

Item 1. Cover Page

HTK Hornor, Townsend & Kent, LLC

Hornor, Townsend & Kent, LLC
600 Dresher Road, Suite C1C
Horsham, PA 19044
(800) 873-7637
clientinquiries.htkria@htk.com
www.htk.com

HTK Advisory Services Disclosure Brochure (Form ADV, Part 2A)

HTK Advisory Services:

1. Financial Planning Services
2. Retirement Plan Consulting Services
3. Third-Party Advisory Programs
4. SmartJourney Program

This 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. HTK is a registered investment advisor. 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.

Item 3. Table of Contents

Item 1. Cover Page	1
Item 2. Material Changes	2
Item 3. Table of Contents	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation.....	7
Item 6. Performance Based Fees and Side-by-Side Management	10
Item 7. Types of Clients	10
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	111
Item 9. Disciplinary Information.....	155
Item 10. Other Financial Industry Activities and Affiliations.....	15
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	166
Item 12. Brokerage Practices	177
Item 13. Review of Accounts.....	188
Item 14. Client Referrals and Other Compensation	188
Item 15. Custody	199
Item 16. Investment Discretion.....	199
Item 17. Voting Client Securities	20
Item 18. Financial Information	20

Item 4. Advisory Business

Introduction

Hornor, Townsend & Kent, LLC (“HTK”) is registered with the U.S. Securities and 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 and serves as an underwriter and 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 Advisory Services Programs. 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, programs offered through third party investment advisors, financial planning, and other advisory services. A wrap fee program is a type of investment program that provides clients with investment management and brokerage services for one all-inclusive fee. The terms and conditions of a wrap program engagement are more fully discussed in HTK’s Wrap Fee Program Brochure. 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 HTK Advisory Services.

Financial Planning

HTK IARs conduct a comprehensive analysis of a client’s financial situation in order to recommend products, services, and strategies to meet the client’s investment objectives.

Retirement Plan Consulting Services (“RPCS”)

Through RPCS, HTK IARs provide a variety fiduciary and non-fiduciary services to trustees or fiduciaries of Employee Retirement Income Security Act of 1974 (“ERISA”) retirement plans.

Third Party Asset Manager (“TPAM”)

HTK IARs will work with TPAMs, who act as a sponsor and/or manager for various asset management programs (including but not limited to SmartJourney), to provide investment advice. The asset manager will choose and manage a portfolio of investments on behalf of clients based on an appropriate investment strategy. In addition to this disclosure brochure, Clients will also receive a disclosure brochure from the TPAM that further describes the services offered

Service Descriptions

Financial Planning Services (Securities & Non-Securities)

HTK offers a variety of non-discretionary financial planning services to Clients based on the timing and frequency of the financial planning needs of the Client. HTK will collect pertinent financial information to evaluate and discuss financial planning recommendations and be available to discuss client's specific goals and objectives as it relates to financial or investment related topics. The services provided will typically include some or all of the following: (a) Periodic Client Consultation and advice; (b) Setting financial goals and objectives; (c) Investment asset allocation and portfolio analysis; (d) Special needs planning; (e) Access to financial planning software and reports; or (f) a written financial plan consisting of one or more of the following topics: investment planning, retirement planning, estate planning, wealth accumulation, business planning, education planning, etc. Whichever option is chosen, the analysis will contain generic recommendations for a Client and will typically not include specific product recommendations.

Clients have full discretion to choose how to implement their financial plan including the discretion to choose how to implement any recommendations or advice provided by IAR(s). There is no requirement to use HTK or any of its IAR(s) or financial professionals for investment services. An additional agreement will be required if the Client chooses to utilize the IAR for further advisory services and/or engage a HTK registered representative for brokerage or other financial services.

The investment recommendations and advice offered by HTK and IARs are not legal or accounting advice. Clients should coordinate and discuss the impact of financial advice with their legal counsel or tax advisor. Unless independent of their relationship with HTK, Neither HTK nor its financial professionals are qualified and appropriately licensed to offer legal or tax advice.

When offering financial planning services IARs are required to use HTK-approved software tools offered by certain third-party vendors for financial analysis. These tools provide analysis and general guidance on accomplishing the Client's stated investment goals.

Retirement Plan Consulting Services ("RPCS")

Through HTK's Retirement Plan Consulting Services ("RPCS"), IARs assist Clients that are trustees or other fiduciaries to retirement plans by providing fiduciary and/or non-fiduciary services.

In instances where HTK provides fiduciary services under its RPCS, the HTK IAR appointed by the trustee (or another appropriate fiduciary,) will serve as Employee Retirement Income Security Act of 1974 ("ERISA") Section 3(21) advisor fiduciary to a Retirement Plan (the "Plan"). HTK IARs will perform certain limited scope investment advisory services for the Plan pursuant to and consistent with Section 3(21) of ERISA. Thus, HTK and the IAR provides advisory and consulting services on a **non-discretionary basis**. The Client makes the decisions regarding the purchase and sale of securities and the investment options to be made available in the Plan. Neither HTK nor the HTK IAR exercise authority over the administration of the Plan. Additionally, HTK IARs do not provide individualized investment advice to Plan participants regarding their Plan assets.

Fiduciary services include one or more of the following:

- 1) Assisting Clients with preparing and reviewing, the Plan's investment policy statement;
- 2) Recommending to Clients, specific investment vehicles made available as investment options under the Plan;
- 3) Periodically monitoring the Plan's investment options and providing reports and analysis generated by third party software providers; and
- 4) Assisting Clients in the meeting the "broad range" requirement of Section 404(c) under ERISA.

The HTK IAR is not responsible for the Plan's compliance with Section 404(c) of ERISA.

Non-Fiduciary services include one or more of the following: 1) reviewing the size, demographics and growth trends of the Plan and making recommendations on key provisions in the Plan; 2) Providing educational materials prepared by platform providers, addressing general fiduciary duties applicable to maintaining a retirement plan; 3) conducting periodic meetings, with the Clients, to discuss certain industry and legislative developments; and 4) liaising between the Plan and service providers, product sponsors or vendors; and 5) Recommending one or more platform service providers. HTK IARs evaluate industry service providers based upon a variety of factors including, but not limited to, cost, fund performance, and services provided. In doing so, HTK IARs provide services including assisting with the preparation, distribution and evaluation of Requests for Proposals (RFPs) for platform providers, and interviewing RFP finalists.

Separate from services provided under RPCS, HTK and HTK IARs offer to Plans and their participants all other securities products and advisory services available through HTK. When offering such "other securities products and advisory services" neither HTK nor HTK IARs are deemed to be providing services under Section 3(21) of ERISA under their Plan Agreement(s) or acting as a fiduciary under ERISA with respect to such offering of "other securities products and advisory services." If any such **separate** services are offered, the recipient of such separate services is advised to make his/her/their decision to accept or reject such "other securities products and advisory services" independently of and without reliance on any advice or opinion of HTK or the HTK IAR.

Third-Party Asset Manager Programs

Third-Party Asset Managers ("TPAM") reviewed and approved by HTK for use by IARs provide Clients with the opportunity to have their investment portfolios professionally managed by independent money managers unaffiliated with HTK. TPAM programs offer Clients access to a wide variety of model portfolios with varying levels of risk from which they can choose. TPAMs selected by HTK satisfy our due diligence review process and requirements. In limited situations, HTK has the discretion to waive certain requirements and limit the services provided to "service only" relationship, under which no new Clients are placed under the TPAM's management.

Each TPAM program is uniquely structured and the investment strategies and types of investments vary within each program. HTK is not the sponsor of these programs but acts as a co-advisor to the Client to support the delivery of portfolio management services within each Programs. Accordingly, Clients should carefully review the each TPAM's Form ADV Part 2A and any agreements and disclosure documents each TPAM provides.

In general, HTK, and its IARs will provide personal advisory services to Client in the selection of a TPAM. In order to assist in the selection of a TPAM, the IAR will gather information from the Client about the Client's financial situation. The information gathered will include the Client's investment objectives, investing experience as well as any reasonable restrictions the Client wishes to impose on the management of his/her TPAM account.

Once the Client selects a TPAM, the TPAM and the Client will enter into a separate advisory agreement(s) that details the scope of their relationship. The Client then deposit funds or other assets in an appropriate account with the TPAM and thereafter the Client's funds will be invested according to the Clients selected investment objectives and/or as recommended by a portfolio manager available within the TPAM program. Clients should refer to the TPAM's Form ADV Part 2A and any other applicable documentation to obtain additional information regarding reasonable restrictions the Client can impose on investing in certain securities or types of securities.

HTK IARs will monitor the performance of the TPAM and, as agreed upon with the Client, will contact the Client periodically to review the Client's financial situation and objectives; communicate information to the TPAM; and

assist the Client in understanding and evaluating the services provided by the TPAM. Clients will be expected to notify HTK of any changes in their financial situation, investment objectives, or account restrictions. Client can also directly contact their TPAM at any time.

HTK IARs do not actively participate in the execution of any securities transactions for a Client's TPAM program account. TPAM accounts are maintained with other broker/dealers or custodians.

Smart Journey Program ("SmartJourney")

Smart Journey is a wrap fee program that is sponsored by Betterment LLC ("Betterment"), a registered investment advisor unaffiliated with HTK. HTK's IARs, amongst other things, will assist the Client in determining if SmartJourney is appropriate for the Client's initial and ongoing investment needs. Betterment will provide an internet-based platform through which Betterment provides the Client discretionary, managed account services as Smart Journey's sub-advisor. Using exchange traded funds (ETFs) as a primary investment vehicle, Betterment employs a strategic asset allocation methodology to invest Client assets. Betterment Securities, a broker/dealer that is an affiliate of Betterment, is the broker/dealer and custodian for Client's account in Smart Journey. HTK will not have, discretionary authority over the Client's account in Smart Journey. Betterment's website is the primary access point for your accounts and their website has been inaccessible for brief periods of time during extreme market volatility. Additional information about Betterment and the wrap fee program offered through Betterment's institutional platform can be found in Betterment's Form ADV Part 2A, Appendix 1 (Wrap Fee Brochure).

For TPAM and/or the SmartJourney program - If the Account is for a Pension or other Employee Benefit Plan governed by ERISA (such as a 401(k) Plan), or a tax qualified retirement plan governed by Section 401(a) of the Internal Revenue Code ("Code") not covered by ERISA (such as Keough Plans, or an individual retirement account ("IRA,")) under Section 408 of the Code, HTK acts as "fiduciary" within the meaning of Section 3(21) of ERISA and Section 4975(e) of the Code. In such an instance HTK serves as a fiduciary only when it assists in the selection of Money Managers and when it does ongoing performance monitoring and appraisal of selected Third Party Managers. HTK has the discretion to discontinue certain relationships and add other advisory relationships at any time. For additional details on each of these programs, please refer to the Disclosure Brochure for the applicable adviser.

Item 5. Fees and Compensation

Fees charged are negotiable and assessed on each Client according to the methods disclosed to and agreed upon in advance with the Client. The fees charged can include hourly fees, fixed fees, or a percentage of assets under management. The amount of fees that are charged take into account the complexity and time involved in the work performed, the degree of responsibility the IAR has over the account, the special needs and characteristics of the Client, the types of investments, and the costs involved in providing the service(s) selected.

Financial Planning Services

Fees charged by HTK IARs are generally based upon actual or estimated hourly charges. They vary based on the complexity of the financial planning services being provided, but generally fees assessed for financial planning services do not exceed \$1,000 an hour. In limited situations, depending on the complexities of the financial planning or consulting needs of the client, and the experience and qualifications of the HTK IAR, the HTK IAR can negotiate a higher hourly fee.

- **Flat Fee for one-time financial planning services:** Flat fee arrangements are either negotiated or are charged in accordance with a fixed fee schedule and are based on the amount of time estimated to complete the financial planning work outlined in the agreement between the Client and the HTK IAR. Typically, 50% of the

agreed upon fee is payable in advance of services, the remaining 50% will be due upon delivery of the financial plan to the Client. The initial payment of the fee covers the initial Client meeting as well as the gathering of data and other documents the IAR will need to analyze in order to provide the planning services requested by the Client. The final payment of the fee covers analyzing the information provided by the client, preparing the financial plan, and the final meeting with the Client to discuss the plan, and its recommendations. In certain situations, HTK will allow the Client to pay 100% of the agreed upon fee upon delivery of the plan.

- **Hourly Fees for one-time or ongoing financial planning services:** Hourly fees are billed in arrears and based on an hourly rate agreed to in writing and in advance by both the client and the HTK IAR. Hourly fees are billed based on the amount of time spent in providing planning services as requested by the client. As noted above, HTK IARs can charge up to \$1,000 an hour. However, depending on the complexity of the financial planning or consulting needs of the client and the experience and qualifications of the HTK IAR, in limited situations the HTK IAR can negotiate a higher hourly fee.
- **Fixed fee for subscription based financial planning services:** Fees for ongoing subscription based financial planning, include a fixed amount charged on a monthly or quarterly basis as agreed to in writing by both the HTK IAR and Client. Fees are negotiated on a case-by-case basis between the Client and the HTK IAR. The ultimate fee charged will depend on a variety of factors, including the nature and complexity of the particular service, the Client's relationship with HTK and its IAR, the potential for other business or clients, and the amount of work to be performed. Fees generally will not exceed \$150 per month (\$450 per quarter).

The same or similar services to those described above may be available elsewhere to you at a lower cost.

Retirement Planning Consulting Services

Under RPCS, Clients pay HTK a fee ("RPCS Fee") for advisory and/or consulting services. HTK shares a percentage of the RPCS Fee with the HTK IAR based on the agreement between HTK and that IAR. The RPCS Fee are based on a percentage of the assets held in the Plan (up to 1%), on an hourly basis (up to \$500 per hour), or on a flat rate, as negotiated between the Plan and the HTK IAR. The RPCS Fee will be payable to HTK in advance or in arrears on the frequency (e.g., quarterly, monthly, etc.) agreed upon between the Client and HTK IAR. If asset based fees are negotiated, the RPCS Fee payment generally will be based on the value of the Plan assets as of the close of business on the last business day of the period as valued by the custodian of the assets. However, if the RPCS Fee is paid by the Plan or the Client through a third party service provider, such fee will be calculated as determined by the provider. If the RPCS Fee is paid prior to the services being provided, the Plan will be entitled to a prorated refund of any prepaid fees for services not received upon termination of the client agreement.

Details about fees and expenses in connection with RPCS are set forth more fully in HTK's Section 408(b)(2) Disclosure Statement, as required by the Department of Labor.

Third-Party Advisory Programs:

As noted above, HTK offers a variety of asset management programs including those offered by unaffiliated third party advisory firms. For the TPAM programs offered through HTK, the specific services and related fees are described in each TPAM's Form ADV Part 2A. TPAMs generally charge fees that are debited on a monthly or quarterly basis from Client accounts. Clients should carefully review the TPAM's Form ADV Part 2A, to fully understand all services to be provided, as well as the fees and expenses that will be associated with those services. For services provided by HTK to Clients participating in TPAM program(s), HTK is typically paid a fee based on client account value or total assets held with the TPAM provider. HTK's fees are negotiated on a case-by-case basis and typically negotiated between the Client and IAR. The fee paid to HTK can vary depending on several factors, including the nature and complexity of the particular service the size of the Client's account, the potential that the

Client may refer other business or clients to HTK, the anticipated amount of work needed to manage the Client's account. The same or similar services to those described above may be available elsewhere to you at a lower cost.

For TPAMs other than HTK Digital Investment Program, HTK charges up to 1.5 percent of the Client's account value. This does not include manager fees and other charges associated with the TPAM program. For further details, please see the applicable Third Party Advisory Service's disclosure brochures, investment advisory contracts and account opening documents. Each of HTK's IARs negotiates their own management fee schedule, however management fees charged by the Third Party Advisory Service in connection with their services are disclosed in their investment advisory agreement.

For HTK Smart Journey Program, HTK charges up to 1.00 percent of the Client's account value. This does include Betterment's advisory fee. For further details, please see Betterment's disclosure brochure, investment advisory contract and account opening documents. Each of our IARs negotiates their own management fee schedule, however Betterment's management fee charged in connection with their services are disclosed in Betterment's advisory agreement.

Other Fees and Expenses

IARs who provide financial planning and/or consulting services also receive commissions from HTK or its affiliates in connection with sales of financial products recommended. Should the Client decide to implement an investment recommendation to purchase or sell securities through HTK IAR, the IAR is also registered with HTK's broker-dealer as a registered representative. HTK requires all securities transactions recommended by an IAR and/or registered representative be executed through HTK unless the registered person has received prior written approval from HTK. If the Client elects to implement a financial plan with the HTK IAR, the HTK IAR in his/her capacity as a registered representative receives commissions, distribution fees or both from HTK or its affiliates in connection with the purchase or sale of investments recommended in the plan. This compensation presents a conflict of interest as there is an incentive for HTK registered persons to potentially recommend investment products based on the compensation received, rather than on a Client's needs. Clients are not under any obligation to execute transactions through the HTK IAR and HTK and may utilize the services of registered representatives who are not affiliated with HTK. HTK does not reduce its advisory fees to offset commissions or markups.

Through the HTK broker-dealer and financial planning services IARs recommend and/or sell insurance products, brokerage services and products and tax-sheltered investments. The majority of HTK's registered representatives and IARs are licensed / appointed as life insurance agents with Penn Mutual.

When acting as an insurance agent, an HTK representative offers and sells insurance products issued and distributed by an insurance company. Though HTK does not recommend the purchase of specific insurance products as part of its advisory services, an HTK representative when acting as an insurance agent recommends the purchase of certain insurance products based on the Client's needs.

As insurance agents, HTK representatives receive commissions for the sale of insurance products that is in addition to any compensation received for providing investment advisory services which creates an incentive for the representative to recommend these products. When acting as an insurance agent, an HTK representative is not precluded from offering life insurance products from an unaffiliated life insurance company.

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. Clients can invest directly in these securities without incurring the

fees charged by HTK. In addition, there may be tax consequences for fund share redemptions made by or on behalf of Clients, as well as deferred sales charges or redemption fees.

All fees paid to HTK for its investment advisory services are separate from the fees and expenses charged to Clients invested in shares of investment companies and/or other pooled investment vehicles. A complete 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.

Clients should also understand that when opening an account with HTK there are additional fees and charges imposed by Pershing, LLC, its clearing firm. These charges include, but are not limited to, custodial, clearing and execution charges, special fees for services rendered to special managed accounts, fees assessed to IRA or retirement type accounts, and other miscellaneous charges incurred in the normal course of business.

Termination of Advisory Contracts – Prepaid Fees

- **Financial Planning:** If a financial planning agreement is terminated within five business days from the date of inception, all fees paid in advance will be refunded. If the agreement is terminated at any other time, any prepaid and unearned fees will be returned to the Client. If a Client is dissatisfied with the services offered by the HTK IAR, HTK, at its sole discretion, can partially or fully refund the Client's fee.
- **Retirement Plan Consulting Services:** If the RPCS Fee is paid prior to the services being provided, the Plan will be entitled to a prorated refund of any prepaid fees for services not received upon termination of the client agreement among the client, HTK and the HTK IAR.
- **Third Party Advisory Programs ("TPAMs"):** Clients should refer to the disclosure documents of the applicable TPAM provider for detailed information concerning the refunding of pre-paid fees and how the advisory agreement can be terminated.

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

The fees charged by HTK for advisory services – financial planning, Retirement Plan Consulting, third-party advisory programs - are not based on any share of capital gains or appreciation of the assets of a Client. Clients should refer to the disclosure documents of the applicable TPAM for information concerning performance-based fees.

HTK and HTK IARs do not accept performance-based fees or side-by-side management for RPCS services.

Item 7. Types of Clients

Generally, HTK provides advisory services to individuals, pension or profit sharing plans, trusts, estates, charitable organizations, corporations or other business entities. There are no account minimums or front-end requirements for Clients that subscribe to the financial planning and/or consulting services offered by HTK.

Clients should refer to the disclosure documents of the applicable TPAM provider for more detailed information regarding the TPAM's account minimums and other conditions.

HTK's RPCS services are available to Clients who are trustees or other fiduciaries to Plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant directed defined contribution plans and defined benefit plans.

Plans may or may not be subject to ERISA. HTK does not require a minimum asset amount for retirement plan consulting services.

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

Most of the advisory services HTK provides involves the purchase (or sale) of securities. All investing involves some level of risk. In many cases, the risk includes the potential to lose the value of your entire principal. Mutual funds and other pooled investment vehicles have disclosure documents that discuss these risks. This disclosure document is commonly referred to as a prospectus, but may be called something else depending on the type of security you have purchased. In any case, it is extremely important that you read these documents in their entirety. If you have any additional questions regarding your investments, please speak with your Advisor immediately.

HTK IARs use various methods to determine an appropriate investment strategy for your portfolio. During your initial and subsequent meetings with your HTK IAR, he or she will discuss the methods used for your account. 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 of securities analysis serve as a basis for the investment advice given to Clients which includes, but not limited to, long term purchases (securities held at least a year); short term purchases (securities sold is within a year); and option writing (primarily, including covered options strategies).

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

HTK and HTK 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 either develop asset allocation models or use others from outside independent sources that are approved by HTK. 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 amongst Clients and differ amongst HTK IARs.

Risk of Loss

Investing in the securities market involves investment risk including the possible loss of the principal amount invested. Neither HTK nor HTK 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 are therefore exposed to 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 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 may be 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 can 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 can 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 will not be 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.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss. 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.

Cybersecurity

The computer systems, networks and devices used by HTK, its 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 may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Regarding TPAM programs, Clients should refer to the applicable disclosure document for more detailed

information regarding the method of analysis used to provide investment advice or manage assets and the risks associated with the investment strategies used by the third-party adviser.

Item 9. 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 the annuities or 529 Plans).

Other Material Relationships

HTK is a wholly-owned subsidiary of The Penn Mutual Life Insurance Company (“Penn Mutual”) and serves as a 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 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.

HTK 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 HTK IAR for providing investment advisory services. These compensation arrangements present an incentive for the IAR to recommend products offered by these affiliated companies.

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.

Recommendations of Advisers

HTK refers Clients to other investment advisers not affiliated with HTK depending on the needs and objectives of the Client. These advisers offer traditional discretionary advisory services, asset allocation advice, or other types of investment management or supervisory services. These advisers compensate HTK for support we provide in managing the advisory relationship or for referrals to the third-party advisers.

All Clients will receive written disclosure of HTK's arrangement with the adviser, and the adviser's Disclosure Brochure. The programs and the services provided by the adviser and HTK are more fully described in the separate brochure or other applicable disclosure document for each program. This information will be supplied to the Client at the time of the referral.

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

Code of Ethics

HTK has adopted a Code of Ethics which governs the conduct of all associated persons. HTK holds 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 to ensure HTK receives required information for accounts which the related person has either direct or indirect beneficial ownership. In addition, all related persons are required to provide information on all securities transactions (involving reportable securities) by the related person. Related persons' accounts are periodically reviewed for analysis of 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 request.

Participation or Interest in Personal Trading – Client Recommendations

HTK and related persons are permitted to buy or sell securities identical to those recommended to Clients. As a general practice, Client purchases and sales must be executed before transactions are made in IAR and/or 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 of IARs is in agreement with HTK policies and applicable securities regulations.

In additions, 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 person of HTK from improperly profiting at the expense of our Clients and/or competing with a Client. In keeping with our policy, no related person's securities activity, either personally or in support of others, may be based on the use of material, non-public information with respect to any such security.

Item 12. Brokerage Practices

In connection with RPCS services, an IAR has the discretion recommend to a client that a Plan use a certain retirement plan platform or service provider (such as a record-keeper or administrator). For some plans, HTK and IAR serves as broker-dealer in connection with the sale of securities or insurance products to the Plan. As noted above, for Plans that are subject to ERISA or are otherwise subject to Section 4975 of the Code, 12b-1 fees paid by product sponsors to HTK and IAR as broker-dealer of record to the Plan are used to offset the RPCS Fee.

Item 13. Review of Accounts

For financial planning Clients, the IAR conducts an initial meeting with the Client to determine investment objectives and risk tolerance to ensure the services and advice provided are in agreement with the Client's investment needs and current financial situation. In addition, HTK also reviews the financial plan to ensure the services provided are in line with the agreement, parameters and services selected by the Client.

HTK also periodically reviews TPAM accounts to monitor and confirm the TPAM and available Managers remain within expected investment styles and the account is in agreement with the Client's current investment objectives and financial goals. Clients should also refer to TPAM's disclosure documents for information about the review of accounts.

HTK home office and supervisory personnel review Client accounts and advisory services to identify situations that warrant a more detailed review or specific action on behalf of a portfolio or Client. Such reviews, include, but are not necessarily limited to suitability, fees, investment results, etc.

Client Reports

For all asset management programs, a quarterly statement is delivered detailing portfolio holdings and market prices, all transactions, performance data and fee billing information. In some cases, statements are delivered to Clients by a third-party for those advisory programs where HTK has entered into an agreement with an unaffiliated RIA to provide certain advisory services. For assets held with HTK's clearing firm, Pershing, trade confirmations are provided for securities transaction placed in the account.

Additionally, Clients can contact their IAR or the TPAM to discuss holdings, account valuations, performance, etc.

Item 14. Client Referrals and Other Compensation

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 varies. 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

Item 15. Custody

Excluding HTK's ability to deduct fees from proprietary advisory programs as outlined in our wrap brochure, HTK does not have custody of Client funds or securities. Clients receive account statements quarterly, or more frequently, from the broker-dealer or other qualified custodian that holds their account / assets.

Regarding third-party advisory programs, Clients should refer to the respective TPAM's Form ADV Part 2A for complete information concerning custodial practices and policies of the TPAM.

Item 16. Investment Discretion

With respect to Financial Planning, RPCS, and TPAM services and or program, HTK and the IAR do not have discretionary investment authority.

For TPAM programs, the Client typically authorizes the third party investment advisor to purchase or sell securities on a discretionary or non-discretionary basis pursuant to the investment objectives chosen by the Client. Clients should refer to the respective TPAM's disclosure brochure for information regarding policies and procedures for investment discretion.

Under RPCS, HTK and the IAR provides advisory and consulting services on a **non-discretionary** basis, so that the client makes the decisions regarding the purchase and sale of securities and the investment options to be made available in the Plan. HTK and IAR do not exercise authority over the administration of the Plan.

Item 17. Voting Client Securities

HTK and HTK 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, to allow the Client to take whatever action it deems advisable under the circumstances.

Clients should refer to the respective TPAM's Form ADV Part 2A for information concerning the proxy voting policies of the TPAM. In addition, Clients can also obtain a copy of the TPAM's proxy voting policies and procedures upon request.

Item 18. Financial Information

HTK does not normally require or solicit prepayment of more than \$1,200 in fees per Client six 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.