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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Hanover Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 864-235-6760. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hanover Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Hanover Advisors, Inc. is 119655.

Hanover Advisors, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

Since we last updated our brochure on April 22, 2020, there are no material changes. However, we have enhanced our general risk disclosures under Item 8 to address legal and regulatory risk, systems and technology risks, cybersecurity risks and pandemic risks. In addition, various clarifications have been made throughout this brochure.

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Item 4 Advisory Business

Description of Services and Fees

Hanover Advisors, Inc. is a registered investment adviser based in Greenville, SC. We are organized as a corporation under the laws of the State of Georgia. We have been providing investment advisory services since 1989. Stephen F. Molyneaux is the principal owner. Currently, we offer portfolio management services, financial planning and pension consulting services which are personalized to each individual client.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Hanover Advisors, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Portfolio Management Services

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will work with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to provide continuous and focused investment advice and to make investments on your behalf. As part of our portfolio management services, we will customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy developed by our firm. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney, or trading authorization forms.

In providing discretionary management services, we do not accept client restrictions on the specific securities or the types of securities that may be held in their account.

Financial Planning

We also have made arrangements with Philip Mittiga, Frank Johnson, and Larry Burnette who are licensed to provide health insurance and life insurance (collectively "Consulting Associates") in order to provide broader investment and financial planning services to our clients. In their role as consulting associates, they will not engage in advising clients as to securities matters. They will only deal with insurance matters.

Please refer to the "Other Financial Industry Activities and Affiliations" section in this brochure for more information on this arrangement and applicable conflicts of interest.

Pension Consulting

We offer various levels of advisory and consulting services to employee benefit plans ("Plans") and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors ("Plan Sponsors") in meeting their management and fiduciary obligations to the Participants under the Employee Retirement Income Securities Act ("ERISA") and the Pension Protection Act of 2006 ("PPA"). Generally, investment advice provided to Plan Sponsors and Participants is also regulated under ERISA and the PPA. We will provide services to Plan Sponsors and their Participants in the form of education services to Plan committees, Participant education services, developing an investment policy statement, providing investment recommendations and performance monitoring, selection of Qualified Default Investment Alternative ("QDIA"), and providing general information about the Plan to Plan Sponsors and Participants. Plan Sponsors must make the ultimate decision to retain us for pension consulting and other advisory services including, but not limited to, services at the Participant level. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the Plan. Our annual portfolio management fee is billed and payable quarterly in arrears based on the value of your account on the last day of the quarter.

Tax-Free Income Accounts

The primary objective is to provide tax-free income through the purchase of individual municipal bonds. The income may be in the form of periodic payments or, in the case of a zero-coupon municipal bond, the interest accrues and is paid at maturity.

This should be considered a long-term strategy with bond purchases made with the intention of holding the bonds until maturity. A bond may be sold before maturity date due to anticipated or actual changes in the bond's credit rating by any of the major credit rating agencies, actual or anticipated changes in interest rates, actual or anticipated changes in income tax rates, changes in a client's individual circumstances and any other circumstance in which Hanover Advisors may deem necessary.

If, in the opinion of Hanover Advisors, suitable municipal bonds are not available, then we reserve the right to make investments in financial instruments other than municipal bonds to generate tax-free income. In certain circumstances, we may utilize exchange-traded funds ("ETFs"), money market funds, closed-end mutual funds, unit investment trusts, open-end mutual funds, and any other financial instrument deemed suitable for providing tax-free income.

Annual fee of 0.25% will be charged on the Tax-Free Income Account. The prorated amount will be debited from the account at the end of each quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

We may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values will increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated below. We may also combine account values for fee purposes for other groups of clients.

Generally, our fees are not negotiable.

We will deduct our fee directly from your account at the qualified custodian holding your funds and securities although you may pay us directly if you direct us to invoice you. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

Types of Investments

We primarily offer advice on stock, bonds, ETFs, mutual funds, closed-end funds, and option securities. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Assets Under Management

As of December 31, 2020, we manage \$256,984,579 in client assets on a discretionary basis.

Item 5 Fees and Compensation

Our fee for portfolio management services is based on a percentage of your assets we manage. It is billed and payable quarterly in arrears and is calculated on the value of your account on the last day of the quarter. The fee is set forth in the following schedule:

Please refer to the “Advisory Business” section of this brochure for additional details on our fees and compensation.

Assets Under Management	Annual Fee
\$0 - \$250,000	1 - 1.7%
\$250,001 - \$1,000,000	0.833%
\$1,000,000 and above	0.5%

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and ETFs. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses.

However, the client may directly incur additional transaction charges and/or related brokerage or custodial fees when we are purchasing or selling securities on behalf of the client. These charges and fees are typically imposed by the broker-dealer or custodian through whom client account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian directly to the client. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, ETFs, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

We may trade client accounts on margin. Each client must sign a separate margin agreement with its custodian before margin is extended to that client account. Fees for advice and execution on these securities are based on the net total asset value of the account. The use of margin will result in the additional cost of interest charged by the custodian which is separate from, and in addition to, our fees, which will be assessed on the "net" value of the account, i.e., the account value minus the margin balance.

We offer financial planning as part of our portfolio management service to those clients who are paying a portfolio management fee of at least 1.5%. We do not offer financial planning services to those clients paying a fee lower than 1.5%.

Item 6 Performance-Based Fees and Side-By-Side Management

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management 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. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* and *Fees and Compensation* sections above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

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

Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- 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.

- Modern Portfolio Theory (MPT) is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.
- 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 Sales - a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- Covered Call Options - selling a call option in order to generate additional income from a portfolio.
- Long Put Options - buying a put option in order to hedge potential losses in the value of an asset.
- Option Transactions - an option is a financial instrument that establishes a contract between two parties concerning the buying or selling of an asset at a reference price during a specified time frame. During this time frame, the buyer of the option gains the right, but not the obligation, to engage in some specific transaction on the asset, while the seller incurs the obligation to fulfill the transaction if so requested by the buyer. The price of an option derives from the value of an underlying asset (commonly a stock, a bond, a currency or a futures contract) plus a premium based on the time remaining until the expiration of the option. Other types of options exist, and options can in principle be created for any type of valuable asset. In return for granting the option, called *writing* the option, the originator of the option collects a payment, the *premium*, from the buyer. The writer of an option must make good on delivering (or receiving) the underlying asset or its cash equivalent, if the option is exercised.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Some of the risks inherent in using our methods of analysis and investment strategies are as follows:

Fundamental Analysis: The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Short Sales: Short selling (also known as shorting or going short) is the practice of selling assets, usually

securities, that have been borrowed from a third-party (usually a broker) with the intention of buying identical assets back at a later date to return to the lender. It is a form of reverse trading. Mathematically, it is equivalent to buying a "negative" amount of the assets. The short seller hopes to profit from a decline in the price of the assets between the sale and the repurchase, as the seller will pay less to buy the assets than the seller received on selling them. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets. "Shorting" and "going short" also refer to entering into any derivative or other contract under which the investor profits from a fall in the value of an asset.

Margin: Buying on margin means borrowing money from a broker to purchase stock. Margin trading allows you to buy more stock than you would be able to normally. An initial investment of at least \$2,000 is required for a margin account, though some brokerages require more. This deposit is known as the minimum margin. Once the account is opened and operational, you can borrow up to 50% of the purchase price of a stock. This portion of the purchase price that you deposit is known as the initial margin. Some brokerages require you to deposit more than 50% of the purchase price. Not all stocks qualify to be bought on margin. When you sell the stock in a margin account, the proceeds go to your broker against the repayment of the loan until it is fully paid. There is also a restriction called the maintenance margin, which is the minimum account balance you must maintain before your broker will force you to deposit more funds or sell stock to pay down your loan. When this happens, it is known as a margin call. If for any reason you do not meet a margin call, the brokerage has the right to sell your securities to increase your account equity until you are above the maintenance margin. Additionally, your broker may not be required to consult you before selling. Under most margin agreements, a firm can sell your securities without waiting for you to meet the margin call and you cannot control which stock is sold to cover the margin call. You also have to pay the interest on your loan. The interest charges are applied to your account unless you decide to make payments. Over time, your debt level increases as interest charges accrue against you. As debt increases, the interest charges increase, and so on. Therefore, buying on margin is mainly used for short-term investments. The longer you hold an investment, the greater the return that is needed to break even. In volatile markets, prices can fall very quickly. You can lose more money than you have invested.

Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do 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 clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this brochure, we primarily recommend the following types of securities: stocks, bonds, ETFs, mutual funds, closed-end funds, and option securities. You should be advised of the following risks when investing in these types of securities:

Mutual funds and ETFs are professionally managed collective investment systems that pool money from

many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into or sell out of the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests. We generally use "no load" mutual funds in investing for our clients.

Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts: A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires. Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forego the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk unlimited losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock. This is an example of how the leverage in options can work against the

option trader.

- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.

General Risks

Legal and Regulatory Matters Risks: Legal developments which may adversely impact investing and investment-related activities can occur at any time. “Legal Developments” means changes and other developments concerning foreign, as well as US federal, state and local laws and regulations, including adoption of new laws and regulations, amendment or repeal of existing laws and regulations, and changes in enforcement or interpretation of existing laws and regulations by governmental regulatory authorities and self-regulatory organizations (such as the SEC, the US Commodity Futures Trading Commission, the Internal Revenue Service, the US Federal Reserve and the Financial Industry Regulatory Authority). Our management of accounts may be adversely affected by the legal and/or regulatory consequences of transactions effected for the accounts. Accounts may also be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by governmental regulatory authorities or self-regulatory organizations.

System Failures and Reliance on Technology Risks: Our investment strategies, operations, research, communications, risk management, and back-office systems rely on technology, including hardware, software, telecommunications, internet-based platforms, and other electronic systems. Additionally, parts of the technology used are provided by third parties and are, therefore, beyond our direct control. We seek to ensure adequate backups of hardware, software, telecommunications, internet-based platforms, and other electronic systems, when possible, but there is no guarantee that our efforts will be successful. In addition, natural disasters, power interruptions and other events may cause system failures, which will require the use of backup systems (both on- and off-site). Backup systems may not operate as well as the systems that they back-up and may fail to properly operate, especially when used for an extended period. To reduce the impact a system failure may have, we continually evaluate our backup and disaster recovery systems and perform periodic checks on the backup systems’ conditions and operations. Despite our monitoring, hardware, telecommunications, or other electronic systems malfunctions may be unavoidable, and result in consequences such as the inability to trade for or monitor client accounts and portfolios. If such circumstances arise, the Investment Committee will consider appropriate measures for clients.

Cybersecurity Risk: A portfolio is susceptible to operational and information security risks due to the increased use of the internet. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks, or devices through “hacking” or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity failures or breaches by third-party service

providers may cause disruptions and impact the service providers' and our business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs, and/or additional compliance costs. While we have established business continuity plans and risk management systems designed prevent or reduce the impact of such cyberattacks, there are inherent limitations in such plans and systems due in part to the everchanging nature of technology and cyberattack tactics.

Pandemic Risks: The recent outbreak of the novel coronavirus rapidly became a pandemic and has resulted in disruptions to the economies of many nations, individual companies, and the markets in general, the impact of which cannot necessarily be foreseen at the present time. This has created closed borders, quarantines, supply chain disruptions and general anxiety, negatively impacting global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health response or due to other factors. Health crises caused by the recent coronavirus outbreak or future infectious diseases may exacerbate other pre-existing political, social, and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. This pandemic and other epidemics and pandemics that may arise in the future could result in continued volatility in the financial markets and could have a negative impact on investment performance.

Item 9 Disciplinary Information

Hanover Advisors, Inc. has been registered and providing investment advisory services since 1988. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

As disclosed in Item 4 above, we have entered into arrangements for insurance consulting and financial planning related insurance services with Philip Mittiga, Frank Johnson who is licensed to provide health insurance and life insurance, and Larry Burnette who is licensed to provide health insurance and life insurance (collectively "Consulting Associates"). In exchange for the compensation we provide to the Consulting Associates for their services, they assist us in providing broader insurance planning services to our clients.

The Consulting Associates may also receive separate and direct compensation through their services on our behalf in the form of insurance commissions or similar remuneration resulting from our clients entering into separate transactions with one or all of the Consulting Associates in their capacities as insurance agents. We do not share in this compensation.

This can be considered a conflict of interest with our clients in that the Consulting Associates may have a financial incentive to recommend certain investment products based on the compensation received rather than on the needs of our client.

Our clients have the option of obtaining these consulting and financial planning services from sources other than those described above.

The Consulting Associates also receive a separate referral fee for referring prospective clients to us. This referral fee is in addition to the consulting and financial planning services they provide us on behalf of our clients. Please see Item 14 *Client Referrals and Other Compensation* below for more information on this arrangement.

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

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons which includes the Consulting Associates described in the *Other Financial Activities and Affiliations* section above. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

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 our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the *Brokerage Practices* section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither we nor our Associated Persons shall have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We recommend the brokerage and custodial services of Pershing, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that Pershing provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Pershing, including the value of the research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. As a result of the value of research services and additional brokerage products and services Pershing provides, higher commissions and/or trading costs than those that may be available elsewhere may be

charged by Pershing.

Brokerage for Client Referrals

We receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research as described above in Item 10 *Other Financial Activities and Affiliations* and as described below in Item 14 *Client Referrals and Other Compensation*.

Directed Brokerage

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

Item 13 Review of Accounts

Stephen F. Molyneaux, President and Chief Compliance Officer, of Hanover Advisors, Inc., will monitor your accounts on a daily basis and will conduct account reviews at least monthly to ensure the advisory services provided and the portfolio mix are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to, contributions and withdrawals, year-end tax planning, market moving events, security specific events, and/or, changes in your risk/return objectives. We will provide you with additional or regular written reports in conjunction with account reviews. The quarterly review provides performance analysis, asset allocation, portfolio valuation and individual security performance. The quarterly review is prepared on our behalf by an independent third-party. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Item 14 Client Referrals and Other Compensation

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Pershing.

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

The Consulting Associates described in the *Other Financial Activities and Affiliations* section above receive a separate referral fee for referring prospective clients to us. This referral fee is in addition to the fee for consulting and financial planning services they provide us on behalf of our clients.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

Item 15 Custody

Your independent custodian will directly debit your account(s) for the payment of our advisory fees and remit those fees to us directly. This ability to deduct our advisory fees from your accounts deems our firm to have custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. You should compare our quarterly review reports with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding the account statement you receive from us, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure and contact your custodian directly also.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a limited power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

Item 17 Voting Client Securities

Proxy Voting

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation, nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

In addition, we have not been the subject of a bankruptcy petition at any time during the past ten years.

Privacy Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.