

# HEBER FUGER WENDIN, INC

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## ADV PART 2A Brochure Year End 2019

**Note:** *This brochure provides information about the qualifications and business practices of Heber Fuger Wendin. If you have any questions about the contents of this brochure, please contact us at (248) 258-6866 or email us at [info@hfw1.com](mailto:info@hfw1.com).*

*The information in his brochure has not been formally approved by the SEC or any state securities authority. Additional information about Heber Fuger Wendin is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**Material changes since the last ADV filing:**

There are no material changes to report since the last brochure filing.

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**Note:** Part 2A, Appendix 1 is not relevant because Heber Fuger Wendin ("HFW") does not have any wrap fee programs.

**Item #4 Description of Heber Fuger Wendin, Inc.'s Advisory Business**

HFW has been contributing to the success of managed portfolios for corporations, financial institutions and individuals since 1934.

Our largest segment of business is managing investment portfolios for financial institutions. This is a highly regulated market this is primarily limited to investment grade bonds (both taxable and tax exempt) and other fixed income securities. In addition to this we also manage portfolios for individuals, local governments, foundations, hospitals and insurance companies. These portfolios range from all investment grade bonds and fixed income portfolios to balanced portfolios which include stocks (common, preferred and convertible preferred), exchange traded funds, convertible securities and various mutual funds including money market funds.

We do not participate in any wrap fee programs.

As reported in our ADV form Part 1, as of December 31, 2019, our non-discretionary assets under management were \$3,908.7 million, or 94.7% of total and discretionary assets were \$218.6 million, or 5.3% of total funds managed.

**Item #5 Fees and Compensation**

HFW offers fee-only investment advice. We are not brokers, do not own securities to sell or to trade for a commission, and therefore we believe we can be more objective in our recommendations to clients.

**5a. Base Fees.**

The base advisor fee for banks, credit unions and other institutions is negotiable and based on the managed funds of the institution, ranging from a minimum of \$550 per month and up. Fees are billed monthly in advance. The bank client contract has a thirty-day cancellation period after one year, so that any fees billed in advance will apply toward the 30 day notice if necessary. Most bank and other institutional clients have opted to be billed on a flexible fee based on the market value of their investment account managed by HFW. Institutional clients with flexible fee contracts have fees adjusted every six months based on their funds managed listed on the most recent call report.

For new wealth management clients (i.e., individuals, not institutions) our negotiable fee schedule is generally between 20 and 50 basis points, typically depending on the amount of assets under management.

Individual clients that do not need, or want, regular and ongoing investment advisory services may retain HFW on an hourly basis at the rate of \$250.00 per hour.

HFW's minimum annual fee for hourly and assets under management-style individual investment advisory clients is generally \$1,000.00.

Costs associated with trading securities, i.e., trading commissions, sales charges, etc. are charged directly to client account with no additional markup from HFW. HFW receives no hard or soft dollar reimbursements or benefits. Such fees are in addition to HFW's investment advisory fees.

### **5b. Other Fees.**

Aside from the base advisory fees, many institutional clients have opted to receive additional services, such as portfolio accounting, asset/liability consulting, strategic planning, independent asset-liability model and process reviews and mortgage servicing rights valuations.

The fees for the portfolio accounting service include monthly reports and are tiered as follows for clients who are also investment advisory clients:

First 50 Securities.....	\$150.00 per month
Plus \$1.50 per line for items 51 to 100	
\$1.25 per line for items 101 to 200	
\$1.00 per line for items for all additional items.	

The Schedule listed above will be applied on a cumulative basis for multiple portfolios plus an additional charge of \$50 per month for each additional portfolio.

Portfolio reports are available at other times during the month at a cost of 40% of the normal schedule. Pricing of securities will occur monthly. If pricing is required for the additional run, the normal fee schedule will apply.

Additional or custom reports, interfaces, and graphs may be available upon request. Set up fee and/or monthly fee will be quoted per request.

Fees for Asset/Liability consulting service vary and are negotiable.

Mortgage servicing rights valuation service fees are received from financial institutions that elect to use the service and are negotiable.

Fees for other services such as management consulting, independent asset-liability model and process reviews, strategic planning, risk assessment and other services are negotiable.

**General Information on Advisory Services and Fees**

All fees paid to HFW for investment advisory services are separate and distinct (i.e., in addition to) from the fees and expenses charged by mutual funds (described in each fund's prospectus) to their shareholders. These mutual fund fees will generally include a management fee and other fund expenses in addition to HFW's fees. Further, there are transaction charges involved with purchasing or selling of securities in addition to HFW's fees. HFW does not share in any portion of the brokerage fees or transaction charges imposed by the custodian holding the client funds or securities. The client should review all fees charged by mutual funds, HFW and others to fully understand the total amount of fees to be paid by the client.

If a client directs HFW to use a specific custodian as a broker-dealer, that client may incur transaction costs in addition to any commissions charged by the broker-dealer when trades in securities are affected. Broker custody of client assets may limit or eliminate HFW's ability to obtain best price and execution in transactions in securities.

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

HFW does not use or charge any performance-based fees.

**Item #7      Types of Clients**

Most HFW clients are small financial institutions such as community banks and credit unions, although we do have several other kinds of clients including individuals, trusts, hospitals, foundations and insurance companies. The minimum account size for individuals is generally recommended at \$250,000. For banks and other institutions there is no minimum asset amount.

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

All types of investments involve risk and the potential loss of the entire principal. Past performance is no guarantee of future gain or loss. We offer the best advice we can, given information available at the time of trade. In the case of non-discretionary accounts (accounts where the client has the final decision of whether to buy or sell a security), we do not have the final decision in a trade; the decision is the responsibility of the client.

**8b. Material Risks involved.**

Investment in stocks and investment grade income-producing securities has risk. We rely partially on ratings provided by Moody's, Standard & Poor's and/or Fitch rating services and other sources in the case of municipal bonds. Unexpected circumstances may arise (such as fraud, lack of timely disclosure and other issues) that can materially and adversely affect the market value and liquidity of the investment. These unexpected

circumstances can also affect other investments that we manage in a similar fashion, including mutual funds.

### **8c. Types of securities and their risks.**

Individual securities and types of securities also have risks similar to those described in 8b. Certain types of securities can also have systematic risk caused by changes in tax laws, security laws, government intervention and market making participation by the investment community at large.

## **Item #9      Disciplinary Information**

HFW has not been subject to any of the criminal or civil actions, administrative proceedings or self regulatory organization proceedings described in the Form ADV Part 2A instructions. In 2009 and 2010, Heber was served with three civil lawsuits by three former clients as a result of the failure of the money market preferred securities auction market during the financial crisis. They sought restitution via Heber for the securities' lack of liquidity (not loss of principle), which turned out to be temporary, as the result of the bankruptcy of Lehman Brothers. The suits were settled in 2010 and 2011.

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

HFW is not and does not intend to register as a broker-dealer, and does not have any other financial industry activities or affiliations.

## **Item #11      Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The HFW Code of Ethics states that all employees and access persons of HFW have a fiduciary duty to place the interest of clients ahead of their own and the Company when performing services for clients. The Code does not allow front-running of trades for any client. All Access Persons are prohibited from disclosing information relating to the investment intentions, activities or portfolios of clients except to persons whose responsibilities require knowledge of the information. A full copy of the HFW Code of Ethics is available to any client or prospective client upon request.

All employee personal securities transactions require reporting to HFW's chief compliance officer ("CCO") for his review on a quarterly basis. Potential conflicts of interest are resolved in favor of the client.

**Item #12      Brokerage Practices**

HFW annually reviews financial and disciplinary data of HFW-approved broker/dealers to determine their ability to fulfill commitments as evidenced by capital strength and operating results. The ability to fulfill commitments will be looked at in the context of the transactions being contemplated with that dealer, such as Delivery vs. Payment Trades, Repurchase Agreements, Future Commitments and Forward Contracts. All dealers will not be examined equally and some approved dealers may be limited with regard to the types of transactions HFW will enter into on behalf of clients. The data reviewed will be kept in the broker/dealer file.

The Dealer and Personnel covering HFW accounts are a package, and both must pass their own tests on their own merits. Both the Dealer and the Broker must be approved for the Dealer to be on HFW's approved list.

HFW uses comparison evaluation so that efficient execution of trading is attempted for the client each time and it is the broker's responsibility to make any commission inside the price of the offering or net of transparent commissions and fees.

HFW does not have any soft dollar arrangements with any brokers.

Brokers do provide client referrals but the broker is not compensated by HFW for the referral. Transactions or any other compensation is not given to brokers based on potential or actual referrals.

HFW conducts business with over 65 Broker / Dealers to ensure that each of our customers has access to an array of investment opportunities appropriate to their needs. The approved Broker/Dealer list is reviewed and revised as needed at least annually.

Clients may direct brokerage services, but in those cases, HFW may not obtain the most favorable execution of trades when multiple brokers are not consulted for fee comparison.

When it is efficient to do so, HFW may aggregate trades on behalf of clients in an attempt to more efficiently execute trades. This will only be done when the transactions are consistent with the clients' needs and it benefits or is neutral to the client.

**Item #13      Review of Accounts**

Clients' accounts and financial plans are reviewed by the primary adviser assigned to the account on a time interval agreed to with the client.

**Item #14      Client Referrals and Other Compensation**

HFW does not provide any referral compensation to anyone who is not a client.

HFW receives wealth management client referrals from a Heber institutional client, whose members express interest in such services. Heber shares quarterly fees with the institutional client on an ongoing basis and the fee-sharing agreement is disclosed to the wealth management clients in their contracts.

**Item #15      Custody**

HFW does not take custody of any client accounts. HFW does remove fees from discretionary accounts on a quarterly basis with consent and at the direction of the client.

Clients are responsible to review reports received from their custodian and compare the statements with any activity reported by HFW to determine whether account transactions, including deductions to pay advisory fees, are accurate.

**Item #16      Investment Discretion**

HFW has discretion over certain accounts that are limited to securities transactions within the account.

**Item #17      Voting Client Securities**

HFW's proxy voting policy and procedures are designed to ensure that proxies are voted in the best interest of our clients, in accordance with our fiduciary duties and SEC rule 206(4) under the Investment Advisers Act of 1940. Our authority to vote the proxies of our clients is established by our advisory contracts or comparable documents. For those clients who have retained proxy voting responsibility, HFW has no authority and will not vote any proxies for those client portfolios.

Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

In any case where HFW determines that a proxy vote involves a conflict of interest, and the proxy vote relates to the election of a director in an uncontested election or ratification of selection of independent accountants or if the proxy vote involves any other matters, the HFW investment advisor representative refers the vote to the account/client for direction on the voting of the proxy or consent to vote in accordance with the investment advisor representative's recommendation. In all cases where such a vote is referred to the account/client, HFW shall disclose the conflict of interest to the account/client.

The full HFW proxy voting policy is available to clients upon request.

**Item #18      Financial Information**

HFW does not solicit payment of advisory fees more than 30 days in advance. No financial condition exists that is likely to impair HFW's ability to meet contractual commitments to clients.