

Item 1. Cover Page

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Wrap Fee Program Brochure (Part 2A Appendix 1 of Form ADV)

HTK Advisory Series Programs:

1. HTK Professional Asset Management Program (PAM)
2. HTK Discretionary Managed Account (DMA)
3. HTK Fund Select Account (FSA)
4. HTK Unified Managed Account (UMA)
5. HTK Fee Based Annuity Program (FBA)
6. HTK Asset Management Program ("HTK AMP")

This wrap fee program brochure provides information about the qualifications and business practices of Hornor, Townsend & Kent, LLC ("HTK"). If you have any questions about the contents of this brochure, please contact us at (800) 873-7637 or at clientinquiries.htkria@htk.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

HTK is a registered investment adviser. Registration with the United States Securities and Exchange Commission (SEC) or any state securities authority does not imply a certain level of skill or training. Additional information about HTK also is available on the SEC's website at www.adviserinfo.sec.gov.

March 31, 2021

Item 2. Material Changes

Under the SEC's rules we are required to update this Brochure whenever there is a material change to our policies, practices, or conflicts of interest or other information presented. Since our last Form ADV was filed (May 2020), there have been no material changes to this brochure.

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Item 4. Services, Fees and Compensation

Introduction

Hornor, Townsend & Kent, LLC ("HTK") is registered with the U.S. Securities & Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940 and as a broker-dealer under the Securities Exchange Act of 1934. HTK is also a registered broker-dealer with the Financial Industry Regulatory Authority, Inc. ("FINRA") and a member of the Securities Investors Protection Corporation ("SIPC"). HTK has been registered with the SEC and providing investment advisory services to Clients since February 25, 1999. As of 12/31/2020, HTK managed \$2,785,101,926 of Client assets: \$2,380,451,499 was managed on a non-discretionary basis and \$404,650,427 was managed on a discretionary basis. HTK is a wholly-owned subsidiary of the Penn Mutual Life Insurance Company ("Penn Mutual") and serves as a distributor for variable insurance products issued by Penn Mutual and the Penn Insurance and Annuity Company.

As a registered investment adviser, HTK provides advisory services to Clients by and through our investment adviser representatives ("IARs"). For more information about the IAR providing advisory services, the Client should refer to the Brochure Supplement for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this Brochure before or at the time the Client engages the IAR. If the Client did not receive a Brochure Supplement for the IAR, the Client should contact the IAR or HTK at clientinquiries.htkria@htk.com.

This brochure provides Clients and prospective Clients with information about the HTK wrap fee programs. IARs and/or the Client may select the program or programs that they believe are best suited to meet each Client's individual needs and circumstances. Clients are advised and should understand that there is no guarantee, either stated or implied, that the Client's investment goals or objectives will actually be achieved.

Types of Advisory Services

HTK provides a wide range of advisory services and programs, including wrap fee programs, mutual fund asset allocation programs, advisory programs offered by third party investment advisor firms, financial planning services, and other advisory services. The Client should contact the IAR for a copy of the program brochure that describes such program or go to www.adviserinfo.sec.gov. This brochure provides information about the HTK Asset Management Program and the HTK Advisory Series Programs, which are offered on a discretionary or non-discretionary basis, based on the Program.

HTK Asset Management Program ("AMP")– Non-Discretionary/Discretionary

Through the HTK AMP, IARs recommend an asset allocation strategy and select securities that they believe are best suited to meet each Client's individual needs and circumstances. IARs do not have investment discretion over Client accounts. Clients are advised and should understand that there is no guarantee, either stated or implied, that the Client's investment goals or objectives will be actually be achieved. In limited situations, Clients participating in the HTK AMP Program may grant an IAR discretionary authority over mutual fund investments.

The HTK Advisory Series Programs – Non-Discretionary/Discretionary

Through the HTK Advisory Series programs, IARs select those programs that they believe are best suited to meet each Client's individual needs and circumstances. Clients are advised and should understand that there is no guarantee, either stated or implied, that the Client's investment goals or objectives will actually be achieved.

For the HTK Advisory Series programs, HTK entered into an agreement with Envestnet Portfolio Solutions, Inc. ("Envestnet" and/or "Program Provider"), a provider of wealth management software and services to financial advisors. Via this agreement, Envestnet provides technology, operational and administrative support services to HTK in connection with the Advisory Series program accounts. Envestnet assist HTK with a variety of account processing and maintenance duties, including Client account initiation and set up, Client account trading and processing, custodial reconciliation, and the computation and preparation of Client reports. HTK and Envestnet are not affiliated companies.

The HTK Advisory Series programs begin with the completion of an Investor Profile Questionnaire during an initial consultation with the Client's IAR to determine the Client's financial situation. This consultation includes a review of the Client's investment experience, risk tolerance, time horizon, investment goals, and special interests or concerns. Using this risk profile assessment, the Client's IAR will make an initial determination of the appropriateness of selecting the HTK AMP or one of the HTK Advisory Series Programs.

An Investment Strategy Report ("ISR") is prepared, which recommends a portfolio asset allocation and investment holdings consistent with the Client's risk profile assessment. Using the ISR as a guide, your portfolio is designed by selecting appropriate investments to complete the portfolio model. The securities recommended and/or purchased vary, depending on the selected Program. The advisory services that are offered to Clients, will vary by account and include the following:

- Reviewing the Client's investment objectives and goals as outlined by the Client;
- Recommending asset allocation strategies to help meet the financial goals of the Client;
- Preparing a personalized Investment Strategy Report (ISR) which details an asset allocation strategy;
- Recommending or purchasing investment vehicles to help meet a Client's goals and objectives;
- Providing execution of securities transactions in equities, bonds, mutual funds, unit investment trusts, certificates of deposit and other investment vehicles through Pershing, LLC, HTK's clearing firm;
- Reporting progress toward the Client's investment goals;
- Recommending periodic rebalancing and/or changes to Client accounts; and
- Providing confirmations and account statements of all activity executed in HTK.

Clients have access to a wide range of securities products, including, but not limited to, equities; municipal, corporate and government fixed income securities; mutual funds, exchanged traded funds ("ETFs"); Real Estate Investment Trusts ("REITs"); options; and unit investment trusts ("UITs.") They also have access to other investment products and services, including asset allocation services. In general, the IAR is responsible for delivering advisory services and Clients generally handle matters relating to their accounts by contacting an IAR directly.

The investment recommendations and advice offered by HTK and IARs are not legal or accounting advice. The Client should coordinate and discuss the impact of financial advice with his/her/its legal counsel or tax advisor. Neither HTK nor its representatives (unless independent of their relationship with HTK) are qualified and appropriately licensed to offer legal or tax advice.

The IAR plays a crucial role in assisting Clients in matching their individual financial objectives, risk tolerance and investment time horizons to the proper investment advisory services. The services provided by HTK and its IAR depend largely on the information provided by the Client. In order for HTK and the IAR to provide appropriate recommendations to the Client, it is important that the Client provide accurate and complete responses to the questions asked by the IAR. In addition, Clients must inform the IAR and HTK of any changes in the Client's investment objectives, personal circumstances, and any other information, if any, that affects the Client's overall investment goals.

Clients have the opportunity to impose reasonable restrictions on the securities purchased or the way their account is managed. Any restrictions can adversely affect the risk-reward level of a portfolio. HTK will honor the restrictions absent extraordinary circumstances.

When opening an advisory account with the deposit of securities or the depositing of additional securities into an existing account Clients should consider the fees or charges the Client has already paid in connection with these securities, such as commissions or front-end sales loads on mutual fund shares. Clients could potentially pay additional charges when depositing securities purchased on a commission basis into an advisory account.

Program Descriptions

HTK AMP– Discretionary/Non-Discretionary

The HTK AMP program is an asset management program utilizing stocks, bonds, mutual funds without a sales charge (“no load” or a “load waived”) ETFs, options and UITs through Pershing.

The IAR collects certain financial information from the Client, including the Client’s experience with investing, financial information, and risk tolerance. This information is used to create a personalized investment strategy and risk profile that seeks to meet the Client’s personal goals and objectives. A consultative approach is used in the selection of securities that make up both the initial investments and any ongoing rebalancing and reallocations needed within the account. Based on the information gathered during the profiling process, the Client and IAR choose both the asset allocation strategy and select the securities to complete the portfolio allocation. The IAR assists the Client regarding all investment decisions for the HTK AMP Account and the Client agrees to furnish to HTK and the IAR any information that might change the recommendations.

HTK reviews the Client's objectives and evaluates the suitability of the asset allocation model and of the securities selected. Account rebalancing and/or reallocations are performed by the IAR and Client. Quarterly, the IAR reviews the account. HTK monitors for consistency: namely, that securities holdings are in line with the stated objectives of the Client and parameters established by HTK for AMP program accounts. If the portfolio allocation is out of variance, the IAR together with the Client will review to determine next steps and/or actions needed for the account.

HTK Advisory Series Programs

There are five Advisory Series Programs offered by HTK, varying by investment funding vehicle, account minimums and fee structures, which enable the IAR to provide assistance in selecting the investments and asset allocation for each Client, or in the case of the HTK Discretionary Account Program, to make security selections on a discretionary basis. HTK utilizes Envestnet to provide many of the services for these Programs.

In some of the Programs, Envestnet serves as a Program Provider and primarily provides operational and administrative services such as performance reports, asset allocation models, website services, Client proposals and fee calculation services. In other Programs, Envestnet Portfolio Solutions, Inc., a wholly owned subsidiary of Envestnet, Inc. and a Registered Investment Advisor (“Envestnet Portfolio Solutions” and/or “Portfolio Manager”), serves as the Portfolio Manager and provides discretionary advice on Client accounts.

HTK Professional Asset Management Program (“PAM”) – Non-Discretionary

The HTK PAM is a mutual fund and/or ETF asset allocation program that uses model portfolios. Third-party asset managers called “Strategists” offer risk-based model portfolios. Each Strategist is responsible for selecting the securities and their weighting in the model portfolio. Each model portfolio uses mutual funds and/or ETFs purchased on a “no load” or a “load waived” basis through Pershing, which serves as the Custodian of the Account. Envestnet Portfolio Solutions Inc. (“EPS”), a wholly owned subsidiary of Envestnet Inc. and a registered investment adviser performs overlay management of the model portfolios by investing and rebalancing Client account(s) using a particular model portfolio pursuant to the direction of the Strategist. EPS also acts as a Strategist in PAM and will be responsible for selecting the securities and their weighting on a discretionary basis. Clients can select more than one model portfolio to be managed in a single account. Clients can customize their account by selecting more than one model portfolio offered by one or more Strategists or portfolio managers.

Certain Strategists pursue an investment strategy that uses underlying mutual funds or ETFs advised by the Strategist or its affiliate(s) (“Proprietary Funds”). In these situations, the Strategist or its affiliate(s) will receive fees from the Proprietary Funds for serving as investment advisor or other service provider to the Proprietary Fund, as detailed in the Proprietary Fund’s prospectus. These fees will be in addition to the model provider fees that a Strategist receives in PAM and they create a financial incentive for the Strategist to use Proprietary Funds. Clients should discuss any questions with

or request further information from their IAR concerning the use of Proprietary Funds in model portfolios or the conflict of interest this creates.

HTK and the Client's IAR along with the Strategist will not have discretionary investment authority in the PAM Program Accounts. The minimum account size for this program generally starts at \$10,000. However, account minimums can vary based on the manager and/or model portfolio selected which ranges from \$10,000 to \$50,000.

HTK Fund Select Account Program ("FSA") – Non-Discretionary

The HTK FSA is an asset management program utilizing mutual funds purchased on a "no load" or a "load waived" basis through Pershing, which serves as the custodian for the account. The Client will fill out an Investor Profile Questionnaire and choose an asset allocation strategy for the account. HTK and the Client's IAR will not have discretionary investment authority in the Program Accounts, without express written authorization from the client under a separate agreement. The Client will have the ability to make all investment decisions for the account and agrees to furnish any information that might change the recommended asset allocation model to HTK and the IAR. The Client and IAR should discuss rebalancing of the account periodically in order to maintain Client's chosen asset allocation model. The minimum account size for this program is generally \$75,000.

HTK Unified Managed Account Program ("UMA") – Non-Discretionary

The HTK UMA is an asset management program utilizing stocks, bonds, mutual funds purchased on a "no load" or a "load waived" basis, exchange traded funds ("ETFs"), options and Unit Investment Trusts ("UITs") through Pershing, which serves as the custodian for the account. The Client will fill out an Investor Profile Questionnaire, choose an asset allocation strategy and select investments for the account. HTK and the IAR will not have discretionary investment authority in the Program Accounts, without express written authorization from the client under a separate agreement. The Client will have the ability to make all investment decisions for the account and agrees to furnish any information that might change the recommended asset allocation model to HTK and the IAR. The Client and IAR should discuss rebalancing of the account periodically in order to maintain Client's chosen asset allocation model. The minimum account size for this program is generally \$75,000.

HTK Fee Based Annuity Platform ("FBA") – Non-Discretionary:

FBA is an advisory program that offers Clients the ability to invest in annuities that are designed to be held in a fee based/advisory accounts. They typically carry lower fees than commission based annuities. Through the FBA program, the IAR will recommend an annuity that can offer income, protection tax -managed and other benefits. The IAR will also recommend an annuity with an investment allocation in the sub-accounts made available in the annuity contract based on your risk profile, goals and/or objectives. HTK and the IAR will not have discretionary authority and the Client will have the ability to make all investment decisions. The Client agrees to furnish any information that might change the recommended sub-account asset allocation model to HTK and the IAR. The Client and IAR should discuss the timing and frequency of rebalancing the sub-accounts, if applicable to maintain the asset allocation model. The minimum account size is generally \$10,000.

A variable annuity's ("VA") performance is based on its underlying sub-accounts. The client will select which sub-accounts to invest in. Any benefits or guarantees available under the VA contract are subject to the claims paying ability of the insurance company issuing the contract. You should consider the investment objectives, risks, charges and expenses of the VA and the underlying fund options carefully before investing. Please refer to the applicable VA illustration, if available, the VA prospectus, and prospectuses for the underlying fund. Read all materials carefully before making a purchase.

Client's should be aware that the underlying sub-accounts cannot be purchased directly. Variable annuities include separate layers of fees, including fees charged by or through the insurance company at the "contract level" as well as the fees associated with the underlying insurance products. Please refer to the prospectus for important information about

the product and for detailed information about your specific variable annuity. Any and all annuities offered through HTK FBA are fee-based. No commission-based annuities are included.

HTK Discretionary Managed Account Program (“DMA”) – Discretionary

The HTK DMA is an asset management program using mutual funds purchased on a “no load” or a “load waived” basis, exchange traded funds (“ETFs”), and individual equity securities and bonds (subject to certain conditions such as quality or quantity requirements). Based on answers to a client questionnaire, a risk level (or risk tolerance band) is recommended to the client. The risk tolerance bands correlate to levels of risk, as measured by volatility and standard deviation. DMA currently offers seven risk levels: Capital Preservation, Conservative, Conservative Growth, Moderate, Moderate Growth, Growth, and Aggressive Growth. Model asset allocations for the recommended risk level are provided to the Client’s IAR, based on historical risk and return characteristics. The IAR can use the model asset allocation or another allocation, so long as the other allocation falls within the Client’s risk tolerance band.

The Client will establish an account at Pershing, LLC, the account custodian for client assets in the Program. The IAR will manage the client’s account on a discretionary basis and will, without prior consultation with the client: (1) purchase, exchange, sell and trade securities in the account; and (2) periodically rebalance the account so that the allocation of the assets remains consistent, within certain parameters, with the selected risk level. The client can impose reasonable restrictions on the management of their account by notifying HTK in writing. DMA accounts are not permitted to use margin. Envestnet, an SEC registered investment adviser, provides HTK with the platform technology and support including template asset allocation models and underlying investment research on mutual funds and ETFs. IARs use Envestnet and other firms’ investment research and screening tools to make securities recommendations to clients. IARs will use an array of investment methodologies to provide advice to clients, and different clients whose accounts are in the same risk level can hold different securities in their accounts and have different performance from one another.

The Client’s performance will depend significantly on the experience of the IAR and his or her ability to determine an asset allocation and select securities. When appropriate, trades for this program will be aggregated (combined) when trading the same security across client accounts for the same IAR. This is to ensure clients of the same IAR receive the same price for a particular security and in fulfillment of HTK’s duty to seek the best execution for its clients. The minimum account size for this program is generally \$75,000.

Fees and Compensation

HTK charges an annual advisory fee that is agreed upon with each Client and set forth in an agreement executed by HTK and the Client.

HTK charges up to one hundred and seventy-five (175) basis points (*i.e.*, 1.75 percent). Fees are negotiated on a case-by-case basis, depending on a variety of factors, including the nature and complexity of the particular service, the Client’s relationship with HTK and the Client’s IAR, the size of the account, the potential for other business or clients, the amount of work anticipated and the attention needed to manage the Client’s account. The same or similar services to those described above are available elsewhere to the Client at a lower cost. The advisory fee is generally deducted from a client’s investment account held at the custodian. Clients must authorize changes to their advisory fee in writing.

The death, disability or incompetency of the Client will not terminate or change the terms of the Agreement. In such event, the Client’s executor, guardian, attorney-in-fact or other authorized representative can terminate this Agreement by giving written notice to HTK, which notice shall be effective upon HTK’s actual receipt of notice.

HTK AMP

For the AMP program, the advisory fee is generally payable quarterly in advance. The initial quarterly fee is based on the initial account balance and prorated for the number of days remaining in the quarter, if applicable. All ongoing quarterly

fees are based on the Account value as of the last day of the previous calendar quarter. Quarterly fees are adjusted for any withdrawals and/or deposits of \$5,000 or more that occurred within the account during the previous quarter.

The advisory fees the Client pays to HTK and IARs are for advice, management, and monitoring services provided in connection with HTK AMP accounts. Pershing, LLC (the clearing broker/dealer for HTK) also receives a portion of the Client fee for providing Client billing performance reporting services for HTK AMP accounts.

HTK charges a minimum advisory fee of \$35.00 per quarter. This minimum fee is assessed when the calculated quarterly advisory fee falls below this minimum fee. This fee is charged on each Client account or all accounts in the aggregate if accounts are linked. The Investment Advisory Agreement can be terminated by either party upon written notice to the other party. If a Program Account is to be liquidated as the result of a termination notice, a reasonable timeframe may be required in order to liquidate assets. Clients will receive a pro-rated refund of any quarterly advisory fees assessed, based upon the number of days remaining in the quarter after the termination date. Subject to the payment of any outstanding fees, proceeds will be payable to the Client within sixty (60) days of liquidation. Termination of the Agreement will not affect the liabilities or obligations of the parties arising from transactions initiated prior to termination.

HTK Advisory Series Programs

The advisory fee is generally payable in advance and is based on the average daily market value of the account as of the last day of previous calendar quarter. For the initial quarter, the advisory fee is payable in arrears one month after the account is opened, based on the value of the initial balance of the assets in the account.

For the PAM Program, HTK receives a portion of the fee Clients pay for advice and monitoring of PAM Accounts. The Program Provider and Portfolio Manager receive a portion of the advisory fee paid by the Client as compensation for providing asset allocation, investment style allocation, mutual fund selection, evaluation, and replacement, periodic rebalancing; and operational support. For the PAM Program, the portion of the advisory fee paid to the Portfolio Manager ranges from .12 percent to .22 percent of assets under management depending on the model, manager and account size.

For the FSA, DMA, UMA and FBA Programs, HTK receives a portion of the advisory fee paid by the Client as compensation for providing advisory services to these accounts. The Program Provider receives a portion of the client's advisory fee for providing various operational and administrative services, including performance reporting.

For the PAM, FSA, DMA, and UMA Programs, HTK charges a minimum advisory fee of \$250 per year, prorated for the number of days that fall within the quarter and/or billing period. This minimum fee is assessed when the calculated quarterly advisory fee falls below this minimum fee. This fee is charged on each Client account or all accounts in the aggregate if accounts are linked. This minimum fee may be reduced for certain models offered in the PAM program to accommodate smaller accounts. The Investment Advisory Agreement can be terminated by either party upon written notice to the other party. If a Program Account is to be liquidated as the result of a termination notice, a reasonable timeframe may be required in order to liquidate assets. Clients will receive a pro-rated refund of any quarterly advisory fees assessed, based upon the number of days remaining in the quarter after the termination date. Subject to the payment of any outstanding fees, proceeds will be payable to the Client within sixty (60) days of liquidation. Termination of the Agreement will not affect the liabilities or obligations of the parties arising from transactions initiated prior to termination.

Cost for Clients

Fees are charged as a single asset-based Program Fee, therefore a Clients pay more or less for advisory services, execution of transactions, custody and reporting than other advisory programs offered by HTK or other investment advisers, or if investment advisory, execution, custody and reporting services were purchased separately. The factors that bear upon the relative costs of any advisory program include, but are not limited to, the number of and timing of transactions, types of security purchased or sold, advisory fees, custody charges, administrative charges, research costs, and promotion material costs. These and other factors affect the cost of obtaining these services separately.

Other Fees and Expenses

The advisory fee paid by Clients includes all fees and charges for the services of HTK, the Program Provider, the Portfolio Manager, and the IAR. Clients should also understand that when opening an account with HTK there are additional fees and/or charges imposed by Pershing. These fees and charges include custodial, and clearing special fees for services rendered to managed accounts, fees assessed to IRA or retirement type accounts, and other miscellaneous charges incurred in the normal course of business.

Investments in Funds

Clients should be aware that when assets are invested in shares of mutual funds, ETFs, closed-end funds, UITs, or other pooled investment vehicles, the Client will pay both the direct management fees to HTK for its services in connection with these investments and, indirectly, the Client's pro-rata share of any internal management fees or expenses related to owning those investments. The Client has the ability to invest directly in these securities without incurring the fees charged by HTK. An explanation of the fees and expenses associated with these investments, along with other important information, is contained in the prospectus, disclosures and/or other information provided by the investment provider to Clients.

In addition, there can be tax consequences for fund share redemptions made by or on behalf of Clients, as well as deferred sales charges or redemption fees. Short-term redemption fees can be applied if a fund has been held for less than three (3) months.

Investments in Insurance Products

The advisory fees payable to HTK are separate from additional fees which are payable to the insurance carrier or pursuant to the terms governing the insurance products. HTK reserves the right to pass on to the Client all fees and other charges imposed by the carrier, the insurance products and/or any related transactions in connection with the Client's account. Please consult the prospectus, insurance contract, and any related fee schedules provided by the carrier for the respective insurance products for more information regarding their fees.

Compensation for Recommending the Wrap Fee Program

HTK and the IAR receive compensation as a result of recommending the Client's participation in the Advisory Services Program. The amount of this compensation is more or less than what the Client would pay if the Client participated in other HTK programs or paid separately for investment advice, brokerage, and other services. Therefore, there is a financial incentive for the IAR to recommend an Advisory Series Program over other programs or services offered by HTK.

Performance Based Fees and Side-by-Side Management

HTK does not charge performance-based fees.

Item 5. Account Requirements and Types of Clients

Generally, HTK provides advisory services to individuals, pension or profit sharing plans, trusts, estates, charitable organizations, corporations or other business entities. For PAM accounts, the minimum account size generally ranges from \$10,000 to \$50,000 depending on the manager and model selected. For HTK AMP, FSA, DMA, and UMA accounts, the minimum account size is generally \$75,000. For the HTK FBA accounts, the minimum account size is generally \$10,000. These minimum requirements are waived for certain accounts. Clients retain all indicia of ownership of the cash and securities in the account. HTK reserves the right to terminate the Client agreement at any time portfolio assets are less than \$10,000.

Item 6. Portfolio Manager Selection and Evaluation

Portfolio Manager Selection

For the PAM program, Clients should refer to the Portfolio Manager's and/or Strategist's Disclosure Brochure to obtain more detailed information regarding the criteria used for selecting investments. For the PAM program, HTK uses a multi-step approach designed to identify and monitor the third party strategists that are made available on the PAM program. IAR's will assist clients in the selection of one or more strategists models based on what the IAR believes is consistent with the clients risk tolerance and investment objectives. Through HTK's relationship with Envestnet, HTK relies primarily on Envestnet (EPS) to identify prospective third party strategists and to perform due diligence on such strategists that may be selected in the PAM Program. Strategists are typically evaluated based on data and information from various third-party sources, such as independent databases, and from the particular strategist. Among the information collected and analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. To the extent Envestnet has not performed the research and due diligence on a manager, HTK will review the third party through HTK's internal due diligence process. Managers are typically evaluated based on data and information from various third-party sources, such as independent databases, and from the particular manager. Among other things, our process entails examining items such as the disclosure Brochure on Form ADV, Part 2A of the manager, any applicable offering document, performance reports and other information as deemed necessary to help determine the third party's investment strategy.

For the AMP, FSA, UMA and FBA programs, the Client appoints the IAR to act as the non-discretionary portfolio manager for the Client's account. The IAR will consult with and obtain the Client's approval prior to the purchase or sale of any security in the account. For the DMA program, the IAR will select securities on a discretionary basis that are consistent with the account's risk level and with any reasonable restrictions the client has placed on the account. HTK limits the DMA program to IARs that meet certain eligibility requirements that are typically based on the IAR's qualifications and/or years of experience.

Securities recommendations made to Clients are based upon the investment objectives and needs of the Client and executed in a non-discretionary capacity for Clients participating in the AMP, FSA, UMA, and FBA programs. As already noted, the DMA program allows purchases by the IAR on a discretionary basis. For the FSA program, the securities recommended and held are limited to mutual funds and these are the only securities allowed for this program. For the AMP, UMA and DMA programs, the securities available for investing are broader and include equity securities, fixed income securities, UITs, open-end and closed-end mutual funds, and ETFs.

HTK reviews the services performed by the IAR. HTK monitors for consistency: Namely, that services provided by the IAR with program parameters and the policies and procedures of HTK. If the IAR appointed by the Client ceases to be available in the Program, HTK will notify the Client in writing and, if approved by the Client, appoint another IAR to service the Account in accordance with the profile and other information used to manage the account. The Client will also be provided the opportunity to choose a different IAR or to terminate the Program, if the Client so chooses.

Investment Strategies

IARs use various methods to determine an appropriate investment strategy for the Client's portfolio. During the initial and subsequent meetings with the Client, the IAR will discuss the methods used to develop the investment strategy. The strategies could include the following:

- **Technical Analysis:** This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on factors such as trading volume, demand, and security price fluctuations. This type of analysis is also commonly referred to as chart analysis.
- **Fundamental Analysis:** This type of analysis concentrates on earnings, a company's financial statements, and the quality of a company's management. These quantitative factors are then used to attempt to determine the financial strength of a company.

- **Asset Allocation:** Asset allocation investment strategies attempt to optimize the risk and reward of your portfolio by investing among several asset classes.
- **Diversification:** Diversification is a risk management strategy that uses a wide variety of investments within a portfolio. A diversified portfolio contains a mix of distinct asset types and investment vehicles with the intention to minimize exposure to any single asset or risk. Diversification does not guarantee a better return than a non-diversified portfolio.
- **Concentrated Investment Strategies:** Certain investment strategies may be concentrated in a specific sector or industry. If you invest in a portfolio or strategy that is made up of a concentrated position, sector or industry, your portfolio will be more likely to sharply increase or decrease in value with changes in the markets. Concentrated strategies are more volatile because the risk associated with each company represents a large percentage of your overall portfolio value.

These methods serve as a basis for the investment advice given to Clients (or for securities purchased in DMA) which includes, but not limited to, long term purchases (securities held at least a year); short term purchases (securities sold within a year); and option writing (primarily, including covered options strategies).

For the most part, this analysis is provided via tools provided by HTK and/or the program provider. In addition, the services of other unaffiliated parties can be used to perform investment research, which include screening and evaluation of investment firms, mutual funds, index funds, exchange-traded funds and other managed or unmanaged investment vehicles.

HTK and IARs also use third-party research to assist in the development of asset allocation models, investment research, security opinions, valuations, analysis and investment manager/management due diligence. HTK IARs are permitted to develop asset allocation models or use others from outside independent sources. HTK IARs develop their own methods of security and portfolio analysis, sources of information, and investment strategies to assist in the delivery of investment advice to Clients. As such, recommendations and advice provided differ among Clients and IARs.

Risk of Loss

Investing in the securities market involves investment risk including the possible loss of the principal amount invested. Neither HTK nor IARs represent, guarantee or imply that services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate the Clients from losses.

Investing in equity securities generally involves becoming an owner in the issuer company and participating fully in its economic risks. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, clients can suffer losses if they invest in equity instruments of issuers.

An issuer of bonds has agreed to return the face value of the security to the holder at maturity. Most bonds pay investors a fixed rate of interest income. While bonds are generally considered more conservative than equity investments, they carry risks that include the risk that the issuer will default on payment of principal, fluctuation in interest rates, inflation and counterparties' inability to meet contractual obligations.

Mutual funds and ETFs generally own securities and therefore involve the risk of loss that is inherent in investing in securities of individual companies. The extent of the risk of ownership of fund shares generally depends on the type and number of securities held by the fund. Mutual funds are subject to the individual risks described in their prospectuses. For example, mutual funds in fixed income securities are subject to the same interest rate, inflation, and credit risks associated with the fund's underlying bond holdings. Risks also are significantly increased if a mutual fund pursues an alternative investment strategy. An investment in an alternative mutual fund involves special risks such as risk associated with short sales, leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. Investing in alternative strategies presents the opportunity for significant losses. Returns on mutual fund investments are

reduced by management fees and expenses. All mutual funds, including "no load" funds, incur transaction costs, expenses, and other fees that are passed through by the mutual fund and ultimately paid by the fund shareholders. Generally, this information is referred to in the fund Prospectus, or in other information as requested or obtained from the fund. Mutual fund shares fluctuate in value, rising and falling in price depending on the performance of the underlying securities in the fund. The Net Asset Value ("NAV") of a mutual fund indicates its value or price per share.

An ETF's risks include declining value of the securities held by the ETF, adverse developments in the specific industry or sector that the ETF tracks, capital loss in geographically focused funds because of unfavorable fluctuation in currency exchange rates, differences in generally accepted accounting principles, or economic or political instability, tracking error, which is the difference between the return of the ETF and the return of its benchmark and trading at a premium or discount, meaning the difference between the ETF's market price and NAV. While ETFs provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money), or concentrate in a particular type of security rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values and there is no guarantee this relationship will resolve itself. ETFs also are subject to the individual risks described in their prospectus.

Although many mutual funds and ETFs provide diversification, risks can be significantly increased if a mutual fund or ETF is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage to a significant degree, or concentrates in a particular type of security. One of the main advantages of mutual funds and ETFs is that they give individual investors access to professionally managed, diversified portfolios of equities, bonds and other securities.

Although the goal of diversification is to combine investments with different characteristics so that the risks inherent in any one investment can be balanced by assets that move in different cycles or respond to different market factors, diversification is not always successful in reducing correlation among asset classes and does not eliminate the risk of loss. In some circumstances, price movements are highly correlated across securities and funds. A specific fund may not be diversified, and a client portfolio may not be diversified. Additionally, when diversification is a client objective, there is risk that the strategies that the Firm uses is not successful in achieving the desired level of diversification. There is also risk that the strategies, resources, and analytical methods that the Firm uses to identify mutual funds and ETFs will not be successful in identifying investment opportunities.

The following events also could cause mutual funds, ETFs, equities and fixed income securities and other investments in clients' accounts to decrease in value:

- **Market Risk:** The price of an equity security, bond, or mutual fund will fluctuate in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, changes in political, economic and social conditions will likely trigger adverse market events.
- **Strategy Risk:** There is no guarantee that the investment strategies discussed in this document will work under all market conditions and you should evaluate your ability to maintain any investment you are considering in light of your own investment time horizon. Investments are subject to risk, including possible loss of principal.
- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive compared to newly issued bonds, causing the market values of existing bonds to decline.
- **Event Risk:** An adverse event affecting a particular company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency. Adverse events affecting a particular country, including

political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.

- **Liquidity Risk:** Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.
- **Leverage Risk:** The use of leverage may lead to increased volatility of a fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the fund's portfolio, which may lead to increase market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares that take place from changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.
- **Political Risk:** The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.
- **Inflation Risk:** Countries around the globe are more, or less, prone to inflation than the U.S. economy at any given time. Companies operating in countries with higher inflation rates will likely find it more difficult to post profits reflecting its underlying health.
- **Currency/Exchange-Rate Risk:** Overseas investments denominated in foreign currencies are subject to fluctuations in the exchange rates between such foreign currencies and the U.S. dollar. In addition, investments denominated in foreign currencies are subject to the possible imposition of exchange control regulations or currency restrictions or blockages.
- **Reinvestment Risk:** Future proceeds from investments have to be reinvested at a lower rate of return when such proceeds become available for investment. This primarily relates to fixed income securities, especially in a period of declining interest rates.
- **Operational Risk:** Fund Advisers and other ETF service providers can experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures that could negatively impact the ETF.
- **Regulatory/Legislative Developments Risk:** Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the value associated with such investment transactions or underlying securities.
- **Illiquid Securities:** Investments in hedge funds, other private investment funds, and other private investments may underperform publicly offered and traded securities because such private investments:
 - Typically require investors to lock-up their assets for a period and may be unable to meet redemption requests during adverse economic conditions;
 - Have limited or no liquidity because of restrictions on the transfer of, and the absence of a market for, interests in these funds or investments;
 - Are more difficult for to monitor and value due to a lack of transparency and publicly available information about these funds or investments;
 - May have higher expense ratios and involve more conflicts of interest than publicly traded investments; and
 - Involve different risks than investing in registered funds and other publicly offered and traded securities. These risks may include those associated with more concentrated, less diversified investment portfolios, investment leverage and investments in less liquid and non-traditional asset classes.

Past performance of an investment is not necessarily indicative of future performance or risk of loss.

Cybersecurity

The computer systems, networks and devices used by HTK, the IARs and service providers to HTK and Clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security

breaches. Despite the various protections utilized, systems, networks, or devices, could still be breached. A client could be negatively impacted by a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches have the ability to cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs can be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Voting Client Securities

For the AMP, FSA, DMA, UMA and FBA Program accounts, HTK and IARs are expressly precluded from taking any action on behalf of Clients and are not obligated to render any advice to Clients, with respect to (a) the voting of proxies solicited by, or with respect to, the issuers of any securities held in the account; or (b) legal proceedings involving securities or other investments presently or previously held in the account, or the issuers thereof, including bankruptcies and class action lawsuits.

Clients receive proxies or other solicitations directly from the custodian or transfer agent. In the event HTK and/or the IAR receives such information, we send, or will cause to be sent, all such proxy and legal proceedings information and documents they receive to the Client in order to allow the Client to take whatever action the Client deems advisable under the circumstances.

Regarding the PAM program, Clients should refer to the Portfolio Manager's Form ADV Part 2A for complete information on their proxy voting policies. In addition, Clients can also obtain a copy of the Portfolio Manager's proxy voting policies and procedures upon their request.

Item 7. Client Information Provided to Portfolio Managers

HTK provides initial and updated Client information to the Program Provider and Portfolio Manager for Clients participating in the PAM program. In addition, the IAR periodically provides updated Client information to the Portfolio Manager in the event there are changes to the Client's financial circumstances, investment objectives and/or any other information used in the management of Client assets. For the AMP, FSA, DMA and UMA programs, IARs also periodically meet with Clients to discuss their account(s), performance, financial situation, investment objectives, etc. If needed, the IAR and Client will complete the documents required to update the information on file used to manage Client assets.

This process ensures the portfolio management services offered by the IAR and HTK continue to be provided in manner consistent with the Client's current financial situation and/or investment objectives.

Item 8. Client Contact with Portfolio Managers

There are no limits on the Client's ability to contact its IAR or, in the PAM program, to contact Portfolio Manager staff who are knowledgeable about the Client's account.

Item 9. Additional Information

Disciplinary Information

On October 2, 2012, FINRA contended that HTK's system and procedures failed to prevent a registered principal from failing to review and endorse direct application of subsequent transactions involving previously purchased mutual funds (including 529 plans), and failed to provide for suitability review of same, including review for source of funds and breakpoints. FINRA contended that HTK failed to prepare adequate blotters. Without admitting or denying these allegations, HTK consented to these findings and described sanctions. As a result, HTK was censured and fined \$150,000.00.

On November 14, 2017, without admitting or denying the findings, the Firm consented to sanctions and to the entry of findings by FINRA that HTK's broker-dealer failed to implement a supervisory system and procedures reasonably designed to ensure the suitability of multi-class variable annuities sales, including L-Share contracts. The findings stated that the Firm failed to implement an adequate supervisory system and Written Supervisory Procedures (WSPs) related to the sales of multi-class class variable annuities. The Firm's WSPs failed to provide Registered Representatives and Principals guidance and suitability considerations for sales of different variable annuities share classes. The Firm did not provide training to representatives on the features of the various share classes and the associated fees and surrender charges, and did not provide them with adequate information to compare share classes to make suitability determinations. In addition, the Firm failed to establish, maintain, and enforce WSPs or provide sufficient guidance or training to Registered Representatives and Principals regarding the sale of Long-Term Income Riders with multi-share class variable annuities, particularly the combination of L-share contracts with Long-Term Income Riders. The findings also stated the Firm failed to adequately supervise the private securities transactions of Registered Representatives with third-party advisory firms. The Firm's WSPs did not address the supervision of transactions that representatives executed on behalf of third-party Registered Investment Advisers. As a result, the firm did not adequately supervise these activities. The Firm was censured and fined \$275,000.

Item 10. Other Financial Industry Activities and Affiliations

Broker-Dealer Registration

In addition to being an investment adviser registered with the SEC, HTK is a registered broker/dealer and a correspondent firm of Pershing LLC, which is HTK's clearing broker-dealer. In consequence of this relationship, HTK introduces Client transactions to Pershing for execution, clearance and settlement. In addition to these services, Pershing provides custody of Client brokerage [and advisory] accounts. Clients who subscribe to the HTK Advisory Series Program establish a securities brokerage account with HTK and execute, clear, and settle securities transactions for their Advisory Series portfolios through Pershing. Although no Client is required by law to select Pershing for execution, clearance, settlement or custodial services, a Client desiring to participate in HTK's Advisory Series Program is not permitted, because of the clearing arrangement between HTK and Pershing, to choose a different clearing broker/dealer (i.e., other than Pershing) for execution, clearance, settlement, and custodial services. HTK and Pershing are not affiliated entities. See also Client Referrals and Other Compensation below.

IARs are registered representatives of HTK, a registered broker/dealer and correspondent firm of Pershing, and through this relationship receive transaction-based compensation for annuities and 529 Plans where HTK is the broker of record. This presents a conflict of interest in that it could incentivize IARs to recommend annuities based on the additional transaction-based compensation that the IAR will receive rather than based on a client's needs. HTK addresses this conflict through this disclosure and by preventing IARs from receiving both advisory fees and transaction-based compensation on the same assets (i.e., they do not "double dip" on annuities or 529 Plans).

Other Material Relationships

HTK is a wholly-owned subsidiary of Penn Mutual and serves as an underwriter and distributor for investment company products issued by Penn Mutual. Penn Mutual and its affiliates are engaged in providing a range of diversified financial

services. Certain of these Companies and other affiliates are broker/dealers, investment companies, investment advisers, and insurance companies.

The majority of HTK's registered representatives and IARs are licensed and appointed as life insurance agents with Penn Mutual. The principal business of Penn Mutual is life insurance. As a registered broker/dealer, HTK serves as underwriter and distributor for the registered insurance products of Penn Mutual Life Insurance Company and Penn Insurance and Annuity Company, the latter being a wholly-owned subsidiary of Penn Mutual Insurance Company, which is HTK's parent company.

IARs are licensed insurance agents affiliated with Penn Mutual Insurance Company. When acting as an insurance agent, an IAR offers/sells insurance products issued and distributed by either or both Penn Mutual or Penn Insurance and Annuity Company, an affiliate of Penn Mutual. As insurance agents, HTK representatives receive commissions for the sale of insurance products; these commissions will be paid in addition to any compensation received by the IAR for providing investment advisory services. These compensation arrangements present an incentive for the IAR to recommend products offered by these affiliated companies. When acting as an insurance agent an HTK representative is not precluded from offering life insurance products from an unaffiliated life insurance company.

In addition, advice offered to an advisory client is provided in the form of a recommendation that a Client may or may not choose to implement. The Client is under no obligation to use HTK or its representatives to implement the recommendations made in a brokerage and/or insurance capacity. If the Client chooses to implement securities transactions through HTK, there is a potential conflict of interest since HTK and its representatives receive commissions for the execution of transactions. HTK addresses this conflict through this disclosure and by advising clients here that clients are under no obligation to purchase insurance products through any person affiliated with HTK.

Some IARs own and operate their own independent companies - referred, in the industry, as "outside business activities" or OBAs - outside of brokerage and advisory services offered by HTK. These unaffiliated companies provide OBA services to Clients that include, but are not limited to, accounting/tax practices, business consulting, insurance agencies, legal services, and others. If a Client engages an IAR for such OBA services, the Client is advised that these services are offered and performed solely in the IAR's private and/or professional capacity - not as a representative of HTK.

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

HTK has adopted a Code of Ethics that governs the conduct of all persons associated with HTK. The Code includes the following general principles regarding ethics:

- Associated persons must comply with applicable federal securities laws and HTK requirements;
- At all times place the interests of Clients first;
- All personal securities transactions must be conducted consistent with the code of ethics and avoid any actual or potential conflict of interest or any abuse of a position of trust and responsibility;
- Investment adviser personnel should not take inappropriate advantage of their positions;
- Information concerning the identity of security holdings and financial circumstances of Clients is confidential and is not to be shared except with those associates that need such information to perform their duties;
- Independence in the investment decision-making process is paramount; and,
- Any individual not in observance of our Ethics policy is subject to disciplinary action, to include possible termination.

Our Code of Ethics requires all officers and other related persons (collectively referred to as "related persons") to ensure that HTK receives required information for accounts in which they have either direct/indirect beneficial ownership. In addition, they are required to provide information on all securities transactions (involving stocks and bonds). These accounts are periodically reviewed for potential conflicts of interest and to satisfy applicable regulatory requirements.

HTK will provide a copy of our Code of Ethics to any Client or prospective Client upon written request.

HTK and related persons are permitted to buy or sell securities identical to those recommended to Clients, at the same time or at different times, subject to the Code of Ethics. As a general practice, Client orders (buys / sells) must be executed before transactions are made in a related persons accounts when there are transactions in the same securities. HTK periodically reviews the brokerage accounts of related persons against transactions executed on behalf of Clients to ensure the activity is in agreement with HTK policies and applicable securities regulations.

In addition, HTK has adopted policies and procedures that seek to prevent access to non-public information about securities recommendations, and Client securities, holdings and transactions, except to those associates that need such information to perform their duties.

HTK policy expressly prohibits any related persons of HTK from improperly profiting at the expense of our Clients and/or competing with a Client. In keeping with our policy, a related person's securities activity, either personally or in support of others, must not be based on the use of material, non-public information with respect to any such security.

Review of Accounts

Generally, the IAR conducts an initial meeting with the Client to determine investment objectives and risk tolerance and to ensure the services and advice provided are in agreement with the Client's investment needs and current financial situation.

Program accounts are reviewed regularly by the IAR. The Client and IAR will also periodically review the account and discuss the Account's performance, current investment holdings, and the Client's current circumstances. Once an advisory relationship is established, Clients can contact their IAR on an "as needed" basis to discuss their Account. At least annually, IARs seek to meet with their Clients to review suitability information, investment instructions, and other information. The Client and the IAR, together, assess the Client's current financial situation to determine whether changes in their objective(s) warrant a change in how assets are managed.

Program accounts are reviewed quarterly by HTK's Supervision Team to ensure portfolio management services and investment holdings are consistent with the stated objectives of the Client. HTK and IARs are responsible for monitoring the account to ensure that the account and its underlying holdings are consistent with the model selected and the Investment Strategy Report for the account. On a quarterly basis, HTK will notify IARs regarding variance issues. Upon notification, IARs must review and contact Clients to make adjustments, if needed, to bring the account back into concurrence.

Client Reports

Clients receive trade confirmations, monthly brokerage statements and quarterly performance reports from HTK. Clients can contact their IAR at any time to discuss their account, financial situation, or investment needs.

For all Programs, a statement is delivered detailing portfolio holdings and market prices, all transactions, performance data and fee billing information from the clearing firm. If a transaction occurs during the month, the Client is sent a statement. All accounts, regardless of whether or not there has been activity, receive a statement summarizing all holdings at least quarterly. Pershing, HTK's clearing firm, provides trade confirmations for each security transaction placed in the account.

Clients receive an annual tax reporting statement in connection with the Client's participation in HTK's Advisory Series program accounts held with Pershing. In addition, performance reports are delivered on a quarterly basis for Advisory Series program accounts to assist the Client and IAR in reviewing their account(s).

Client Referrals and Other Compensation

Compensation Received from Others

Revenue Sharing and 12b-1 Fees Received from Mutual Fund Advisers and Distributors

HTK receives compensation from the advisers or distributors of mutual funds when it invests Client assets in the funds. The amount of compensation is based primarily on the amount of sales of fund shares and/or total assets with the funds. The amount of compensation is affected by total sales, net sales, levels of redemptions, and other factors.

Mutual fund advisers and distributors make these payments from their own resources (known as “revenue sharing”) or from their retention of underwriting concessions. For mutual funds that have Rule 12b-1 distribution plans, funds pay distributors under such plans, and distributors share such payments (called “12b-1 fees”) with HTK. A mutual fund’s Rule 12b-1 distribution plan is typically disclosed in the applicable fund’s registration statement.

HTK receives 12b-1 fees from load and no-load mutual funds that pay distribution fees. These fees come from fund assets and, consequently, indirectly from Client assets. HTK’s receipt of 12b-1 fees presents a conflict of interest between HTK and its clients as the firm has a financial incentive to invest client assets in mutual funds that pay HTK 12b-1 fees, preferring these to funds that have no such fees or that have lower fees. HTK addresses this conflict through this disclosure and by automatically crediting to client accounts all 12b-1 fees generated by mutual funds owned by HTK clients in the Advisory Series Program outside of the Pershing cash sweep program.

Mutual funds, including money market funds, generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (typically referred to as class A, class B and class C shares), mutual funds also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria, including, for example, whether an account meets certain minimum dollar amount thresholds or is enrolled in an eligible fee-based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes and do not pay 12b-1 fees. Clients who are invested in mutual funds which pay 12b-1 fees will pay more in expenses and likely will have lower returns than clients who are invested in mutual funds that have similar investment strategies and holdings, but do not pay 12b-1 fees. HTK has a financial incentive to recommend or select share classes that have higher expense ratios, including 12b-1 fees, because such share classes can generally result in higher compensation to HTK. HTK addresses this conflict of interest by automatically crediting to client accounts all 12b-1 fees paid to HTK outside of the Pershing cash sweep program, that are attributable to mutual fund holdings of clients participating in the Advisory Series Program, disclosing the conflict presented by its receipt of 12b-1 fees, providing its IARs with training and guidance and supervising its IARs on this issue. Regardless of such considerations, HTK clients should not assume that they will be invested in the mutual fund share class with the lowest possible expense ratio or one that does not pay 12b-1 fees.

Pershing, LLC

HTK receives revenue sharing payments from Pershing, the broker-dealer and custodian that provides clearing and custodial services to HTK Clients. These revenue sharing payments include 12b-1 fees paid to Pershing from mutual fund advisers and distributors.

Cash awaiting investment or reinvestment in Client accounts held at Pershing is invested in a money market fund, pursuant to an automatic “cash sweep” program that permits available cash balances in eligible accounts, including cash balances derived from the sale of securities, dividend payments, interest credited from bonds, and cash deposits, to be automatically deposited (“swept”) into a money market fund. Pershing receives revenue, which it terms “distribution assistance,” from the money market funds available to HTK Advisory Series Program clients as cash sweep program options and shares that revenue with HTK, including Rule 12b-1 fees paid to Pershing by money market funds. To the extent that the revenue Pershing shares with HTK includes 12b-1 fees, these payments are not credited back to Client accounts in the Advisory Series Program. HTK’s receipt of 12b-1 fees from Pershing as part of the revenue sharing payments presents a conflict of interest for HTK when recommending that clients utilize Pershing as their custodian and enter into the

automatic cash sweep program. HTK believes that the benefits to clients of enrollment in the automatic cash sweep program run by Pershing outweigh the costs to clients of the 12b-1 fees paid by the money market funds from fund assets that are part of the Pershing cash sweep program.

Until July 12, 2018, HTK participated in Pershing's no-transaction-fee program called "Fund Vest." The advisor to mutual funds on the Fund Vest platform made revenue sharing payments to Pershing, including 12b-1 fees. Pershing shares this compensation with HTK, including 12b-1 fees, and will continue to share such revenue with HTK as long as the Client continues to own mutual funds from the Fund Vest platform in their Advisory Series Program account. The receipt of revenue sharing created an incentive for HTK to recommend funds that pay 12b-1 fees, preferring these to those funds that have no such fees or that have lower fees. HTK addresses this conflict through this disclosure and by automatically crediting to client accounts all 12b-1 fees generated by mutual funds owned by HTK clients in the Advisory Series Program on the Fund Vest platform. Clients should be aware that other cash sweep options are readily available on the Pershing platform that pay HTK less Distribution Assistance but at lower costs to clients.

Pershing also pays compensation to HTK in the form of the annual maintenance fee charged for individual retirement accounts (i.e., Traditional, Rollover and/or Roth accounts) held with Pershing. This compensation creates a conflict of interest for HTK when recommending Clients' custody their retirement accounts with Pershing.

Marketing Partners Program

HTK's Marketing Partners Program is a program designed to offer managed account program sponsors access to HTK's network of IARs for marketing, training and education purposes. Forming a focused group of supporting sponsors enables HTK to efficiently use its resources in educating its IARs. Marketing Partners receive access to IARs through participation in the following:

- Lists of HTK IARs;
- Educational or sales conferences; and,
- Teleconference training.

As part of the program, HTK publicizes and/or promotes the products, sales ideas and other marketing materials from these supporting sponsors. All approved product sponsors of investment company securities, advisory products and direct participation programs have the opportunity to participate in the Marketing Partners Program. Marketing Partners compensate HTK to obtain greater access to IARs and registered representatives. IARs are not required to promote a Marketing Partner's products or services to Client.

However, HTK does not allow any additional compensation to be paid to IARs when recommending a Marketing Partner's investments or products. Whenever recommendations made by IARs to Clients, the IAR understands that recommendations must be based upon product suitability and consistency with the Client's stated investment and financial and any other relevant objectives.

IARs receive production bonuses as a result of reaching certain levels of sales and/or assets under management. Production levels and compensation to IARs vary. There is a potential conflict of interest for HTK and its IARs when recommending certain affiliated products, because HTK retains a greater share of the revenue from such products.

HTK IARs are eligible to receive incentives, prizes, awards, and certain reimbursements for advertising, sales literature and promotions offered by product promoters, such as mutual fund companies. It is HTK's policy to permit all IARs to accept such awards and prizes to the extent that they are usual and customary within the industry, and in compliance with the SEC, FINRA, or state rules, regulations or guidelines.

Because an IAR receives such incentives, a conflict of interest exists when an IAR recommends a product or service for which an incentive or prize is awarded. HTK addresses the conflict described above through disclosure in this Brochure

and through compliance rules and procedures designed to monitor IARs' compliance with their obligations to clients under the Advisers' Act and relevant rules promulgated thereunder.

Compensation Paid to Others

HTK utilizes the services of approved individuals who act as solicitors for purposes of referring clients to HTK in accordance with SEC regulations and applicable state securities law. These solicitors are paid a portion of the ongoing investment advisory fee charged to the client by HTK. Clients referred to HTK by a solicitor will not be charged a referral fee and shall remain subject to the same advisory fee scheduled as non-referred clients. These solicitation arrangements are required to be disclosed at the time of the referral in a document outlining HTK's compensation arrangement with the particular solicitor.

Financial Information

HTK does not require or solicit prepayment of more than \$1,200 in fees per Client six (6) months or more in advance. Therefore, HTK has not included a balance sheet of its most recent fiscal year. HTK is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to Clients, nor has HTK been the subject of a bankruptcy petition at any time during the past ten (10) years.