

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of Heritage Wealth Management, LLC ("HWM" "we," or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (602) 775-5400 or [dmaxey@heritagefo.com](mailto:dmaxey@heritagefo.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. "Registered" means HWM has filed the necessary documentation to maintain registration as an investment advisor with the SEC. Additional information about HWM also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 287909.

## Item 2 – Material Changes

HWM is required to disclose all material changes to its brochure since its last update. Since our last amendment filing on 03/20/19, we have the following material changes to disclose:

There have been no material changes since our last filing.

This is our amendment update which we have filed on the SEC's Investment Advisors Public Discourse Website (IAPD). [www/advisor.info.sec.gov](http://www/advisor.info.sec.gov). We may, at any time, update this Brochure, which you can download from the above SEC Website. You may contact David Maxey at (602) 775-5400, regarding any questions you have about the Brochure or its contents.

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## Item 4 – Advisory Business

### Description of Firm

HWM is an SEC registered investment adviser based in Phoenix, Arizona. It is organized as a limited liability company since May 2011 under the laws of the state of Arizona. HWM is owned by Michael Frost, Ralph Nelson and David Maxey. David Maxey is the Chief Compliance Officer (CCO). HWM is a member of a family of companies that are separately owned by a common group of individuals. Ownership percentages for each individual vary by entity. The other affiliated, legal entities include the following:

- Heritage Family Offices, LLP
- HFO Certified Public Accountants, LLP
- Heritage Insurance Advisors, LLC
- Frost and Associates, LLC
- HFO Law, LLP
- HFO Payroll, LLC
- HFO Management, Inc.

### Description of Advisory Services

The advisory services offered by HWM and its investment advisor representatives (“advisors”) are as follows:

- Asset Management Services
- Financial Planning Services

#### *Asset Management Services*

HWM offers asset management services, which involves HWM providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

Your account is managed by HWM based on your financial situation, investment objectives and risk tolerance. We actively monitor your account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the account.

Asset Management Services include the following:

- Portfolio Management by HWM
- Portfolio Management by Sub-Advisors

#### *Portfolio Management by HWM*

A client’s investment account may be allocated partially or completely to any one or more of the following channels for portfolio management:

- ETF Model Portfolios for active discretionary management (“Models”)

- Alternative Investments

#### *ETF Models*

HWM may permit a Manager to oversee and direct a series of ETF Model portfolios constructed and maintained on a client's custodial platform. Based on the Investment Objective created by the advisor and client, the Manager will execute the selection of the client's allocation to the Models. The Manager shall select and periodically review the underlying ETFs and Model allocations as permitted under the custodian's platform to ensure that the selected ETFs in the portfolios are consistent with the descriptions of the portfolio strategies.

HWM will assess whether the model selection is suitable for the client. On an ongoing basis, the advisor will monitor the client's allocation among the selected Models to ensure that rebalancing occurs and the Model is consistent with the client's stated investment objectives. HWM will engage in discretionary trading for the assets allocated to the Models. Also, HWM will initiate the steps necessary, including the receipt of investment funds, to open the client's account and to execute any changes to the allocation based on the client's financial circumstances.

#### *Alternative Investments*

HWM may recommend a portion of a client's funds be allocated to non-publicly traded securities depending on the client's risk tolerance, investible asset amounts, liquidity needs, time horizon, and investment sophistication. The advisor provides the due diligence in the selection, ongoing review, and account maintenance for these investments. No additional monthly advisory fee is charged by HWM for these positions. Both accredited and non-accredited clients may be permitted to invest in the Alternative Investments.

#### *Portfolio Management by Sub-Advisors*

HWM may provide recommendations to the client to utilize one or more specific Sub-Advisor to manage the account or a portion of the assets of the account. When a Sub-Advisor is selected, the Sub-Advisor will have discretionary authority on your account to place trades and make changes to the account or the portion of your account the Sub-Advisor is authorized to manage.

HWM will conduct due diligence of any recommended Sub-Advisor and monitor the performance of Sub-Advisor with respect to the Sub-Advisor's management of the designated assets of account relative to appropriate peers and/or benchmarks.

HWM will be available to answer questions client may have regarding any portion of client's account managed by a Sub-Advisor and will act as the communication conduit between client and the Sub-Advisor. The recommendation of Sub-Advisors, or other products and funds, will be done on a discretionary basis with the specific terms outlined in your Advisory Agreement. When a client authorizes HWM to have the ability to select Sub-Advisors or other products and funds on a discretionary basis, HWM will have the authority to select and terminate Sub-Advisors, products or funds without the client's specific approval.

A complete description of the Sub-Advisor's services, practices and fees will be disclosed in the Sub-Advisor's Form ADV Part 2A that will be provided to client.

## *Financial Planning Services*

HWM offers financial planning services, which involve preparing a written financial plan covering specific or multiple topics. We provide full written financial plans, which typically address the following topics: Investment Planning, Retirement Planning, Insurance Planning, Tax Planning, Education Planning, Portfolios Review, Asset Allocation, and Real Estate Planning. When providing financial planning services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. We also provide modular written financial plans which only cover those specific areas of concern mutually agreed upon by you and us. A modular written financial plan is limited or segmented and does not involve the creation of a full written financial plan. You should be aware that there are important issues that may not be taken into consideration when your investment adviser representative develops his or her analysis and recommendations under a modular written financial plan. Written financial plans prepared by us do not include specific recommendations of individual securities. Our financial planning services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning recommendations. To the extent that you would like to implement any of our investment recommendations through HWM or retain HWM to actively monitor and manage your investments, you must execute a separate written agreement with HWM for our asset management services.

HWM offers ongoing financial planning services which will include HWM providing one annual written financial plan update (after delivery of an initial written financial plan by HWM) in addition to periodic financial plan reviews. Periodic financial plan reviews will occur at least semi-annually and upon Client request, and may address the following topics: Investment Planning, Retirement Planning, Insurance Planning, Tax Planning, Education Planning, Portfolios Review, Asset Allocation and Real Estate Planning.

Results of the periodic financial plan review will be communicated to client via in person meeting, telephone consultation, or written report.

Client recognizes that Advisor's ongoing financial planning services are dependent upon Client timely providing Advisor with current information pertaining to Client's financial situation, investment objectives and risk tolerance. Client will timely notify Advisor of any changes to Client's financial situation or investment objectives. Upon beginning a periodic financial plan review, Advisor will contact Client to determine whether Client's financial situation, investment objectives or risk tolerance have changed, or if Client has any specific areas of concern relating to Client's financial plan.

Client understands that ongoing financial planning services provided under this Agreement do **not** include asset management services, implementation of Advisor's recommendations or any other similar services.

## ***Assets Under Advisement***

For accounts not held by a custodian such as fixed annuities, 401ks, and other similar products, the advisor may recommend allocations and/or provide consolidated reporting. If subject to the Investment Supervisory Services engagement and fee, these outside accounts must be specified in the client's management contract with HWM.

### ***Wrap Fee Programs***

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. HWM Does not participate in any WRAP fee Programs.

### ***Regulatory Assets Under Management***

As of December 31, 2019, HWM has the following assets under management:

Discretionary Amounts: \$206,322,549

Non-Discretionary Amounts: \$0

## **Item 5 - Fees and Compensation**

### **Fees for Asset Management Services by Heritage Wealth Management**

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a monthly basis and calculated based on the fair market value of your account as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. Any partial monthly fee will be prorated to cover the period from the date a client's account is opened and approved, through the end of the calendar month. Clients may terminate their accounts without penalty within 5 business days of signing the WMS contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

The asset management services continue in effect until terminated by either party (i.e., HWM or you) by providing written notice of termination to the other party. When fees are billed in arrears, HWM will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

Fees charged for our asset management services are negotiable based on the investment adviser representative providing the services, the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

The annual fee for asset management services is listed in the fee schedule below. The fee is applied to the entire account unless specific investments and positions are specifically excluded from management and the fee, in writing, by the client.

Clients pay the fees in accordance with the fee schedules outlined in the WMS contract unless otherwise agreed to in writing. Any agreement to a flat fee to be paid on the account's billable value may result in fees greater than or less than those that would be incurred in accordance with the fee schedule. Also, all investments held in accounts under the WMS contract with HWM are independently valued by the custodian or other third-party pricing service.

Additional fees will be paid by the client for any services provided by the affiliated law or accounting companies. Such fees will be subject to a separate engagement contract between the

client and the law and/or accounting entities. No fees will be incurred by the client prior to signing the separate engagement contract directly with such Professional.

There is a minimum account size of \$50,000.

Annual Fees	
Account Level	Annual Rate
0 - \$1,000,000	up to 1.75%
\$1,000,001 - 2,500,000	up to 1.50%
\$2,500,001 - \$5,000,000	up to 1.25%
\$5,000,001 - \$15,000,000	up to .90%
Above \$15,000,000	Negotiable

### **Fees for Asset Management Services by Sub-Advisors**

Investment advisory fees incurred by client will increase when a Sub-Advisor(s) is utilized. If a portion of the client's assets are managed by Sub-Advisor(s), Sub-Advisor(s) will charge a management fee in addition to and separate from HWM's advisory fees.

HWM believes that its annual fee is reasonable in relation to: 1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs.

In addition to our compensation, you may also incur charges imposed at the Fund level (e.g., advisory fees and other fund expenses).

You will authorize the qualified custodian of your account to deduct fees from your account and pay such fees directly to our firm. You should review your account statements received from your qualified custodian and verify that appropriate investment advisory fees are being deducted. Your qualified custodian will not verify the accuracy of the investment advisory fees deducted.

### **Fees for Financial Planning Services**

#### ***Hourly Fee***

HWM provides financial planning services under an hourly fee arrangement. An hourly fee of \$300 per hour is charged by HWM for financial planning services under this arrangement.

Before commencing financial planning services, HWM provides an estimate of the approximate hours needed to complete the requested financial planning services. If HWM anticipates exceeding the estimated amount of hours required, HWM will contact you to receive authorization to provide additional services. Any unpaid hourly fees are due immediately upon completion and delivery of the financial plan.

#### ***Fixed Fee***

HWM also provides financial planning services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for financial planning services under this arrangement. The minimum fixed fee is generally \$1000, and the maximum fixed fee is generally no more than \$50,000.



The amount of the fixed fee for your engagement is specified in your financial planning agreement with HWM. Upon completion and delivery of the financial plan, the fixed fee is considered earned by HWM and any unpaid amount is immediately due.

Fees for ongoing financial planning services are charged under an hourly fee or fixed Fee arrangement. Each client's specific financial planning fee will be disclosed in the Financial Planning Agreement.

Financial planning fees are negotiable. In addition, HWM may waive, reduce or credit the amount of the financial planning fee charged to a client when additional advisory fees are earned. The decision to waive or reduce an advisory fee is at the sole discretion of the investment advisor representative.

In offering these advisory services, a conflict exists between the interests of the investment advisor and the interests of the client. The client is under no obligation to act upon the investment advisor's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to affect the transaction through the investment advisor. This statement is required by California Code of Regulations, 10 CCR Section 260.235.2.

To the extent HWM provides you with general investment recommendations as part of the financial planning services and you implement such investment recommendations through a broker dealer or qualified custodian, the broker-dealer or qualified custodian executing certain transaction will charge commissions for implementing transactions.

The financial planning services terminate upon delivery of the written financial plan or upon either party providing the other party with written notice of termination. In the event that you terminate the financial planning services at any time prior to presentment of the written plan by providing notice to HWM, there will be no penalty or fees due.

For financial planning services performed by HWM under an hourly arrangement, you will pay HWM for any hourly fees incurred at the rates described above. For financial planning services performed by HWM under a fixed fee arrangement, you will pay an early termination fee for the hours worked by HWM multiplied by the hourly rate of \$300. If you are not satisfied with the financial plan prepared by HWM, we may waive our fee; however, in such a situation, HWM retains intellectual property rights over any written financial plan prepared by HWM, and the written financial plan must be returned to HWM.

### ***Other Fee Terms for Financial Planning Services***

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly by check or credit card. If you elect to pay by credit card, you will provide written authorization to HWM for such a charge.

You should notify HWM within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

All fees paid to HWM for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any life insurance subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance, you may also pay a commission and/or deferred sales charges in addition to the financial

planning fees paid to HWM and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance.

All fees paid to HWM for advisory services are separate and distinct from the fees and expenses charged by Exchange Traded Funds (ETF) to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee.

All fees paid to HWM for financial planning services are separate and distinct from the commissions charged by a custodian or asset management fees charged by an investment adviser to implement such recommendations.

If you elect to implement the recommendations of HWM through our other investment advisory programs, HWM may waive or reduce a portion of the investment advisory fees for such investment advisory program(s). Any reduction will be at the discretion of your investment adviser representative and disclosed to you prior to contracting for additional investment advisory services.

It should be noted that lower fees for comparable services may be available from other sources.

### Compensation to HWM for the Sale of Other Investment Products

Persons providing investment advice on behalf of HWM are licensed as insurance agents and will, from time to time, conduct insurance transactions for advisory clients. If these advisors sell insurance products to advisory clients, they will be compensated by commissions and this could present a conflict of interest. It is HWM's policy to recommend insurance products to advisory clients based solely on client's needs and objectives, and only when appropriate. All clients are under no obligation, contractually or otherwise, to purchase insurance products through HWM or any person affiliated with our firm.

HWM maintains relationships with different promoters of private placement offerings (Alternative Investments) that may be made available to clients. No additional annual fees beyond the Wealth Management Services fee are incurred or paid by the client, to HWM, for these investments.

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

HWM does not accept performance-based fees on a share of capital gains on or capital appreciation of a client's assets. Also, HWM does not participate in side-by-side management which refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

### Item 7 - Types of Clients

This brochure describes the investment management and advisory services we offer to our clients which include, but are not limited to, individuals, high net worth individuals, businesses organizations, trusts, estates, retirement plans, and charitable organizations.

For Wealth Management Services, HWM generally requires a minimum account level of \$50,000 for these types of clients, although we may waive the account minimum at our discretion. A Sub-Advisor may have higher minimum account thresholds to engage in their strategies.

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

The advisor and Manager may use one or more of the following methods of analysis or investment strategies when providing investment advice to clients:

### **Methods of Analysis**

*Charting analysis* - involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

*Fundamental Analysis* - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect or out of date and the analysis may not provide an accurate estimate of earnings or stock's value.

*Technical Analysis* - attempts to predict a future stock price or direction based on market trends to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

### **Investment Strategies**

*Long Term Purchases* - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

*Short Term Purchases* - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Short term trading and margin transactions generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

### **Risk of Loss**

HWM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it may utilize margin transactions, which generally hold greater risk of capital loss. Clients should be aware that there is a material risk of loss using any of those strategies. Investing in securities involves risk of loss that an Advisory should be prepared to bear. HWM does not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate a client from losses due to market corrections or declines. Past performance is in no way an indication of future performance.

## Item 9 - Disciplinary Information

HWM has no legal (civil or criminal) or disciplinary (administrative or self-regulatory) events relating to our firm's advisory services to report.

## Item 10 - Other Financial Industry Activities and Affiliations

### Insurance Agent

As stated above, HWM advisors are licensed to provide insurance products. If these advisors sell insurance products to our advisory clients, they will be compensated by commissions and this presents a conflict of interest. Clients are under no obligation to purchase insurance products through our advisors or any person affiliated with our firm.

### Sub-Advisors

As described in *Item 4 – Advisory Business* and *Item 5 – Fees and Compensation*, HWM Wealth Management has formed relationships with Sub-Advisors.

### Affiliated Entities

HWM's affiliated entities include:

- Heritage Family Offices, LLP - Parent Company
- HFO Certified Public Accountants, LLP – Accounting Firm
- Heritage Insurance Advisors, LLC – Insurance Agency
- Frost and Associates, LLC – Insurance Agency
- HFO Law, LLP – Law Firm
- HFO Payroll, LLC – Payroll and benefit services to Heritage Family Offices
- HFO Management, Inc. – Operating entity

Referrals are made between the affiliated entities under Heritage Family Offices, but no referral fees are paid.

## Item 11 - Code of Ethics, Interest in Client Transactions and Personal Trading

### Code of Ethics

HWM has a written Code of Ethics that covers, among other things, the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. This Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect each client's interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### Participation or Interest in Client Transactions

Neither HWM nor any of the advisors have any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### Personal Trading Practices

From time to time, advisors of HWM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of HWM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. In order to minimize this conflict of interest, securities recommended by advisor or Manager, with the exception of Alternative Investments, are widely held and publicly

traded. Pre-approval from HWM management is required prior to personal trading depending on the type of security involved. HWM will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **Item 12 - Brokerage Practices**

HWM does not maintain custody of client assets. Client assets will be held by a qualified custodian. We will likely recommend the brokerage and custodial services of TD Ameritrade, Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), Chicago Trust Company, and UMB Bank. We believe that these custodians provide quality execution services at competitive prices. We consider a range of factors, including but not limited to, asset custody and transaction execution services, the value of research provided, the firm's reputation, clearance and settlement capabilities, competitive pricing of comparable services, commission rates, responsiveness to clients, and service respond to advisors.

If a client selects another custodian or broker-dealer, HWM may be unable to achieve most favorable execution of transactions. This may be more expensive for clients as HWM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices.

### ***Research and Other Soft-Dollar Benefits***

An investment adviser receives soft dollar benefits from a broker-dealer or other third-party service provider when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with them.

HWM will receive research, products, or services from its custodian in connection with client securities transactions ("soft dollar benefits"). There is no minimum client number or dollar number that HWM must meet in order to receive free research from the custodian. There is no incentive for HWM to direct clients to a particular custodian over another custodian who offer the same services. The first consideration when recommending custodians to clients is best execution. HWM receives no client referrals from a custodian in exchange for using that custodian's services.

HWM utilizes the third-party management services of Juncture Wealth Strategies, LLC ("Juncture"). Previously, Juncture was an affiliated entity of HWM. While there is no affiliation currently between the two entities, outside of a third-party management arrangement, HWM continues to receive certain economic benefits from Juncture.

These benefits may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These benefits include: a dedicated trade desk that services the program participants exclusively, a dedicated service group and an account services manager dedicated to HWM's accounts, electronic download of trades, balances and position information, and availability of third-party research and technology.

The economic benefits received through our unaffiliated arrangement with Juncture are at no cost to HWM or the client and are not dependent upon the amount of transactions directed to or amount of assets managed through Juncture. These benefits also assist HWM in fulfilling our overall duty to our clients.

This arrangement creates a conflict of interest to the extent that we would have to pay for some or all of the research and/or services HWM receives from Juncture. HWM will always act in the client's best interest and the decision to use Juncture for third-party management services is always based on the goals and objectives of the client and not on any research or other products or incentives we receive from Juncture.

### Item 13 - Review of Accounts

Advisors typically meet with clients at least annually to review account performance and any changes to the client's financial situation or investment goals and objectives. Advisors may also perform account reviews more frequently when market conditions dictate. We also require the client to inform the advisor promptly of any changes to account information, including changes to the financial situation or investment objectives and policies. Client will receive confirmations of all transactions, monthly statements and/or quarterly account statements from the designated custodian, of the client's advisory assets. Advisors are available during normal business hours to answer questions or concerns.

Our financial planning services include a one-time or an ongoing financial plan. Our financial planning-only services do not include the implementation and management of the investments of your account(s).

### Item 14 - Client Referrals and Other Compensation

HWM does enter into arrangements with Solicitors to compensate them for referring clients directly to HWM. HWM has relationships with unaffiliated investment advisors ("IA") who are duly licensed to receive a portion of the advisory fees earned by HWM with respect to either 1) that IA's client portfolios that HWM manages as a fully-disclosed Sub-Advisor or 2) portfolios managed for clients of other advisors referred by such duly licensed IA.

When a client is referred to us by a referring party, the referring party provides the client with a copy of our Disclosure Brochure as required by the *Investment Advisers Act of 1940*. The client also will complete a Solicitor's Disclosure Statement document. If the referring party is an unaffiliated registered investment adviser firm, then the client will also receive a copy of the referring party's Form ADV Part 2 Disclosure Brochure. If a referred client enters into an investment advisory agreement with HWM, a referral fee is paid to the referring party. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided.

The referral agreements between HWM and the referring parties are in compliance with state and federal securities rules regarding paid solicitor arrangements.

### Item 15 - Custody

Clients authorize HWM to instruct the qualified custodian to deduct advisory fees directly from the advisory account. Funds and securities will be held at the qualified custodian, and not HWM. If a client has a question regarding the account statement or if the client did not receive a statement from the custodian, the client is direct to contact HWM.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4) -2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party



under a standing letter of instruction (“SLOA”) is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with the account custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client’s qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client’s qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client’s instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client’s qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

### Item 16 - Investment Discretion

Client authorizes HWM to provide discretionary investment advisory services in the WMS agreement. This authority allows the advisor and sub-advisor to determine the type of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining the client’s prior consent for each transaction.

### Item 17 - Voting Client Securities

HWM does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

With respect to any of your assets subject to Sub-Advisory relationships, we do not perform proxy-voting services on your behalf. You will need to refer to each Sub-Advisor’s disclosure brochure to determine whether the Sub-Advisor will vote proxies on your behalf. You may request a complete copy of Sub-Advisor’s proxy voting policies and procedures as well as information on how your proxies were voted by contacting HWM at the address or phone number indicated on Page 1 of this disclosure document.

### Item 18 - Financial Information

HWM does not require the prepayment of more than \$1,200 in fees and six or more months in advance. HWM does not have any financial condition likely to impair the ability to meet the

contractual commitments to the clients nor has HWM been the subject of a bankruptcy petition in the last ten years.

## Item 19 - Miscellaneous Information

### **Class Action Lawsuits**

HWM does not determine if securities held by in advisory portfolio are the subject of a class action lawsuit or if the client is eligible to participate in class action settlements or litigation nor does HWM initiate or participate in litigation to recover damages on the client's behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities.

### **Business Continuity Plan**

HWM maintains a business continuity plan designed to minimize the impact of disasters, emergencies, and other unforeseen circumstances involving our services and communications.