

## HEACOCK & JONES FINANCIAL SERVICES, INC.

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March 31, 2022

### FORM ADV PART 2A - BROCHURE

This brochure provides information about the qualifications and business practices of Heacock & Jones Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 563-585-1400 or 800-498-3403. 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.

Additional information about Heacock & Jones Financial Services, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Heacock & Jones Financial Services, Inc. is 115762.

Heacock & Jones Financial Services, Inc. is a Registered Investment Advisor with the SEC pursuant to the Investment Advisors Act of 1940. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

#### **Summary of Material Changes**

This annual update to the Heacock & Jones Form ADV Part 2 Brochure contains the following material changes from the previous brochure dated March 31, 2021:

*Methods of Analysis, Investment Strategies and Risk of Loss:* Investment Strategy, Fixed Income Investment Style and Stock Investment Style have been updated to reflect changes made to our investment philosophy based on our strategic outlook.

*Client Referrals and Other Compensation:* Reference to paid solicitors has been removed.

We will further provide you with a new Brochure, free of charge, as necessary based on changes or new information, at any time. Currently, our Brochure may be requested, free of charge, by contacting Sharon Kluesner at 563-585-1400 or 800-498-3403 or by e-mail at [skluesner@heacockjones.com](mailto:skluesner@heacockjones.com).

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## **Advisory Business**

Form ADV Part 2A, Item 4

Heacock & Jones Financial Services, Inc. (Heacock & Jones) is an investment advisory firm offering discretionary and non-discretionary portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, corporations, and charitable/non-profit organizations.

Approximately 99% of our professional effort and billings are from providing clients with discretionary investment supervisory services. The remaining 1% of the firm's professional efforts and billings are from providing clients with non-discretionary investment services. Under a Discretionary Asset Management Agreement, continuous monitoring and investment advice is provided to the client, whereas in a Non-Discretionary Asset Management Agreement, review and advice is provided as requested.

Heacock & Jones offers advice on a variety of investment vehicles; including Equity Securities, both exchange listed and securities traded over the counter; Warrants; Corporate Debt Securities; Certificates of Deposit; Municipal Securities; Mutual Funds; Exchange Traded Funds; United States Government Securities; Options Contracts on Securities; Interests in partnerships investing in real estate or gas interests; or any other products that are appropriate for a client based on their individual needs and/or goals.

Heacock & Jones tailors advisory services to the client's individual needs. When a client is engaged, a detailed discovery session takes place resulting in the creation of an Investment Policy Statement. The Investment Policy Statement defines the client's objectives, constraints, and the target asset allocation. It also includes detailed information about the client's income, risk tolerance, liquidity needs, investment horizon, tax considerations, legal considerations, insurance needs and unique considerations. This information is then used to determine the appropriate investment portfolio design. The Investment Policy Statement is continuously revised as the client's needs and objectives change.

Heacock & Jones Financial Services, Inc. was founded in 2000 by Paul Heacock, who is the principal owner. Heacock & Jones is located in Dubuque, Iowa.

### **Assets Under Management as of December 31, 2021**

Discretionary:	\$418,624,556
Non-Discretionary:	<u>\$ 220,804</u>
TOTALS	\$418,845,360

## **Fees and Compensation**

Form ADV Part 2A, Item 5

Heacock & Jones Financial Services, Inc. offers investment advisory services for a fee based on the percentage of assets under management, hourly charges, or a fixed fee. Approximately 99% of the advisory billings are from fees charged as a percentage of assets under management.

The fee schedule for Discretionary Asset Management Services is as follows:

<b>Assets under Management</b>	<b>Maximum Annual Fees</b>
Up to \$1,000,000	1.50%
\$1,000,001 - \$3,000,000	1.25%
\$3,000,001 and Up	Negotiable

For Non-Discretionary Asset Management Services, the fee schedule is as follows:

<b>Assets under Management</b>	<b>Maximum Annual Fees</b>
Up to \$5,000,000	1.00%
\$5,000,001 - \$10,000,000	0.75%
\$10,000,001 and Up	Negotiable

The fee schedules are used as guidelines. Fees are negotiable based on account size, service requirements and other factors. Once the fee is agreed upon, the fee is included as part of the client's Asset Management Agreement. Actual fees are generally less than the maximum fees listed in the schedules. Heacock & Jones' clients typically authorize the account custodian to debit their client account for Heacock & Jones investment advisory fee and to directly remit that management fee to Heacock & Jones. Clients can also choose to be billed for fees incurred, instead of deducting fees from their assets under management. All fees are charged quarterly, in arrears. No fees are prepaid.

Heacock & Jones does not have custody of the client's funds or securities. The client must provide written authorization to the custodian permitting Heacock & Jones to deduct the fees. Heacock & Jones provides the client and the custodian a billing statement showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner that the fee was calculated. The custodian sends the client a statement, at least quarterly, which details all amounts disbursed from the account including the amount of advisory fees paid directly to Heacock & Jones.

Clients may also incur fees charged by the account custodian that are separate from and are not paid to Heacock & Jones. Custodians may charge transaction fees/commissions for individual securities transactions. These fees typically range from \$0 to \$15 per transaction. Mutual fund and exchange traded fund companies charge internal fees and expenses. Certain mutual funds also impose fees if they are sold prior to their short-term holding periods. These fees and expenses are detailed in each fund's prospectus. **(For more information on the custodian, see Item 12 – Brokerage Practices.)**

If a client terminates the relationship with Heacock & Jones during a quarterly billing period, the fee is pro-rated for the time the account was opened and is billed in the same manner as a normal quarterly fee would be billed based on the client's management agreement.

Heacock & Jones may provide non-discretionary investment management services to clients for investment products purchased from other brokers or agents who are not affiliated with Heacock & Jones; including but not limited to employer sponsored retirement plans, variable life insurance products, and annuities. In these cases, the investment products are excluded from the management fee calculation. Clients are not charged a management fee for outside assets.

### ***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

Heacock & Jones does not base its fees on a share of capital gains or capital appreciation of assets, or a percentage of the income earned. Fees are based on the market value of the assets.

## ***Types of Clients***

Form ADV Part 2A, Item 7

Heacock & Jones provides investment advice to different types of clients, individuals, high net worth individuals, pension and profit-sharing plans, corporations, and charitable/non-profit organizations.

Although the guideline for minimum account relationships is set at \$250,000, referrals from existing clients are not declined. Referrals are an important part of how new business is developed.

All clients are required to enter into an Investment Management Agreement with Heacock & Jones prior to receiving any services.

## ***Methods of Analysis, Investment Strategies and Risk of Loss***

Form ADV Part 2A, Item 8

Portfolios are designed to align the client's goals with a prudent allocation of their capital among the major asset classes including stocks, bonds, and money market funds, while at the same time working to minimize the risk inherent when investing in the financial marketplace.

### **Fixed Income Investment Style**

The fixed income portion of an asset allocation is intended to produce income needed and compound interest to contribute stability to the portfolio.

The bond portion of the investment accounts is designed with the intention of providing favorable sources of income and capital preservation, while at the same time outperforming the common bond market benchmark, the Barclays Aggregate Bond Index. Bond portfolios are typically diversified using a combination of individual fixed income securities and bond funds which invest in government bonds, corporate bonds, preferred stocks, and municipal bonds. The primary risks associated with bond investments include *interest rate risk*, which is managed by increasing the duration of the bond maturities when interest rates are declining and reducing the duration of the bond maturities when interest rates are increasing; and *credit risk* which is effectively managed by reducing the exposure to corporate credits when entering periods of economic uncertainty and increasing exposure when emerging from periods of economic uncertainty. Additional risks associated with bond investments include liquidity risk and call risk. See *Summary of Material Risks* section below for details of each risk.

### **Stock Investment Style**

The stock portion of an asset allocation is intended to create growth. Our style is to manage the risk and reward tradeoff between growth versus value, small companies versus large companies and international companies. The stock portfolio design is intended to gain exposure to each of the major stock asset classes. We utilize national money managers who are specialists in each of their respective asset classes; complimented by the selection of exchange traded funds which emulate the returns of each asset class and sector.

The stock portion of the investment accounts are designed with the intention of outperforming the common stock market benchmarks including the Wilshire 5000 and the Morgan Stanley Capital International Europe Australia Far East indexes (MSCI EAFE). Stock portfolios are typically diversified across the major asset classes including Large Company Growth funds, Large Company Value funds, Small Company Growth funds, Small Company Value funds and International funds. Further diversification is achieved by sector indexes including Consumer Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Healthcare, Industrials, Materials, Real Estate, Technology and Utilities. The primary risks associated with the stock investments include asset allocation risk, concentration risk, equity risk, ETF risk and market risk. See *Summary of Material Risks* section below for details of each risk.

#### **Summary of Material Risks**

Heacock & Jones does not offer products or services that guarantee rates of return on investments for any time period to any client. Investing in securities involves risk that clients should be prepared to bear. Client accounts are subject to general market risk. The value of securities held in client accounts will tend to fluctuate in response to movements in the market. Specific risks include:

**Asset Allocation Risk.** Account performance depends upon how assets are allocated and reallocated, and an investor could lose money because of these allocation decisions and related constraints. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

**Call Risk.** Fixed income securities will be subject to the risk that an issuer may exercise its right to redeem (call) a fixed income security earlier than expected. Issuers may call outstanding securities prior to their maturity for several reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that a client holds, the client may not recoup the full amount of its initial investment or may not realize the full anticipated earnings from the investment and may be forced to reinvest in lower yielding securities or securities with less favorable features.

**Concentration Risk.** A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) may be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy may fluctuate more than a less concentrated portfolio.

**Credit Risk.** Debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults or restructured debt obligations. Such non-payments and defaults may reduce the value of, or income distributions from, a client portfolio. The value of a fixed income security also may decline because of concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations may be lowered if the financial condition of the party obligated to make payments with respect to such instrument's changes. Credit ratings assigned by rating agencies are based on several factors and do not necessarily reflect the issuer's current financial condition, volatility, maturity, or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. To enforce its rights in the event of a default, bankruptcy or similar situation, a client may be required to retain legal or similar counsel at their own expense.

**Equity Risk.** Portfolios may be sensitive to stock market volatility and some stocks within a client's portfolio may be more volatile than the market as a whole. The value of stocks and related instruments may decline in response to conditions affecting the general economy; overall market changes; local, regional, or global political, social or economic instability; and currency, interest rate and commodity price fluctuations, as well as issuer or sector specific events. Market conditions may affect certain types of stocks (such as large-cap or growth stocks) to a greater extent than other types of stocks. During broad stock market declines the value of a portfolio will also likely decline and, although stock values can rebound, there is no assurance that values will return to previous levels.

**ETF Risk.** Investing in an exchange-trade fund (ETF) exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro-rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on market demand, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. A client account may not be able to liquidate ETF holdings at the time and price desired, which may impact performance.

**Interest Rate Risk.** As interest rates rise, the value of a client portfolio invested primarily in fixed income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more price sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, the portfolio manager may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return.

**Liquidity Risk.** A client portfolio is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. Consequently, the client portfolio may have to accept a lower price to sell an investment or continue to hold it or keep the position open, sell other investments to raise cash or give up an investment opportunity, any of which could have a negative effect on the portfolio's performance. These effects may be exacerbated during times of economic, financial, or political stress.

**Market Risk.** Economic and other events (whether real or perceived) can reduce the demand for certain securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which will impair the ability of the portfolio manager to sell or to realize the full value of such investment in the event of the need to liquidate such assets. Adverse market conditions can impair the liquidity of some actively traded investments.

#### **Sources of Information**

Our primary resource for the selection of securities is an intense in-house screening process involving fundamental, technical, charting, and cyclical analysis. We utilize data obtained from many different sources including, but not limited to; financial newspapers and magazines, research materials prepared by ourselves and others, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission and company press releases.

### ***Disciplinary Information***

Form ADV Part 2A, Item 9

No disciplinary information is applicable to Heacock & Jones Financial Services, Inc.

## ***Other Financial Industry Activities and Affiliations***

Form ADV Part 2A, Item 10

Heacock & Jones and its management persons are not registered as a broker-dealer and do not have any applications pending to register as a broker-dealer. Heacock & Jones and its management persons are not registered as and do not have any applications pending to be registered as futures commission merchants, commodity pool operators, commodity trading advisors. Heacock & Jones and its management persons do not have any associations with any of the foregoing entities.

### Life & Health Insurance Products

Some of Heacock & Jones supervised persons are also licensed insurance agents with various insurance companies, and in such capacity, may recommend the purchase of life and/or health insurance products. Heacock & Jones does permit supervised persons, in their individual capacities as licensed insurance agents, to sell insurance products to investment advisory clients. Heacock & Jones acknowledges that a conflict of interest exists to the extent that a supervised person recommending the purchase of an insurance product may receive a commission or other compensation for the recommendation.

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

Form ADV Part 2A, Item 11

### **Code of Ethics**

Heacock & Jones developed a Code of Ethics in July of 2004, pursuant to the SEC Rule 204-A-1, which is reviewed and updated each year. The Advisors Act imposes a fiduciary duty on investment advisors. As a fiduciary, Heacock & Jones Financial Services, Inc., and its investment advisor representatives have a duty of utmost good faith to act solely in the best interest of their clients and make full and fair disclosure of all material facts, where the advisor's interest may conflict with the client's. This fiduciary duty is the core principle underlying our Code of Ethics and represents the expected basis of all our dealings with clients.

A copy of our Code of Ethics will be provided to clients upon request. All supervised persons at Heacock & Jones are required to acknowledge the terms of the Code of Ethics on an annual basis or as amended. You may request a copy by contacting Sharon Kluesner by phone at 563-585-1400 or by e-mail at [skluesner@heacockjones.com](mailto:skluesner@heacockjones.com).

### **Participation or Interest in Client Transactions**

Related persons of Heacock & Jones maintain investment accounts and utilize investment advisory services of Heacock & Jones. Therefore, there are occasions when securities are bought or sold for the related persons accounts and client accounts. In these cases, trades are allocated among the accounts in a fair and equitable manner, avoiding any preferences to any individual accounts. Further, our Code of Ethics requires that we put client's interests ahead of our own. We maintain investment and trade allocation policies and procedures designed to address these conflicts of interest. Heacock & Jones and its employees do not recommend, buy or sell securities for client accounts in which Heacock & Jones has a material financial interest.

### **Personal Trading**

Heacock & Jones has also adopted a firm wide policy for monitoring the activity in all personal accounts of all related persons. All related persons are required to report their personal securities transactions and holdings to the Compliance Officer within 10 days of each calendar quarter end.



## Brokerage Practices

Form ADV Part 2A, Item 12

Heacock & Jones does not maintain custody of client's assets, although we may be deemed to have custody if the client gives us authority to withdraw assets from their account (**Item 15 – Custody**). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. Heacock & Jones is independently owned and operated and is not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to. While Heacock & Jones recommends clients use Schwab as custodian/broker, clients will decide whether to do so and will open their accounts with Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (**Client referrals and other compensation**). Clients should consider these conflicts of interest when selecting a custodian. Heacock & Jones does not open the account for the clients, although we may assist clients in doing so. Even though client accounts are maintained at Schwab, and we anticipate that most trades will be executed through Schwab, we can still use other brokers to execute trades for client accounts (see **Brokerage and Custody Costs**).

### Selecting Brokers/Custodians

Heacock & Jones seeks to use a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services.

Heacock & Jones considers a wide range of factors in this selection process including:

- ☐ Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- ☐ Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- ☐ Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- ☐ Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- ☐ Availability of investment research and tools that assist us in making investment decisions
- ☐ Quality of services
- ☐ Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- ☐ Reputation, financial strength, security, and stability
- ☐ Prior service to us and other clients
- ☐ Services delivered or paid for by Schwab
- ☐ Availability of other products and services that benefit us, as discussed below (see **Products and Services Available to Us from Schwab**)

### Brokerage and Custody Costs

For client accounts that Schwab maintains, Schwab, as custodian, generally does not charge separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into Schwab accounts. Certain trades (for example, many mutual funds and ETFs) may not incur any Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account under Schwab's Cash Features Program. In addition, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize trading costs, Heacock and Jones will have Schwab execute most trades for client accounts.

We are not required to select the broker/dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other broker/dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see **How We Select Brokers/Custodians**). By using another broker/dealer, clients may pay lower transactions costs.

#### **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like Heacock & Jones. They provide our firm and clients with access to their institutional brokerage services — trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Heacock & Jones to manage or administer clients’ accounts, while others help us to manage and grow our business. Schwab’s support services generally are available on an unsolicited basis and at no charge to us. Following is a more detailed description of Schwab’s support services:

#### **Services That Benefit Clients**

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Heacock & Jones might not otherwise have access or that would require a significantly higher minimum initial investment. Schwab’s services described in this paragraph generally benefit clients and their accounts.

#### **Services That May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit Heacock & Jones but may not directly benefit client accounts. These products and services assist in managing and administering clients’ accounts. These products and services include investment research, both Schwab’s own and that of third parties. Heacock & Jones may use this research to service all or a substantial number of clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- ☐ Provides access to client account data (such as duplicate trade confirmations and account statements)
- ☐ Facilitates trade execution and allocation of aggregated trade orders for multiple client accounts
- ☐ Provides pricing and other market data
- ☐ Facilitates payment of management fees from clients’ accounts
- ☐ Assists with back-office functions, recordkeeping, and client reporting

#### **Services That Generally Benefit Only Us**

Schwab also offers other services intended to help Heacock & Jones manage and further develop its business. These services include:

- ☐ Educational conferences and events
- ☐ Consulting on technology and business needs
- ☐ Consulting on legal and related compliance needs
- ☐ Publications and conferences on practice management and business succession
- ☐ Access to employee benefits providers, human capital consultants, and insurance providers
- ☐ Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party’s fees. If our client accounts were not maintained at Schwab, Heacock & Jones would be required pay for some or all of these products and services.

### **Heacock & Jones Interest in Schwab's Services**

The availability of these services from Schwab benefits Heacock & Jones because we do not have to produce or purchase them. Heacock & Jones does not have to pay for Schwab's services. These services are not contingent upon Heacock & Jones committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these services from Schwab is an incentive to recommend the use of Schwab rather than making a decision based exclusively on client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. Heacock & Jones believes, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of clients. Heacock & Jones selection is primarily supported by the scope, quality, and price of Schwab's services (see **How We Select Brokers/Custodians**) and not Schwab's services that benefit only Heacock & Jones.

### **Directed Brokerage**

Heacock & Jones does not permit clients to choose a specific account custodian or to direct brokerage to a specific broker-dealer. In most cases, Schwab is utilized as the broker-dealer for all transactions and the custodian for all cash and securities held in client accounts. All accounts at the custodian are opened and registered in the name of the client.

### **Allocation of Investment Opportunities**

Heacock & Jones recognizes its duty as a fiduciary to allocate investment opportunities in a fair and equitable manner and not favor client accounts. In general, investment opportunities are made available to all clients that are eligible to participate and where such investment opportunities are deemed to be appropriate for the specific client. Heacock & Jones has established investment and trade aggregation and allocation policies to provide assurance that each client is treated in a fair and equitable manner over the long term and potential or actual conflicts of interest are adequately lessened.

### **Trade Aggregation & Allocation**

Whenever practical, trades will be put in a single block order (aggregated) to obtain the best execution at the best price available. When orders are aggregated, the actual prices applicable to the aggregated orders are averaged and all participating accounts are deemed to have purchased or sold the security involved at that average price. Portfolio Managers create each trade using an order management system. The allocation considerations generally include the client's strategic and tactical asset allocation; the amount of a client's cash on hand to be invested; the duration of a client's cash on hand to be invested and the client's allocation between asset classes.

The allocation guidelines also take into account limitations that generally include limiting a single individual security to not more than 5% of the account's market value; limiting the client's exposure to odd lot sizes; limiting accounts under \$50,000 to medium grade and investment grade securities; limiting accounts under \$100,000 to exclude non-rated securities; limiting the strategic allocation across commodity industries to not more than 10% with a tactical limit of not more than 15%; exercising prudence in limiting the concentration to any one industry and limiting the quantity of any one security to not more than 5% of the security's total issuance.

Heacock & Jones has in place policies and procedures to confirm that trade allocations are placed consistently, and all clients are treated equitably. Advisors are required to document allocation decisions and obtain approval from the Chief Compliance Officer before deviating from the standard policy.

### **Cross Transactions**

Heacock & Jones does not process cross transactions (trading between client accounts) unless such transactions are first approved by the Chief Compliance Officer.

### **Trade Errors**

From time to time, an advisor of Heacock & Jones may make an error in submitting a trade order on behalf of clients. When this occurs, the advisor may place a correcting trade with Charles Schwab (the broker-dealer who has custody of client accounts).

- A. If an investment gain results from the correcting trade, the gain will remain in the client account unless the same error involved another client account that should have received the gain, it is not permissible for the client account to retain the gain, or the client decides to forego the gain (for example – due to tax reasons).

- B. If the gain does not remain in the client account, it is the policy of Charles Schwab to donate any gain of \$100 or more to charity.
- C. If a loss occurs greater than \$100, the loss is incurred by Heacock & Jones.
- D. Schwab will keep any gain or loss under \$100 (if not retained in the client account) to minimize and offset its administrative time and expense.
- E. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

If a trade is allocated to an account incorrectly, the advisor will process a “cancel and re-bill” transaction to move the trade to the corrected account. In this type of correction, clients will receive a confirmation statement from Schwab showing the cancelled trade.

## ***Review of Accounts***

Form ADV Part 2A, Item 13

Client portfolios are reviewed no less often than quarterly and, in most cases, monthly. Reviews are conducted by our Investment Advisors/Portfolio Managers to confirm that account allocations are consistent with each client’s goals and objectives as defined in the client’s Investment Policy Statement.

Reviews are also triggered by factors such as the general economy, market conditions, and changes in investment strategies or client circumstances. Clients may also request reviews at any time by phone, meeting, or e-mail.

Portfolios containing individual securities are reviewed more often than monthly, as the Portfolio Managers implement decisions to buy or sell individual securities. When individual securities owned by multiple accounts are called or reach maturity, accounts are reviewed for replacement purchases.

Clients receive statements from Heacock & Jones on a monthly or quarterly basis. The statements are prepared using the Advent recordkeeping software, Axyx. The reports typically include:

- ☐ Portfolio Appraisal with Yield: This is an inventory of the client’s investment holdings including cost basis and current market value.
- ☐ Performance History: This is a report that shows a client’s rate of return history and contains a graph showing the client’s historical principal balance compared to the market value.
- ☐ Cash Ledger: This is a report that shows the cash activity in the account including interest, dividends, purchases, sales, deposits, and withdrawals.

Clients also receive a statement on a monthly or quarterly basis from the account custodian.

## ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

Heacock & Jones receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. Clients do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the referral arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**).

## ***Custody***

Form ADV Part 2A, Item 15

Under government regulations, Heacock & Jones is deemed to have custody of client assets if, for example, clients authorize Heacock & Jones to instruct Schwab to deduct advisory fees directly from client accounts or if clients grant authority to Heacock & Jones to move money to another person's account. Besides these instances, Schwab maintains actual custody of client assets. Heacock & Jones does not have custody of client funds or securities.

All clients receive statements from the account custodian at least quarterly; as well as from Heacock & Jones. Heacock & Jones urges clients to review and compare the Heacock & Jones statements to those of the account custodian. The Heacock & Jones statement may differ from custodial statements slightly based on accrued interest reporting, valuation practices or reporting dates of non-mutual fund securities. Clients are encouraged to contact us with any questions regarding either statement.

## ***Investment Discretion***

Form ADV Part 2A, Item 16

Heacock & Jones offers Discretionary Asset Management as its primary investment advisory service. As part of the engagement of a client, a Discretionary Asset Management Agreement is prepared and signed by both the advisor and the client. If a client wishes any specific limitations be set on the account, they are noted in this agreement, in the Investment Policy Statement and in our Client Relationship Management software.

## ***Voting Client Securities***

Form ADV Part 2A, Item 17

Heacock & Jones has written and adopted Proxy Voting Policy and Procedures. Heacock & Jones votes proxies on behalf of clients for whom they have Discretionary Authority.

When no conflicts of interest are present, the votes are cast according to the recommendations of the management of the company issuing the proxy. If there is deemed to be a conflict of interest, the vote is reviewed by the Investment Committee. Any proxy issued with any vote that is out of the ordinary is also reviewed by the Investment Committee.

All votes are logged and a voting record for each proxy is maintained for a period of 5 years. Client may obtain a copy of our Proxy Voting Policy and Procedures by contacting Sharon Kluesner by phone at 563-585-1400 or by email at [skluesner@heacockjones.com](mailto:skluesner@heacockjones.com). Requests for information on how a specific proxy was voted can also be made by contacting Sharon Kluesner.

Clients with Non-Discretionary accounts can choose to vote their own proxies when their accounts are opened by choosing that election on their account application. Proxies for which Heacock & Jones does not have voting discretion are noted as such and are maintained with along with the voted proxies.

If at any time, a client wishes to change their election, they can do so by contacting Heacock & Jones. Clients are always encouraged to contact us with any questions they have regarding solicitations.

## ***Financial Information***

Form ADV Part 2A, Item 18

Heacock & Jones has no financial conditions which would impair its ability to meet contractual commitments to its clients.

## ***Requirements for State-Registered Advisors***

Form ADV Part 2A, Item 19

Heacock & Jones is not a State-Registered Advisor.

## ***Privacy Pledge***

Our relationship with you is our most important asset. We understand that you have entrusted us with your private financial information, and we do everything we can to maintain that trust. As you know, we collect personal information to open your accounts, to process your transactions and to help us provide a better level of service. We protect the security and confidentiality of the personal information we collect. Details of our approach to privacy and how your personal information is collected and used are spelled out in the following "Privacy Pledge":

**We do not sell your personal information to anyone.**

**We do not disclose personal information to third parties, unless one of the following limited exceptions applies.**

We disclose personal information to companies that help us process or service your transactions or accounts(s), including companies that print and mail statements for your accounts. We may disclose or report personal information in limited circumstances where we believe in good faith that disclosure is required or permitted under law, for example, to cooperate with regulators or law enforcement authorities. **Outside of these exceptions, we will not share your personal information with third parties unless you have specifically asked us to do so, that is, if you have opted in.**

**We do collect personal information in the normal course of business to administer your accounts and serve you better.**

*Application and registration information.* We collect information that you provide to us when you are interested in our services or when you open an account. The information we collect may include name, address, phone number, email address, date of birth, Social Security number, and information about your interests, investments, and investment experience.

*Transaction information.* Once you have an account with us, to administer your account and better serve you, we collect and maintain personal information about your transactions, including balances, positions, and history, and may include your name or other data in an internal client list that reflects your activities with us.

**We protect the confidentiality and security of your personal information.**

Companies we hire to provide support services are not allowed to use your personal information for their own purposes and are contractually obligated to maintain strict confidentiality. We limit their use of your personal information to the performance of the specific service we have requested. We restrict access to personal information to our employees and agents for business purposes only. All employees are trained and required to safeguard such information. We maintain physical, electronic, and procedural safeguards to guard your personal information.

**We continue to evaluate our efforts to protect personal information and make every effort to keep your information accurate and up to date.**

If you identify any inaccuracy in your personal information, or you need to make a change to that information, please contact us so that we may promptly update our records.

**We will provide notice of changes in our information-sharing practices.**

If, at any time in the future, it is necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change so that you will have the opportunity to opt out of such disclosure.

**If you have any questions about our privacy policy, please call us at either 563-585-1400 or 800-498-3403.**