

**HERITAGE ASSET ADVISORS LTD., LLP**

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**HERITAGE ASSET ADVISORS LTD., LLP  
FORM ADV II - FIRM BROCHURE**

**This brochure provides information about the qualifications and business practices of Heritage Asset Advisors Ltd., LLP. If you have any questions about the contents of this brochure, please contact us at the telephone number listed above.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Heritage Asset Advisors Ltd., LLP is available on the Securities and Exchange Commission website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the Securities and Exchange Commission or other securities regulators does not imply a certain level of skill or training.**

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## **ADVISORY BUSINESS**

### ***Overview***

Heritage Asset Advisors Ltd., LLP (“Heritage”) is an independent investment advisory firm based in Houston, Texas. Heritage was founded in 2007 and is privately held. The firm’s principal owners include Patrick F. Shinn and Anne E. Shinn.

### ***Advisory Services***

Heritage provides investment advisory services related to debt and equity securities, mutual funds, index funds, exchange-traded funds, options, and other investments to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities (collectively, “Client(s)”) through two programs with different levels of service and fees: (i) an **hourly consulting arrangement** and (ii) a **wrap fee program**. A separate wrap fee program brochure will be provided to wrap fee clients, and is available to other interested parties upon request.

#### **(i) Hourly Consulting**

Heritage provides advisory services to a portion of its clients (“Hourly Clients”) through an hourly consulting arrangement. Services may include advice regarding future trades for the Hourly Client to enact, asset allocation changes, periodic rebalancing or any other service requested by the Hourly Client. Upon request from such Hourly Clients, Heritage will meet or confer on an hourly basis, with charges dependent upon the level of Heritage personnel providing the service and due immediately upon provision of consulting services. To become an Hourly Client an individual or organization must:

- Complete a Client Profile that describes the Hourly Client’s financial needs, investment objectives, time horizon, risk tolerance, and personal restrictions on investing in certain securities or types of securities, as well as any other factors relevant to the Client’s specific financial situation (the “Client Profile”) and any other supporting documentation;
- Complete an Hourly Consulting Agreement which requires the Hourly Client to accept responsibility for all transaction, margin, wire and custodial fees; and
- Initiate all services to be provided by Heritage and make the ultimate decision regarding the purchase or sale of investments. Services will only be provided when specifically requested and Hourly Accounts will not be regularly monitored or continuously supervised.

Depending upon the nature of the services requested the Hourly Client may:

- Complete a new account agreement with Charles Schwab & Co., Inc. (“Schwab”) or another custodian / broker-dealer approved by Heritage for participation in the Program (“Custodian”); and
- Open a securities brokerage account with the custodian / broker-dealer (“Account”) and deposit those assets designated for participation into the Account.

#### **(ii) Wrap Fee Program**

The Heritage Asset Advisors Ltd., LLP Wrap Fee Program (“the Program”) is a fee-only investment advisory program sponsored by Heritage. The Program provides Wrap Fee Clients with investment advisory services and the ability to trade in eligible securities without incurring separate brokerage commissions or transaction charges. As further discussed in the ‘Fees & Compensation’ section of this brochure, a portion of the wrap-fee paid to Heritage by the Wrap Fee Client is retained by Heritage for its investment advisory services after paying the Program’s custodian and broker-dealer its asset-based compensation, described in greater detail below.

To join the Wrap Fee Program an individual or organization must:

- Complete a Client Profile that describes the Wrap Fee Client’s financial needs, investment objectives, time horizon, risk tolerance, and personal restrictions on investing in certain securities or types of securities, as well as any other factors relevant to the Client’s specific financial situation (the “Client Profile”) and any other supporting documentation;
- Complete the investment advisory wrap fee agreement (the “Program Agreement”) and become a client (“Wrap Fee Client”) of the Program;
- Complete a new account agreement with Charles Schwab & Co., Inc. (“Schwab”) or another custodian / broker-dealer approved by Heritage for participation in the Program (“Custodian”); and
- Open a securities brokerage account with the custodian / broker-dealer (“Account”) and deposit those assets designated for participation in the Program into the Account.

After an analysis of the information provided by the Client in the Client Profile, Heritage shall assist the Client in developing

an appropriate investment strategy for the assets in their Account (the “Investment Strategy”). Thereafter, Clients will be contacted periodically and are requested to provide Heritage with information regarding changes to their financial situation or investment objectives affecting their Client profile. Heritage shall periodically reassess the current Investment Strategy based on any other information provided by the Client regarding their Client Profile.

#### ***Assets Under Management***

Heritage manages assets on a discretionary and non-discretionary basis. As of 12/31/2021, discretionary and non-discretionary assets under management (including cash) totaled approximately \$246,001,763 and \$891,859 respectively.

#### **FEES & COMPENSATION**

Heritage is compensated for its investment advisory services based on (i) hourly charges (**for Hourly Clients only**) or (ii) a percentage of assets under management (**for Wrap Fee Clients only**).

#### ***Hourly Compensation***

Hourly charges are assessed and due at the close of the meeting (or upon delivery of the service). Charges are based upon the hourly rate of the individual providing the service. Patrick Shinn is billed at \$200/hour, and all other investment advisory personnel at \$100/hour. Hourly Clients are responsible for any brokerage transaction, margin, wire, and custodial costs and fees. Additional information about brokerage fees is provided in the ‘Brokerage Practices’ section of this brochure.

#### ***Wrap Fee Compensation***

Clients in the Wrap Fee Program pay an annualized fee for participation in the Program (the “Program Fee”) ranging between 0.75% and 1.50% of the market value of the assets being managed by Heritage professionals under the Program (see table below). The Program Fee may be negotiable under certain circumstances.

<b>Assets Under Management</b>	<b>Annual Wrap Program Fee</b>
\$0 to \$625,000	1.5%
\$625,001 to \$1,000,000	1.25%
\$1,000,001 to \$3,000,000	1.0%
Greater than \$3,000,000	0.75%

The Program Fee is payable quarterly, in advance, based upon the market value of the assets in the client’s account (the “Account”) as reported by the account custodian on the last day of the previous quarter. Additional deposits and withdrawals of funds and/or securities to the Program may be made to the Account at any time. Program Fees are calculated *pro rata* for partial billing periods (and additions or withdrawals of assets totaling \$10,000 or greater) based upon the value of the assets in the Account and the number of days in the calendar quarter. If the Client terminates their agreement with Heritage, the Program Fee will be assessed *pro rata* and refunded to the Client in a timely manner.

Heritage’s Program Agreement and the Client’s agreement with the Custodian authorize the Custodian to deduct the Program Fee from the Client’s Account and remit it directly to Heritage. In arrangements where the Program Fee is deducted directly from the Client’s Account, the Custodian will send the Participant a statement, at least quarterly, indicating all amounts disbursed from their Account, including the amount of the Program Fee paid directly to Heritage.

Participation in the Program may cost Clients more than purchasing brokerage and advisory services separately. The number of transactions made in an Account, as well as the commission rate charged by a broker-dealer for each transaction, would determine the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. However, Heritage does not generally seek to offer accounts where Clients pay for services on a per transaction basis and the Program Fee may be higher or lower than fees charged by other sponsors of comparable investment

advisory programs. Effective 10/7/19, Schwab eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). We encourage Clients to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide).

Program participants may incur certain charges imposed by third parties in addition to the Program Fee. Such charges include but are not limited to charges imposed directly by a mutual fund, money market fund or exchange traded fund purchased in the Client's Account which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses, including mark-ups and mark-downs), certain deferred sales charges on previously-purchased mutual funds, odd-lot differentials, spreads paid to market makers from whom securities were obtained by the broker-dealer, fees for trades placed away from the Custodian at another broker-dealer, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage and securities transactions.

Heritage is charged an asset-based fee directly by its primary Custodian / Broker-Dealer (Charles Schwab, as noted below in the Other Financial Industry Activities & Affiliations section) which has been negotiated by Heritage. Clients are not separately charged transaction fees in the Wrap Fee Program. The asset-based fee that Heritage pays to Charles Schwab is intended to cover trading costs in the Wrap Fee Program. This asset-based fee does not apply to cash, and therefore, Heritage has a conflict of interest in allocating Client assets to cash in the Program to avoid paying the asset-based fee. Heritage mitigates this conflict of interest by disclosing it to clients. Heritage also believes that this conflict is mitigated by Heritage's desire to increase the value of a Client's portfolio.

#### **PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT**

Heritage accepts hourly and asset-based fees as discussed above. The firm does not currently accept performance-based fees.

#### **TYPES OF CLIENTS**

As previously discussed, Heritage typically provides investment advisory services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and business entities. Heritage does not require any minimum account size.

#### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, & RISK OF LOSS**

Heritage's security analysis includes fundamental, technical, and/or cyclical methods. The firm considers a range of available data on an ongoing basis and does not rely solely on any one strategy or indicator in formulating investment advice. Investment strategies vary by Client, based upon the Client Profile and other information provided by the Client.

Investing in debt and equity securities, mutual funds, index funds, exchange-traded funds, options, and other investments involves a risk of loss that Clients should be prepared to bear.

#### **DISCIPLINARY INFORMATION**

Neither Heritage nor any of its supervised persons have been subject to any disciplinary action.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

Although Heritage is not legally affiliated with any other financial industry participants, it does maintain relationships with the following entities on behalf of its clients.

##### ***Custodian / Brokerage Firms***

Client assets being managed by Heritage must be maintained in an account at a "qualified custodian," as defined under Rule 206(4-2) of the Investment Advisers Act of 1940 (as amended). At present, the firm primarily recommends the usage of Charles Schwab & Co., Inc, a registered broker-dealer and SIPC member for this purpose. Heritage is independently owned and operated and not legally affiliated with Schwab. Clients will open brokerage accounts with Schwab by entering into an account agreement directly with Schwab. Heritage may not open the account for the Client but may assist in doing so. Schwab will hold client assets in the Client's brokerage account and buy and sell securities when instructed by Heritage to do so. Confirmations of transactions executed in the account, tax reporting information, and periodic account statements will all

be sent directly by Schwab to the Client.

In recommending a custodian and/ or broker-dealer, Heritage seeks to select a firm who will hold client assets and execute transactions on terms that are, overall, reasonably most advantageous when compared to other available providers and their services. The firm considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (such as wire transfers, check requests, and bill payment)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.)
- Reputation, financial strength, and stability
- Responsiveness to Heritage and its clients

Heritage recognizes its responsibility to attain “best execution” for its clients (as discussed further in the ‘Brokerage Practices’ section below) and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis.

Although the firm has not entered into any formal soft dollar arrangements, the following is provided in the interest of full disclosure. Heritage receives access to research, proprietary account management and data transmission services offered by brokers and/or the applicable Custodian. Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business which serves independent investment advisory firms like Heritage. Schwab provides Heritage and Heritage clients with access to its institutional brokerage—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 manage or administer client accounts, while others help manage and support Heritage’s business. Schwab’s support services generally are available on an unsolicited basis (Heritage does not have to request them) and at no charge to the firm if our clients collectively maintain a total of at least \$10 million of assets at Schwab. If Heritage’s clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us a nominal quarterly service fee.

This \$10 million minimum gives us an incentive to recommend that clients maintain their account with Schwab, based on an interest in receiving Schwab’s services. This is a conflict of interest. However, Heritage believes the selection of Schwab as custodian and broker-dealer is in the best interest of our clients at this time. This selection is supported by the scope, quality, and price of Schwab’s services.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, & PERSONAL TRADING**

Heritage maintains and enforces written policies reasonably designed to: (i) prevent the misuse of material nonpublic information by Heritage or any person associated with Heritage and (ii) monitor the personal securities transactions of its associated persons to prevent any potential material conflicts of interest between Heritage, any person associated with Heritage and any of its Clients.

Heritage or individuals associated with the firm may buy, sell, or hold in their personal accounts the same securities that the firm recommends to its Clients in accordance with the Firm’s internal compliance procedures. Such trades will occur simultaneously with or after trades placed on behalf of Clients.

To avoid conflicts of interest, and to maintain the fiduciary responsibility Heritage has for its Clients, the firm has established the following policy: An officer, director, or employee of Heritage shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with the firm, unless the information is also available to the investing public on reasonable inquiry. No person associated with Heritage shall prefer his or her own interest to that of any Client. Personal trades in securities being purchased or sold for Clients may be effected simultaneously with or after trades are effected for clients. Heritage personnel shall not anticipate trades to be placed for Clients.

The Firm's Code of Ethics allows the purchase of IPOs or private placements only with prior permission from the managing

partner. Clients or prospective clients may request to receive, at no cost, a copy of the firm's Code of Ethics, which contains the firm's policies on employee trading, gifts, and outside business activities. Gifts of nominal value are acceptable, and all employees must disclose any outside business activities generating revenue, which must be approved by Anne Shinn (Chief Compliance Officer).

## **BROKERAGE PRACTICES**

### ***Transaction Execution***

As previously discussed, Heritage strives to obtain best execution for its Clients' securities transactions. What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a broker will provide best execution, the firm considers a range of factors. These include, among others:

- Historical net prices (after markups, markdowns or other transaction-related compensation) on transactions;
- The execution, clearance and settlement and error correction capabilities of the broker generally and in connection with securities of the type and in the amounts to be bought or sold;
- The market for the security;
- The size of the transaction;
- The broker's reliability and financial stability;
- The broker's communications and administrative abilities, including efficiency of settlement and reporting;
- The nature, quantity and quality of research provided by the broker;
- The level of direct access to the broker's trading desk; and
- The trading desk and service team's responsiveness to the portfolio manager.

For Heritage Hourly Accounts that Schwab maintains, Schwab generally does not charge the client separately for custody services. Schwab is compensated by charging clients commissions or other fees on trades that it executes or that settle into the client's Schwab account. For some accounts, Schwab may charge a percentage of the dollar amount of assets in the account in lieu of commissions.

Heritage is not required to select the broker that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers. The determinative factor is whether transactions represent the best qualitative execution for the Client Account. Heritage has determined that having Schwab execute trades is consistent with our duty to seek "best execution".

The firm's Chief Compliance Officer will periodically review the firm's custodial/brokerage relationships.

### ***Soft Dollar Arrangements***

As noted in the 'Other Financial Industry Activities & Affiliations' section above, Heritage has not currently entered into any formal soft dollar arrangements, but the firm receives access to research, educational materials and events, and proprietary account management and data transmission services offered by brokers as a result of its Client relationships and transactions. These benefits could create an incentive for a firm to select or recommend a certain broker-dealer over another. Such research, computer software, and related systems support may or may not be used in conjunction with managing portfolios for a particular Client's Account; therefore, fees paid by a particular Client may be used for the benefit of other Clients.

### ***Directed Brokerage***

Under certain circumstances, Heritage may permit a Client to direct that brokerage transactions be executed through a specific broker-dealer chosen by the Client. In this case, the firm may be unable to achieve the most favorable execution and cost available.

### ***Order Aggregation***

If possible, Heritage will aggregate like equity brokerage orders for Clients and allocate the securities purchased or sold among the participating accounts, with each account receiving the same terms. The overarching principle for that allocation is that no client is intentionally favored over another client that is similarly situated. The proportion in which participating Accounts will share transactions will be determined by the portfolio manager on the basis of investment objectives, cash availability, expected cash and liquidity needs, and other relevant factors.

## **REVIEW OF ACCOUNTS**

Client Accounts are reviewed on a periodic basis by the Portfolio Manager, Chief Compliance Officer, and other supervised persons at the firm. Internal account performance metrics are reviewed monthly. Account positions are

reviewed quarterly (at a minimum). Clients are contacted periodically and are requested to provide Heritage with information regarding changes to their financial situation or investment objectives affecting their Client Profile.

#### **CLIENT REFERRALS & OTHER COMPENSATION**

Heritage does not compensate any unsupervised third parties for client referrals or receive any additional economic benefits from unsupervised persons for providing investment advice and advisory services to Clients.

#### **CUSTODY**

As previously discussed, Client assets being managed by Heritage must be maintained in an account at a “qualified custodian,” as defined under Rule 206(4-2) of the Investment Advisers Act of 1940 (as amended). Under government regulations, Heritage is deemed to have custody of client assets if, for example, a client authorizes us to instruct the qualified custodian to deduct advisory fees directly from the client’s account, or if a client grants us authority to move their money to another person’s account.

Schwab maintains actual custody of client assets. All clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client has provided to Schwab. Account statements will show all transactions occurring in the account for the period, including the deduction of the Program Fee. In addition, Heritage will send a statement detailing the Program Fee calculation on a quarterly basis. Clients are encouraged to carefully review and compare statements received from the Custodian and Heritage.

#### **INVESTMENT DISCRETION**

Heritage manages assets on a discretionary and non-discretionary basis. Assets in Wrap Fee Program Accounts are typically managed on a discretionary basis. Assets for Hourly Clients are typically managed on a non-discretionary basis. Hourly Clients must initiate all services to be provided by Heritage and make the ultimate decision regarding the purchase or sale of investments. Heritage will not place trades for Hourly Clients without their consent.

Discretionary authority allows Heritage to buy, sell, and otherwise trade eligible securities for the Client's Account and to liquidate previously purchased securities that the Client has transferred to his/her Account. The Program Agreement, which must be executed by a principal of the firm and the Wrap Fee Client prior to opening a new Account, grants discretionary authority to the firm. The Hourly Agreement does not grant discretionary authority. Assets in the Client’s Account designated for a particular Investment Strategy (each a “Portfolio”) shall be managed by a Heritage investment professional in accordance with the Client’s Investment Strategy. Clients may designate specific restrictions on the Client Profile.

#### **VOTING CLIENT SECURITIES**

Heritage does not vote proxies on behalf of Clients. Clients may receive proxies or other solicitations directly from their Custodian or transfer agent. Clients with questions about a particular solicitation may contact Heritage at any time.

#### **FINANCIAL INFORMATION**

Heritage is unaware of any existing financial condition issues which would be likely to impair its ability to meet contractual commitments to Clients.

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**SUMMARY OF MATERIAL CHANGES  
PREPARED MARCH 31, 2022**

Pursuant to Securities & Exchange Commission rules, Heritage Clients are entitled to receive annually a 'Summary of Material Changes' describing any significant changes that have been made to the Firm Brochure since the last annual update. We may further provide other ongoing disclosure information about material changes to our business practices as necessary.

There have been no material changes to our business practices since our last annual update.

We would be pleased to provide you with an updated copy of our current Brochure at any time, without charge. Our full Brochure may be requested by contacting us via telephone at (281) 966-3370 or via email at [laura.smith@heritageassetadvisors.com](mailto:laura.smith@heritageassetadvisors.com).

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