

**Item 1 – Cover Page  
Part 2A of Form ADV**



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**March 2022**

**This Brochure provides information about the qualifications and business practices of Huntleigh Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us using the information listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Huntleigh Advisors, Inc. is a registered investment advisor with the SEC. Registration of an investment advisor does not imply any certain level of skill or training.**

**Additional information about Huntleigh Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

Since the last filing the following material changes have been made:

- Overall formatting.
- Clarification on fee schedules, transactions charges, and additional fees.
- Clarification on the various models offered.
- Clarification on the conflicts of interest with our affiliated Broker/Dealer
- Additional, and numerous changes pursuant to an ongoing SEC Audit.

### **Item 3 – Table of Contents**

|   |           |
|---|-----------|
| <b>Item 1 – Cover Page .....</b>  | <b>1</b>  |
| <b>Item 2 – Material Changes.....</b>   | <b>2</b>  |
| <b>Item 3 – Table of Contents .....</b>   | <b>3</b>  |
| <b>Item 4 – Advisory Business .....</b>   | <b>4</b>  |
| <b>Item 5 – Fees, Compensation and Conflicts of Interest .....</b>  | <b>9</b>  |
| <b>Item 6 - Performance-Based Fees and Side-By-Side Management.....</b>                                     | <b>12</b> |
| <b>Item 7 – Types of Clients &amp; Account Minimums .....</b>   | <b>12</b> |
| <b>Item 8 – Methods of Analysis, Investment Strategies, Investment Tools, and Risk of Loss .....</b>        | <b>12</b> |
| <b>Item 9 – Disciplinary Information .....</b>  | <b>16</b> |
| <b>Item 10 – Other Financial Industry Activities and Affiliations.....</b>                                  | <b>16</b> |
| <b>Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b> | <b>17</b> |
| <b>Item 12 – Brokerage Practices .....</b>  | <b>19</b> |
| <b>Item 13 – Review of Accounts.....</b>  | <b>19</b> |
| <b>Item 14 – Client Referrals and Other Compensation.....</b>   | <b>20</b> |
| <b>Item 15 – Custody .....</b>  | <b>20</b> |
| <b>Item 16 – Investment Discretion.....</b>   | <b>20</b> |
| <b>Item 17 – Voting Client Securities .....</b>   | <b>21</b> |
| <b>Item 18 – Financial Information.....</b>   | <b>21</b> |

## Item 4 – Advisory Business

### A. Description of the Advisory Firm

Established in 2001, Huntleigh Advisors, Inc. (“HAI”) is an employee-owned advisory firm registered with the SEC pursuant to Section 203 of the Investment Advisors Act of 1940, as amended (the “Act”). Our principal place of business is located in St. Louis, Missouri with satellite offices in several other states. Our primary owners are Robert L. Chambers and Michael B. Rowan.

As used in this Brochure, the words “we”, “our” and “us” “Advisor”, or “HAI” refer to Huntleigh Advisors, Inc. The words “you”, “your”, and “Client” refer to you as either a Client or prospective client of Huntleigh Advisors, Inc.

HAI is affiliated with the other companies comprising the Huntleigh Group. Those entities are:

- Datatex Investment Services, Inc. (“DTX”), an SEC registered investment advisor
- Huntleigh Securities Corporation (“HSC”) an SEC registered broker/dealer and FINRA member
- K.W. Chambers & Co.(“KWC”) an SEC registered broker/dealer and FINRA member

This corporate structure creates a conflict of interest in that they all share common ownership, and the same office space in St. Louis, MO. Further, one or more individual officers and directors are officers and directors of one or more of the above entities. The conflict exists in that these individuals benefit from any cross-business among these entities. In addition, there is a risk that such officers and directors will make a decision that benefits one or more of these other entities to the detriment of HAI. Further, pursuant to our Privacy Policy we share Client information with one or more of these affiliated entities.

### B. Types of Advisory Services

#### ASSET MANAGEMENT

HAI offers asset management services to advisory Clients. HAI will offer Clients ongoing asset management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors.

When the Client elects to use HAI on a discretionary basis, the Client will sign a limited trading authorization or equivalent allowing HAI to determine the securities to be bought or sold and the amount of the securities to be bought or sold. HAI will have the authority to execute transactions in the account without seeking Client approval on each transaction.

#### Traditional Model Program

Model programs are professionally managed investment accounts that are reviewed for rebalancing no less than quarterly by our Portfolio Manager. HAI provides portfolio management services to Clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal.

Our investment recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company and will include advice regarding the following securities, among others:

- Exchange-listed securities
- Securities traded over-the-counter

- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Variable annuities
- Non-traded securities

#### MindShare Program

For the MindShare Program, HAI manages investment advisory accounts using its HAI MindShare Small Companies Advisory Service investment strategy.

This program's goal is to seek long-term capital appreciation. HAI will seek to achieve this goal by investing in the equity securities of micro-, small- and mid-capitalization companies that, HAI believes has growth potential. Our analysis is based on (a) investor sentiment, which we measure by reviewing stock price trends and charting those trends, both positive and negative, and (b) fundamental research to determine which common stocks to purchase. HAI tries not to emphasize investment in any particular investment sector or industry. However, due to the growth characteristics of particular sectors, such as technology or health care, investments in these sectors from time-to-time will represent a significant portion of our Clients' portfolios.

HAI typically manages Client accounts using three investment styles or strategies: SmallCap Growth, MicroCap Select Growth, and Focused.

- SmallCap Growth seeks to identify the most rapidly growing small cap companies exhibiting accelerating operating fundamentals accompanied by improving investor sentiment. Advisor typically purchases stocks of companies with market capitalizations corresponding to those of the Russell Small Cap Growth Index®.
- MicroCap Select Growth seeks to identify micro-cap companies using the same philosophy/process that we currently use in our SmallCap Growth strategy, but in the micro market cap range (market caps corresponding to those of the Russell Microcap Growth Index®).
- Focused Strategy invests in a smaller number of companies, and/or in a more limited number of sectors than our other strategies. The strategy typically invests in stocks of between 8-12 companies at one time. The strategy is flexibly managed so that it can invest in equity securities in a variety of industries and in any market capitalization range. This flexibility will enable HAI to take advantage of opportunities as they arise. However, a consequence of this investment strategy is that the strategy will often result in a high rate of portfolio turnover and account value fluctuations, making this strategy more risky than the other two.

#### Individual Management Program

As opposed to using the programs discussed above, HAI may also manage accounts outside of the model portfolio(s) and use customized strategies.

#### Third Party Management

When deemed appropriate for the Client, HAI may recommend that Clients utilize the services of a Third Party Manager (TPM) to manage a portion of, or the Client's entire portfolio. All TPMs that HAI

recommends must be a Registered Investment Advisors with the SEC or with the appropriate state authority(ies).

After gathering information about your financial situation and objectives, an investment advisor representative of our firm will make recommendations regarding the suitability of a TPM or investment style based on, but not limited to, your financial needs, investment goals, tolerance for risk, and investment objectives. Upon selection of a TPM(s), we will monitor the performance of the TPM(s) to ensure their performance and investment style remains aligned with your investment goals and objectives.

In such circumstances, HAI receives solicitor fees from the TPM. We act as the liaison between the Client and the TPM in return for an ongoing portion of the advisory fees charged by the TPM. We help the Client complete the necessary paperwork of the TPM, and provide ongoing services to the Client. Ongoing services include but are not limited to:

1. Meet with the Client to discuss any changes in status, objectives, time horizon or suitability;
2. Recommend investment managers that align with Clients' objectives
3. Ongoing monitoring of the Clients' accounts ; and
4. Assist Client in changing investment managers and/or allocations when appropriate

When appropriate, HAI will provide the TPM with any changes in Client status as provided to us by the Client and review the quarterly statements provided by the TPM. HAI will deliver the Form ADV Part 2, Privacy Notice and Solicitors Disclosure Statement of the TPM. Clients placed with TPM will be billed in accordance with the TPM's Fee Schedule which will be disclosed to the Client prior to signing an agreement.

Because some types of investments involve certain additional degrees of risk, any and all elected programs will only be implemented/recommended when consistent with the Client's stated investment objectives, tolerance for risk, liquidity, and suitability.

#### SUBADVISORY SERVICES

HAI may act as a Sub-Advisor to other investment advisors who hire HAI to manage a portion or all of their Client's portfolio. The investment advisors must have discretionary authority over the account and the ability to delegate that discretionary authority to HAI. HAI will manage the assets according to agreed upon strategies between the investment advisor and HAI.

#### ERISA PLAN SERVICES

HAI offers service to qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit-sharing plans, cash balance plans, and deferred compensation plans. HAI may act as a 3(21) or 3(38) advisor:

**Limited Scope ERISA 3(21) Fiduciary.** HAI acts as a limited scope ERISA 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions. As an investment advisor HAI has a fiduciary duty to act in the best interest of the Client. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using HAI can help the plan sponsor delegate liability by following a diligent process.

1. Fiduciary Services are:

- Provide investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Clients will make the final decision regarding the initial selection, retention, removal and

addition of investment options. HAI acknowledges that it is a fiduciary as defined in ERISA section 3 (21) (A) (ii).

- Assist the Client in the development of an investment policy statement (“IPS”). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- Provide investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5) and 404(a)-5.
- Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- Meet with the Client on a periodic basis to discuss the reports and the investment recommendations.

2. Non-fiduciary Services are:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands HAI’s assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor’s definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, HAI is not providing fiduciary advice as defined by ERISA 3(21)(A)(ii) to the Plan participants. HAI will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

HAI may provide these services or, alternatively, may arrange for the Plan’s other providers to offer these services, as agreed upon between HAI and Client.

3. HAI has no responsibility to provide services related to the following types of assets (“Excluded Assets”):

- Employer securities;
- Real estate (except for real estate funds or publicly traded REITs);
- Stock brokerage accounts or mutual fund windows;
- Participant loans;
- Non-publicly traded partnership interests;
- Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to HAI on the ERISA Agreement. Specific services will be outlined in detail to each plan in the 408(b)2 disclosure.

**3(38) Investment Manager.** For some accounts, HAI acts as an ERISA 3(38) Investment Manager in which it has discretionary management and control of a given retirement plan's assets. HAI would then become solely responsible and liable for the selection, monitoring and replacement of the plan's investment options.

1. Fiduciary Services include:

- Advisor has discretionary authority and will make the final decision regarding the initial selection, retention, removal and addition of investment options in accordance with the Plan's investment policies and objectives.
- Assist the Plan Sponsor with the selection of a broad range of investment options consistent with ERISA Section 404(c) and the regulations thereunder.
- Assist the Plan Sponsor in the development of an investment policy statement. The IPS establishes the investment policies and objectives for the Plan.
- Provide discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Plan Sponsor retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5).
- Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- Meet with Plan Sponsor on a periodic basis to discuss the reports and the investment recommendations.

2. Non-fiduciary Services include:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. The Advisor's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, the Advisor is not providing fiduciary advice as defined by ERISA to the Plan participants. Advisor will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

HAI may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Advisor and Plan Sponsor.

3. HAI has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- a. Employer securities;
- b. Real estate (except for real estate funds or publicly traded REITs);
- c. Stock brokerage accounts or mutual fund windows;
- d. Participant loans;



- e. Non-publicly traded partnership interests;
- f. Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- g. Other hard-to-value or illiquid securities or property.

C. Client-Tailored Services and Client-Imposed Restrictions

The goals and objectives for each Client are documented in our Client files. Investment strategies are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities. These restrictions may, however, prohibit engagement with HAI.

D. Wrap Fee Programs

HAI does not participate in a Wrap Program.

E. Amounts Under Management

As of December 31, 2021, HAI provides management services for:

| <b>Discretionary Assets:</b> | <b>Non-Discretionary Assets:</b> |
|------------------------------|----------------------------------|
| \$471,602,722                | \$14,517,550                     |

## **Item 5 – Fees, Compensation and Conflicts of Interest**

A. Fee Schedule

**ASSET MANAGEMENT**

HAI offers asset management services to advisory Clients. HAI charges an annual investment advisory fee based on the total assets under management as follows:

| <b>Assets Under Management</b> | <b>Maximum Annual Fee</b> |
|--------------------------------|---------------------------|
| \$0 - \$1,000,000              | 2.00%                     |
| \$1,000,001 - \$10,000,000     | 1.50%                     |
| \$10,000,001 +                 | 1.00%                     |

This is a blended fee schedule, meaning different asset levels are assessed different fees, as shown above. The annual fee is negotiable based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.). Fees are billed quarterly in advance based on the amount of assets managed as of the close of business on the last business day of the previous billing period. If margin is utilized, the fees will be billed based on the net asset value of the account.

**SUB-ADVISORY SERVICES FEES**

Shown below, fees will be charged on the total assets under management that the third-party investment advisor brings to HAI. HAI is compensated directly by the third-party investment advisor with a portion of their investment management fee, as per the duly executed Sub-Advisory services agreement.

### THIRD PARTY MANAGEMENT

HAI has entered into a Solicitor Agreement(s) with various third-party investment advisors to provide investment portfolio advice and supervisory services. The TPM fees will be disclosed to the Client in a separate Agreement executed directly with the TPM. The Client's fee for these services will be based on a percentage of assets under management and never exceed 2.0%. Clients should consult their agreement(s) with the TPM for additional information on billing.

All fees are withdrawn from the Client's account unless otherwise noted. TPM will receive written authorization from the Client to deduct advisory fees from their account held by a qualified custodian. TPM will pay HAI their portion of the fees. HAI does not have access to deduct Client fees.

### ERISA PLAN SERVICES

The annual fees are based on the market value of the Included Assets and shall not exceed 2%. Fees may be charged quarterly or monthly in arrears or in advance based on the assets as calculated by the custodian or record keeper of the Included Assets (without adjustments for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distribution of assets) on the last business day of the previous quarter. If the services to be provided start any time other than the first day of a quarter, the fee will be prorated based on the number of days remaining in the quarter. If the agreement is terminated prior to the end of the fee period, HAI shall be entitled to a prorated fee based on the number of days during the fee period services were provided.

The fee schedule, which includes compensation of HAI for the services is described in detail in the ERISA Plan Agreement. The Plan is obligated to pay the fees, however the Plan Sponsor may elect to pay the fees. Each Client may elect to be billed directly or have fees deducted from Plan Assets. HAI does not reasonably expect to receive any additional compensation, directly or indirectly, for its services. If additional compensation is received, HAI will disclose this compensation, the services rendered, and the payer of compensation.

#### B. Payment of Fees

Asset Management Fees are deducted directly from the Client's Account.

Sub-Advisor Fees are deducted directly from the Client's Account.

ERISA Fees are deducted directly from the Client's Account.

For TPM services, the method of payment will be disclosed in the TPM's Form ADV Part 2.

HAI, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.).

For all services, Clients may terminate their engagement with HAI within five (5) business days of signing an Agreement with no obligation and without penalty. After the initial (5) business days, the Agreement may be terminated by HAI with thirty (30) days written notice to Client and by the Client at any time with written notice to HAI. For accounts opened or closed mid-billing period, fees will be prorated based on the days services are provided during the given period. All unpaid earned fees will be due to HAI. Additionally, all unearned fees will be refunded to the Client. Any increase in fees will be acknowledged in writing by both parties before any increase in said fees occurs.

C. Additional Fees and Conflicts of Interest

The Custodian and Broker/Dealer will charge fees and make money on your account based on the account type and account activity. These fees will be disclosed to you in your Broker/Dealer customer agreement which you will execute directly with the custodian and Broker/Dealer ("Brokerage Customer Agreement"). These fees are not charged by us, they are in addition to the advisory fee you pay to us, and they are subject to the terms of your Brokerage Customer Agreement between you, the custodian and Broker/Dealer. However, the Broker/Dealer Huntleigh Securities Corporation ("HSC") is our affiliate, which creates a conflict of interest. Because our affiliated Broker/Dealer will make money on your account, we will receive an indirect benefit, and therefore we have a conflict of interest where we are incented to recommend using HSC as your Broker/Dealer, and to recommend you avail yourself to products and services of HSC which will make HSC the most money. While these fees are in addition to the management fee you pay to HAI, they will be disclosed in your Brokerage Customer Agreement which will be between you, the Broker/Dealer, and the custodian.

**In addition, please note that trades made within HAI's *MindShare Microcap and Smallcap strategies* charge you a substantially higher transaction fee (which will be reflected on your trade confirmations provided by the Broker/Dealer), per trade, than those trades made through the *Traditional or Individual Strategy Programs* as the trades are "broker-assisted" and hence, have a higher transaction fee associated. This creates a conflict of interest which would incent us to recommend that you invest your money in the MindShare Microcap and Smallcap strategies since they make our affiliated Broker/Dealer (HSC) more money per trade. Also, because you will pay a transaction fee on each transaction in any of our portfolios, the custodian and Broker/Dealer will benefit financially whenever we make trades. This creates a conflict of interest that incents us to make more trades in your account, so that the custodian and Broker/Dealer will make more money. HSC's relationship with the custodian improves when it is more profitable, and HSC is our affiliate. This also creates a conflict of interest which incents us to make more trades in your account so that HSC can enjoy a better relationship with its custodian.**

By way of example only, additional revenue our affiliated Broker/Dealer makes on you or your account includes (but is not limited to):

1. Commissions on non-advisory brokerage accounts
2. Transaction fees
3. Margin Interest
4. Interest on securities-backed loan products offered through the Broker/Dealer
5. 12b-1 fees on non-advisory brokerage accounts
6. Other fees on the purchases/sales of securities and/or account activity which will be detailed in your Brokerage Customer Agreement between you, the Broker/Dealer, and the custodian.
7. Revenue from the Cash Sweep/Money Market Program selected (some of these programs will pay the Broker/Dealer more money and pay you less interest)

This is not an exhaustive list, and because these fees and revenue sources are products of the custodian and Broker/Dealer, they are fully disclosed in the Brokerage Customer Agreement which you will execute with the Broker/Dealer and the custodian. Furthermore, all of these fees and revenue sources are paid by you, and are in addition to the management fees you pay to HAI. Again, because these products make our affiliate more money, we have a conflict of interest where we are incented to recommend our affiliated Broker/Dealer as the

**Broker/Dealer on your account, and to recommend services and products which might make our affiliate more money (e.g. cash sweep product selection).**

For more details on the brokerage practices, see Item 12 of this brochure.

**D. Prepayment of Fees**

Asset Management Fees are due in advance.

**E. External Compensation for the Sale of Securities**

Certain Investment Advisor Representatives of HAI may also be affiliated with Broker/Dealers. This practice represents a conflict of interest because it gives them an incentive to refer Clients to a specific Broker/Dealer depending on the fee amount received. This conflict is mitigated by disclosures, procedures and HAI's fiduciary obligation to place the best interest of the Client first. Moreover, Clients are not required to engage the Broker/Dealer or its representatives if they do not wish to. More information on this can be found in the respective Investment Advisor Representative's Form U4 and ADV 2B.

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

Fees are not based on a share of the capital gains or capital appreciation of managed securities. HAI does not use a performance-based fee structure nor "side-by-side" management because of the conflict of interest. Performance based compensation may create an incentive for HAI to recommend an investment that may carry a higher degree of risk to the Client.

**Item 7 – Types of Clients & Account Minimums**

HAI's Clients are generally individuals, small businesses, charities, trusts, estates, high net-worth individuals, Client relationships vary in scope and length of service.

There is no minimum account size and Clients are not required to have a certain amount of investment experience or sophistication.

**Item 8 – Methods of Analysis, Investment Strategies, Investment Tools, and Risk of Loss**

**A. Methods of Analysis and Investment Strategies**

Investing in securities involves risk of loss that Clients should be prepared to bear. Past performance is not a guarantee of future returns. Security analysis methods may include:

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

Charting analysis strategy involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in using this method is that only past

performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are twofold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

Quantitative analysis deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

The main sources of information include financial newspapers and magazines, annual reports, prospectuses, and filings with the SEC.

TPMs utilized by HAI may use various methods of analysis to determine the proper strategy for the Client referred and these will be disclosed in the TPM's Form ADV Part 2. Investing in securities involves risk of loss that Clients should be prepared to bear. Past performance is not a guarantee of future returns. Other strategies utilized by TPMs may include long-term purchases, short-term purchases, trading, and option writing (including covered options, uncovered options or spreading strategies).

#### B. Investment Strategy

The investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time by providing written notice to HAI. Each Client executes a Client profile form or similar form that documents their objectives and their desired investment strategy.

#### C. Risks of Investments and Strategies Utilized

**Investing in securities involves risk of loss that Clients should be prepared to bear. Investors may face the following investment risks:**

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, leverage, and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**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, causing their market values to decline.

**Inflation Risk.** When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk.** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Management Risk.** The advisor's investment approach may fail to produce the intended results. If the advisor's assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the Client's portfolio may suffer.

**Options Trading.** The risks involved with trading options are that they are very time sensitive investments. An options contract is generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires). Additionally, options are less tangible than some other investments. An option is a "book-entry" only investment without a paper certificate of ownership.

**Trading on Margin.** In a cash account, the risk is limited to the amount of money that has been invested. In a margin account, risk includes the amount of money invested plus the amount that has been loaned. As market conditions fluctuate, the value of marginable securities will also fluctuate, causing a change in the overall account balance and debt ratio. As a result, if the value of the securities held in a margin account depreciates, the Client will be required to deposit additional cash or make full payment of the margin loan to bring the account back up to maintenance levels. Clients who cannot comply with such a margin call may be sold out or bought in by the brokerage firm.

**Exchange-Traded Funds.** ETFs are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying reference units; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**Mutual Fund Risks.** An investment in mutual funds could lose money over short or even long periods. A mutual fund's share price and total return are expected to fluctuate within a wide range, like the fluctuations of the overall stock market.

**Common Stocks and Equity-Related Securities.** Certain ETFs or mutual funds hold common stock. Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors which may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants, and options may also vary widely.

**Small- and Mid-Cap Risks.** Certain ETFs and mutual funds hold securities of small- and mid-cap issuers. Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial

resources. They may be subject to high volatility in revenues, expenses, and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments, and to market rumors than are the market prices of large-cap issuers.

**Futures, Commodities, and Derivative Investments.** Certain ETFs and mutual funds hold commodities, commodities contracts, and/or derivative instruments, including futures, options and swap agreements. The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts, and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options, and swap agreements also depends upon the price of the commodities underlying them. In addition, Client assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Non-U.S. Securities.** Certain ETFs and mutual funds hold securities of non-U.S. issuers. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility, and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards, and requirements comparable to or as uniform as those of U.S. issuers.

**Emerging Markets.** Certain ETFs and mutual funds hold securities of emerging markets issuers. In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices, and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

**Capitalization Risks.** Investing in Companies within the same market capitalization category carries the risk that the category may be out of favor due to current market conditions or investor sentiment.

**Market Risks.** Turbulence in the financial markets and reduced liquidity may negatively affect the Companies, which could have an adverse effect on each of them. If the securities of the Companies

experience poor liquidity, investors may be unable to transact at advantageous times or prices, which may decrease the Company's returns. In addition, there is a risk that policy changes by central governments and governmental agencies, including the Federal Reserve or the European Central Bank, which could include increasing interest rates, could cause increased volatility in financial markets, which could have a negative impact on the Companies. Furthermore, local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the Companies. For example, the rapid and global spread of a highly contagious novel coronavirus respiratory disease, designated COVID-19, has resulted in extreme volatility in the financial markets and severe losses; reduced liquidity of many Companies' securities; restrictions on international and, in some cases, local travel; significant disruptions to business operations (including business closures); strained healthcare systems; disruptions to supply chains, consumer demand and employee availability; and widespread uncertainty regarding the duration and long-term effects of this pandemic. Some sectors of the economy and individual issuers have experienced particularly large losses. In addition, the COVID-19 pandemic may result in a sustained economic downturn or a global recession, domestic and foreign political and social instability, damage to diplomatic and international trade relations and increased volatility and/or decreased liquidity in the securities markets. The Companies' values could decline over short periods due to short-term market movements and over longer periods during market downturns.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with HAI.**

### **Item 9 – Disciplinary Information**

HAI and its management have not been involved in any criminal or civil actions, administrative or self-regulatory enforcement proceedings, nor any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of HAI or the integrity of its management.

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

#### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Investment Advisor Representatives of HAI may also be affiliated with Broker/Dealers. This practice represents a conflict of interest because it gives them an incentive to refer Clients to a specific Broker/Dealer depending on the fee amount received. This conflict is mitigated by disclosures, procedures and HAI's fiduciary obligation to place the best interest of the Client first. Moreover, Clients are not required to engage the Broker/Dealer or its representatives if they do not wish to. More information on this can be found in the respective Investment Advisor Representative's Form U4 and ADV 2B.

#### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither HAI nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor.

#### **C. Relationships Material to this Advisory Business and Conflicts of Interest**

Investment Advisor Representatives of HAI receive external compensation from sales of investment related services as Insurance Agents and/or Investment Advisor Representatives of other Investment Advisors. Investment Advisor Representatives of HAI may also be licensed with our affiliated Broker/Dealer, HSC. Those Representatives receive external compensation from HSC for



their non-advisory accounts. This represents a conflict of interest because it gives an incentive to recommend brokerage products and services based on the compensation amount received. This conflict is mitigated by disclosures, procedures, and HAI's fiduciary obligation to place the best interest of the Client first. Moreover, Clients are not required to engage either Insurance Agent or Agency, Broker/Dealer, or Investment Advisor or its representatives if they do not wish to. More information on this can be found in the respective Investment Advisor Representative's Form U4 and ADV 2B.

In addition, we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete, and relevant client background information, including the client's financial goals, objectives, and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having reasonable and independent basis for the investment advice provided to a client.

**D. Selection of Other Advisors or Managers**

Clients placed with TPMs will be billed in accordance with the TPM's fee schedule which will be disclosed to the Client prior to signing an agreement. When referring Clients to a TPM, the Client's best interest will be the main determining factor of HAI. HAI ensures that before selecting other advisors for Client that the other advisors are properly licensed or registered as an investment advisor.

These practices represent conflicts of interest because HAI is paid a Solicitor Fee for recommending the TPMs and may choose to recommend a particular TPM based on the fee HAI is to receive. This conflict is mitigated by disclosures, procedures and HAI's fiduciary obligation to act in the best interest of his Clients. Clients are not required to accept any recommendation of TPMs given by HAI and have the option to receive investment advice through other money managers of their choosing.

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

**A. Code of Ethics**

The affiliated persons (affiliated persons include employees and/or independent contractors) of HAI have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of HAI affiliated persons and addresses conflicts that may arise. The Code defines acceptable behavior for affiliated persons of HAI. The Code reflects HAI and its supervised persons' responsibility to act in the best interest of their Client.

One area which the Code addresses is when affiliated persons buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our Clients. We do not allow any affiliated persons to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our Clients.

HAI's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other affiliated person, officer or director of HAI may recommend any transaction in a security or its derivative to advisory Clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

HAI's Code is based on the guiding principle that the interests of the Client are our top priority. HAI's officers, directors, advisors, and other affiliated persons have a fiduciary duty to our Clients and must diligently perform that duty to maintain the complete trust and confidence of our Clients. When a conflict arises, it is our obligation to put the Client's interests over the interests of either affiliated persons or the company.

The Code applies to "access" persons. "Access" persons are affiliated persons who have access to non-public information regarding any Clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to Clients, or who have access to such recommendations that are non-public.

HAI will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

**B. Recommendations Involving Material Financial Interests**

Neither HAI nor its related persons recommend to Clients, or buys or sells for Client accounts, securities in which HAI or a related person has a material financial interest.

**C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

HAI and its affiliated persons may buy or sell securities that are also held by Clients. In order to mitigate conflicts of interest such as trading ahead of Client transactions, affiliated persons are required to disclose all reportable securities transactions as well as provide HAI with copies of their brokerage statements.

The Chief Compliance Officer of HAI is Christopher O'Connell. They review all trades of the affiliated persons each quarter. The personal trading reviews ensure that the personal trading of affiliated persons does not affect the markets and that Clients of HAI receive preferential treatment over associated persons' transactions.

**D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

HAI may maintain a firm proprietary trading account. From time to time HAI, for instance, will place trades and hold securities in the account in an attempt to earn better than money market rates. In order to mitigate conflicts of interest such as front running, a copy of the custodian statement will be provided to the Chief Compliance Officer for review.

The Chief Compliance Officer of HAI is Christopher O'Connell. They review all trades of the affiliated persons each quarter. The personal trading reviews ensure that the personal trading of affiliated

persons does not affect the markets and that Clients of HAI receive preferential treatment over associated persons' transactions.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select or Recommending Broker/Dealers**

HAI may recommend the use of a specific broker/dealer, or may utilize a broker/dealer of the Client's choosing. HAI will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees, quality of customer service, and reporting ability. HAI relies on the broker/dealer to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by HAI.

#### **1. Research and Other Soft Dollar Benefits**

HAI does not receive soft dollar benefits.

#### **2. Brokerage for Client Referrals**

HAI does not receive Client referrals from any custodian or third party in exchange for using that broker/dealer or third party.

#### **3. Directed Brokerage**

In circumstances where a Client directs HAI to use a certain Broker/Dealer, HAI still has a fiduciary duty to its Clients. The following may apply with Directed Brokerage: HAI's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among Clients and conflicts of interest arising from brokerage firm referrals.

Investment advisors who manage or supervise Client portfolios have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to affect the transaction where a large block is involved, the operational facilities of the broker/dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

### **B. Aggregating Trading for Multiple Client Accounts**

When a Client authorizes discretionary management, HAI is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of HAI. All Clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a prorated basis. If aggregation is not allowed or infeasible and individual transactions occur (e.g., withdrawal or liquidation requests, odd-late trades, etc.) an account may potentially be assessed higher costs or less favorable prices than those where aggregation has occurred.

## **Item 13 – Review of Accounts**

### **A. Frequency and Nature of Periodic Review and Who Makes Those Reviews**

Account reviews are performed regularly by the Chief Compliance Officer of HAI. Account reviews are performed more frequently when market conditions dictate. Reviews of Client accounts include,

but are not limited to, a review of reports that take into account the Client's documented risk tolerance, adherence to account objectives, investment time horizon, and suitability criteria.

**B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Other conditions that may trigger a review of Clients' accounts are changes in the tax laws, new investment information, and changes in a Client's own situation

**C. Content and Frequency of Regular Reports**

Clients receive written account statements no less than quarterly for managed accounts. Account statements are issued by the Client's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs. Most Broker/Dealers, including HSC, allow a customer to opt out of receiving confirmations for each transaction. HAI may also send periodic or other event-inspired reports based on market or portfolio activity. Reports will generally be provided in electronic format.

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

**A. Economic Benefits Provided by Third Parties**

HAI receives a portion of the fees collected by the Third Party Money Managers (TPM) to whom HAI refers Clients. This situation creates a conflict of interest because HAI and/or its Investment Advisor Representative have an incentive to decide what TPM to use because of the higher portion of fees to be received by HAI. However, when referring Clients to a TPM, the Client's best interest will be the main determining factor of HAI.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

HAI does not compensate for Client referrals.

### **Item 15 – Custody**

All assets are held at qualified custodians, which means the custodians provide account statements directly to Clients at least quarterly. Clients are urged to compare the account statements received directly from their custodians to any documentation or reports prepared by HAI.

HAI is deemed to have limited custody solely because advisory fees are directly deducted from Client's accounts by the custodian on behalf of HAI. HAI will obtain written authorization from Client to allow for such deductions.

### **Item 16 – Investment Discretion**

If applicable, Client will authorize HAI discretionary authority, via the Advisory Agreement, to determine, without obtaining specific Client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. If applicable, Client will authorize HAI discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement. If however, consent for discretion is not given, HAI will obtain prior Client approval before executing each transaction.

HAI allows Clients to place certain restrictions, as outlined in the Client's Investment Policy Statement or similar document. Such restrictions could include only allowing purchases of socially conscious investments. These restrictions must be provided to HAI in writing.

## **Item 17 – Voting Client Securities**

### ***Clients That Provide Proxy Voting Authority to HAI***

We vote proxies, or abstain from voting, for all Client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account. We will vote or refrain from voting proxies in the best interests of our Clients and in accordance with our established policies and procedures. HAI will use a third party, such as Broadridge, in order to cast and retain records of various proxy votes. If HAI has a conflict of interest in voting a particular action, we will notify the Client of the conflict and retain an independent third-party to cast a vote. Clients may obtain a copy of our complete proxy voting policies and procedures by contacting our chief compliance officer. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the Client. HAI will neither advise nor act on behalf of the Client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, Clients may direct us to transmit copies of class action notices to the Client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the Plan Sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, Clients should contact our Chief Compliance Officer by telephone, email, or in writing. You can instruct us to vote a proxy according to particular criteria (for example, to vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing.

### ***Clients That Retain Proxy Voting Authority***

If you do not grant us proxy voting authority, you may receive proxies and other solicitations directly from the custodian or a transfer agent. Typically, we do not provide advice on proxy voting issues when a client retains proxy voting authority.

### ***Class Action Lawsuits***

We occasionally receive notifications that securities held in your account are the subject of a class action lawsuit. We contract with a third-party, Broadridge, to handle such cases. Any payment distributions will be sent directly to the account holder's address on file. We will neither advise nor act on behalf of the Client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, Clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 – Financial Information**

HAI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy petition.

### **A. Balance Sheet**

HAI does not require nor solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

B. Financial Condition

At this time, neither HAI nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

HAI has not been the subject of a bankruptcy petition in the last ten years.