommend to clients mutual funds that would have liquidity restrictions but no less than quarterly subject to 90 days' notice to the Manager. Use of these particular mutual funds would only be recommended to clients who understand the liquidity differences and have a long term investment horizon.

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#### **ITEM 9 - DISCIPLINARY INFORMATION**

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We do not have any legal, financial or other "disciplinary" item to report.

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#### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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##### **Insurance**

IARs of HWM may act as agents appointed with various life, disability or other insurance companies, receive commissions, trails, or other compensation from the respective product sponsors and/or as a result of effecting insurance transactions for clients. You have the right to decide whether or not to act on the insurance recommendations from HWM's IARs. If you decide to act upon our insurance recommendations, you have the right to choose the insurance professional to use to purchase the insurance products through HWM's IAR or any licensed insurance agent not affiliated with HWM. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

##### **Broker Dealer**

Certain IARs of HWM are registered representatives of M.S. Howells & Co. ("M.S. Howells") a securities broker-dealer, and will be compensated for effecting securities transactions or providing advisory services. A portion of the time of HWM and these IARs is spent in connection with broker/dealer activities.

As a broker-dealer, M.S. Howells engages in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by HWM or its IARs, investments in securities may be recommended for clients. If M.S. Howells is selected as the broker-dealer, M.S. Howells and its registered representatives, including IARs of HWM, may receive commissions for executing securities transactions. When IARs of HWM receive commissions in connection with the advice given to advisory clients, HWM may reduce a portion of its fees by the amount of the commissions earned by HWM IARs. Clients that purchase any products resulting in commission to the registered representative will not be assessed an advisory fee on those products sold through the broker-dealer.

You are advised that if M.S. Howells is selected as the broker-dealer, the transaction charges may be higher or lower than the charges you may pay if the transactions were executed at

other broker/dealers. You should note, however, that you have the right to decide to purchase products through the broker dealer. If you do decide to purchase products, you have the right to choose from whom you will purchase the products.

HWM may provide advice regarding mutual fund securities. You should be aware that, in addition to the advisory fees you pay in connection with any HWM program, each investment company also pays its own separate investment advisory fees and other expenses. Mutual funds also charge their own internal separate fees for investing in their fund. Such fees and expenses are disclosed in the mutual fund's prospectus. In addition, clients should be aware that mutual funds may be purchased separately, independent of the investment management services of HWM and fees of HWM.

Moreover, you should note that under the rules and regulations of FINRA, M.S. Howells has an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require M.S. Howells to coordinate with, and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment advisers other than M.S. Howells.

Clients should be aware that the ability to receive additional compensation by HWM and its management persons or employees creates conflicts of interest that impair the objectivity of the Firm and these individuals when making advisory recommendations. HWM endeavors at all times to act in the Clients best interest of its clients. As part of our fiduciary duty as a registered investment adviser, we take the following steps, among others to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for the Firm and our employees to earn compensation from advisory clients in addition to the Firm's advisory fees;
- we disclose to clients that they have the right to decide to purchase recommended investment products from our employees or Related Companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- we conduct regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of 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 the 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.

IARs of our Firm do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

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**ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING**

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Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account, and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information.

The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of HWM, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of HWM shall not buy or sell any 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 supervised employee of HWM shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of HWM.

3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

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#### **ITEM 12 - BROKERAGE PRACTICES**

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We participate in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent investment advisors that include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent investment advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at TD Ameritrade. Other services made

available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at TD Ameritrade. We may recommend that you establish accounts with TD Ameritrade to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

#### Aggregation and Allocation of Transactions

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client Investment Advisory Agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully-disclosed separately to our existing clients (if any) and the broker/dealer(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our

transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;

4. We will prepare a written statement ("Allocation Statement") specifying the participating client accounts and how to allocate the order among those clients;
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
8. Individual advice and treatment will be accorded to each advisory client.

#### **Brokerage for Client Referrals**

Our Firm does not receive client referrals from any custodian or third party in exchange for using that broker-dealer or third party.

#### **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the Custodian, the Custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

#### **Directed Brokerage**

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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### ITEM 13 - REVIEW OF ACCOUNTS

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#### **Account Reviews and Reviewers – Investment Supervisory Services**

Our Investment Adviser Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

#### **Statements and Reports**

The custodian for the individual client's account will provide clients with an account statement at least monthly. Reports may also be provided at every client meeting. Communication to clients will be done on an as needed basis with a minimum of 1 contact per calendar year. You are urged to compare the reports provided by HWM against the account statements you receive directly from your account custodian.

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### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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Our firm neither accepts nor pay fees for client referrals.

As disclosed under Brokerage Practices, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent Investment Advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by some of our related persons. Some of the products and

services made available by TD Ameritrade through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our Firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

Our Firm also receives from TD Ameritrade certain additional economic benefits (“Additional Services”) that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include Morningstar, MoneyGuide Pro, RedTail and Valuentum. TD Ameritrade provides the Additional Services to our Firm in its sole discretion and at its own expense, and our Firm does not pay any fees to TD Ameritrade for the Additional Services. Our Firm and TD Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

Our receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to us, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with us, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, we may have an incentive to recommend to its Clients that the assets under management by our Firm be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. Our receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

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#### **ITEM 15 – CUSTODY**

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We do not have physical custody, as it applies to investment advisors. Custody has been defined by regulators as having access or control over client funds and/or securities.

For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client’s name. Clients or an independent representative of the client will direct, in writing, the

establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from HWM. When you have questions about your account statements, you should contact HWM or the qualified custodian preparing the statement. Please refer to Item 5 for more information about the deduction of adviser fees.

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#### **ITEM 16 – INVESTMENT DISCRETION**

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For discretionary accounts, prior to engaging HWM to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable HWM, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by HWM for you are:

1. For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall in writing as indicated on the investment advisory Agreement, Appendix B. You may change/amend these limitations as required.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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#### **ITEM 17 – VOTING YOUR SECURITIES**

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We will **not** vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular solicitation by phone at 720-328-2877.

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## ITEM 18 – FINANCIAL INFORMATION

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We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

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<sup>i</sup> Risk in the alternative investments section is defined as portfolio volatility

AQR Capital Management, LLC. (2017). *What to Expect From Alternatives*. Greenwich, CT: AQR Capital Management.

Jeremy Siegel, Professor of Finance at the Wharton School of the University of Pennsylvania. (2016). *The Power of Dividends*. New York, NY: Wisdom Tree.

Shahidi, A. (2012, April 24). *Why a 60/40 Portfolio isn't Diversified*. Retrieved from Advisor Perspectives:  
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