



# HERITAGE

## WEALTH MANAGEMENT

### **FIRM BROCHURE** (Part 2A of Form ADV)

March 3, 2023

### **Heritage Wealth Management, Inc.** **CRD# 316956**

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Heritage Wealth Management, Inc. If you have any questions about the contents of this Brochure, please contact Ryan Gibbs at (858) 613-9191. 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.

Heritage Wealth Management, Inc. is registered as an investment adviser with the Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Heritage Wealth Management, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 1: COVER PAGE**

Please refer to previous page.

**ITEM 2: MATERIAL CHANGES**

Heritage Wealth Management, Inc. (“HWM” or the “Firm”) has updated our ADV Part 2A Disclosure Brochure to reflect the following change(s):

None

Our previous version of Form ADV Part 2A was dated December 8, 2022. Our prospective clients are strongly encouraged to read this brochure in its entirety prior to engaging HWM for any advisory services.

Pursuant to applicable rules, HWM will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of HWM’s fiscal year. Additionally, as the firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. HWM’s Brochure is available upon request and may be requested by contacting the firm’s Chief Compliance Officer, Ryan Gibbs, at (858) 613-9191.

Additional information about the firm and its investment adviser representatives is available on the SEC’s website at <https://www.adviserinfo.sec.gov>.

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## **Item 4: Advisory Business**

### **A. Description of Firm**

Heritage Wealth Management, Inc. (“HWM” or the “Firm”) is a California-based investment advisory firm that provides investment supervisory services on a discretionary basis to certain clients described in Item 7 herein (“Clients”). The investment instruments HWM advises its clientele on include, but are not limited to, public and private equity stocks, fixed income securities, bonds, exchange traded funds (“ETFs”), mutual funds, cash equivalent instruments such as money markets, American Depositary Securities and Receipts (“ADRs”), fixed income securities, options, alternative investments, real estate, private debt, and cash equivalent instruments. Please refer to Item 8 for additional information relating to the investment strategies pursued by HWM and their associated risks.

### **B. Principal Owner**

Jordan Gibbs (“Mr. Gibbs”) is the President and Chief Executive Officer of the Firm. The Jordan and Jessica Gibbs Family Trust holds one hundred percent (100%) ownership of the Firm. Mr. Gibbs serves as the control person for HWM. Ryan Gibbs serves as the Chief Compliance Officer of the Firm.

### **C. Types of Advisory Services Offered**

HWM provides financial planning services and portfolio management for individuals, small business, private funds, and business and institutional clients on an ongoing discretionary basis.

#### **1. Financial Planning Services**

HWM’s financial planning services range from comprehensive financial planning to more focused consultations, depending on the needs of each Client. Generally, HWM evaluates the Client’s financial, business, and investment information and makes recommendations designed with the intention of achieving the Client’s overall goals and objectives. Clients have the option of utilizing HWM to implement certain investment recommendations but are under no obligation to do so. Advice and recommendations may also be given on non-securities matters and any implementation of HWM’s recommendations is entirely at the Client’s discretion. Clients are always free to accept or reject any or all recommendations made by HWM, and Clients retain the authority and discretion on whether or not to implement any recommendations.

Clients should understand that a potential conflict of interest exists if HWM recommends its own portfolio management services. Financial planning recommendations are based on the Client’s financial situation at the time the recommendations are provided and are based on the information provided by the Client. In addition, certain assumptions may be made with respect to interest and inflation rates, use of past trends, and performance of the market and economy. Past performance is in no way an indication of future performance and HWM cannot offer any guarantees or promises that the Client’s financial goals and objectives will be met. As a Client’s financial situation, goals, objectives, or needs change, the Client is strongly urged to promptly notify HWM. For more information on the risks associated with investing, please refer to Item 8, below.

Please refer to Item 5 below for detailed information on fees and compensation for these services.

## **2. Portfolio Management**

HWM provides discretionary investment advice and management to separately managed accounts on a continuous basis and in accordance with the investment objectives and strategies provided by the Client. HWM typically provides investment management services for portfolios comprised of stocks, bonds, mutual funds and ETF's. The mutual funds are invested in stocks, bonds, and alternative investments. When a Client utilizes the Oso Toro Strategy or Tax-Sensitive Oso Toro Strategy, HWM will also invest in individual stocks, bonds and other fixed income products, and options. At times, the Firm will also use options outside of the Oso Toro Strategies if it is believed to be in the best interest of the Client, and the Client's account has been authorized for the use of options by the custodian holding the client's assets (*i.e.*, an option form).

The Firm utilizes both in-person meetings and/or telephonic interviews with the Clients to gather information regarding each Client's overall investment objectives, goals, and risk tolerance to help determine the appropriate overall portfolio for the Client's managed account assets. It is of beneficial interest to the Client to provide accurate and candid information and promptly inform the Firm of any material changes in their circumstances so the Firm can evaluate if investment adjustments to the Client's managed account(s) are necessary. The Firm does not and will not assume any responsibility for the accuracy of the information provided by the Client. Clients may impose restrictions on investing in certain securities or types of securities in their managed accounts.

Client managed account assets are then invested and managed based on a blend of investment strategies and other securities that appear to be most suitable to the Client's investment objectives and strategy determined for those account assets. While HWM will customize the portfolios, for example to help ensure suitability and/or to incorporate client restrictions, several clients will be invested in the same or similar investment strategy at any given time. Further details on the Firm's investment strategies, including the risks pertaining to such strategies and their underlining securities, is outlined below in this brochure under the heading "Item 8: Methods of Analysis, Investment Strategies and Risk of Loss"

The Client funds will typically be deposited in either a brokerage firm or bank custodian account. With Client consent, HWM may cause fees to be paid out of separately managed accounts by the Client's custodian.

Please refer to Item 5 below for detailed information on fees and compensation for these services.

## **3. Use of Third-Party Advisers**

Dependent upon the Client's needs or objectives, the Firm may recommend the services of an independent third-party adviser ("TPA") to manage a portion of their portfolio. Typically, this involves the selection of certain programs, or money managers, which may enter into a separate agreement with HWM, or with the Client directly. HWM's recommendations regarding the suitability of a TPA and its investment style is based on, but not limited to, the Client's financial needs, long-term goals, and investment objectives. Upon selection of a TPA, HWM will conduct periodic due diligence ensure that the TPA's performance, portfolio strategies and management remain aligned to the Client's overall investment goals and objectives. HWM will retain discretionary authority to hire and fire TPAs and reallocate the client's assets to other TPAs, where such action is deemed to be in the best interest of the client. Clients may be required to sign a separate investment management agreement directly with the TPA(s) selected, in addition to the advisory agreement signed with HWM. If the TPA is compensated in advance, the Client will

typically receive a pro-rata refund of any prepaid advisory fees upon termination. Should HWM select a TPA to manage a portion of the Client's portfolio, HWM will instruct the TPA to deliver a copy of the TPA's Form ADV Part 2A (or other similar Client Brochure) to the Client at the time of appointing the TPA.

#### **4. Sub-Advisory Services and Private Placement Insurance Program**

At times, HWM will provide services under sub-advisory agreements with other non-affiliated third-party financial institutions ("TPFI's") who have engaged HWM to provide advisory services to their client accounts. Both HWM and the TPFI will typically be granted dual trading authority in such situations. HWM typically has discretionary authority over a portion of a sub-advised client's assets to buy and sell securities. Fees for such services are negotiable between HWM and the TPFI and will be included as part of an agreement entered into by and between HWM and the respective TPFI.

Specifically, through Lombard International Life Assurance Company ("Lombard"), accredited and qualified purchaser (as such terms are defined under applicable federal securities laws) investors may choose to invest in private placement life insurance ("PPLI") or a private placement variable annuity ("PPVA") with the segregated investment account managed by an approved investment adviser. PPLI is a variable universal life insurance policy that provides a segregated investment account and a life insurance benefit. A PPVA enables investors to defer income tax on investment gains without the traditional retail variable annuity features such as income guarantees or principal protection, thus reducing the internal fees. The life insurance portion of these products is provided through Lombard International. At times, the Firm will recommend Clients utilize such products as part of their overall portfolio. HWM has an investment management agreement with Lombard pursuant to which HWM provides investment management and asset allocation services on a discretionary basis for investment portfolios underlying PPLI policies issued to HWM clients by Lombard.

Please refer to Item 10 below for detailed information on conflicts of interest associated with these services.

#### **5. Educational Seminars**

At times, HWM delivers educational seminars and/or workshops for Client and prospective Clients. The workshops and seminars are not designed to provide specific and/or personal advice to a specified Client, nor does HWM provide individualized investment advice to attendees during these seminars. Such educational seminars and/or workshops are provided on an "as announced" basis for groups seeking general advice on investments and other areas of personal finance. The content of these seminars will vary depending upon the needs of the attendees. HWM does not charge a fee for attending such seminars.

#### **6. Affiliated Pooled Investment Vehicles**

The Firm provides discretionary investment management services to affiliated pooled investment vehicles (the "Funds") with respect to investments in securities, financial instruments and other assets, including co-investments alongside third-party investment managers and other persons and/or investments in pooled investment vehicles managed, sponsored and operated by the Firm<sup>1</sup>, its affiliates, and/or third-party investment managers. HPOP GP, LLC ("HPOP"), an affiliate of the

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<sup>1</sup> Certain Funds are established for the purpose of investing substantially all assets in a single pooled investment vehicle managed or sponsored by HPOP (an "underlying fund").

Firm, serves as the general partner with respect to the Funds and the Firm serves as investment manager with respect to the Funds.

Interests in the Funds typically will be offered and made available primarily to applicable advisory clients of the Firm (subject to suitability and eligibility determinations and requirements), but interests in the Funds may also be offered or made available to other persons and entities (including non-advisory clients) in the sole discretion of the HPOP.

Interests in the Funds are privately offered only to eligible clients and other investors pursuant to exemptions under the Securities Act of 1933, as amended, and the regulations promulgated thereunder, and other applicable securities laws. Such Funds are not registered as investment companies pursuant to or in accordance with one or more specific exclusions from the definition of investment company under the Investment Company Act of 1940, as amended.

The Firm recommends investments in the Funds to certain of its advisory clients and such clients may elect to subscribe for interests in the Funds. The Firm faces various conflicts of interest in connection with making such recommendations to clients. See Item 6, Item 8 and Item 10.

As a matter of practice, a private placement memorandum or a similar offering document with respect to each Fund typically will be provided or made available to prospective investors in such Fund, which generally includes various disclosures and information regarding the Fund, the investment objective and strategies of such Fund and other matters. Prospective investors should review the information and disclosures set forth in the applicable offering documents of a Fund for detailed information regarding such Fund, and any disclosures or information set forth in this Brochure.

Each Fund is managed in accordance with the investment objectives, policies, strategies, guidelines and limitations set forth in the applicable private placement memorandum, limited partnership agreement and other governing documents of such Fund.

Investors generally are not permitted to impose restrictions or limitations on the management or operations of the Funds. Notwithstanding the foregoing, HPOP may enter into side-letter agreements or similar arrangements with one or more investors in a Fund that have the effect of establishing rights under, or altering, modifying, waiving or supplementing the terms of, the governing documents of the Fund in respect of such investor(s). Among other things, these agreements may entitle an investor in a Fund to lower fees, information or transparency rights, most favored nations status, notification rights, rights or terms necessary or advisable in light of particular legal, regulatory or public policy considerations of or related to an investor and/or other preferential rights and terms. Any rights established or any terms of the governing documents of such applicable Fund altered or supplemented in or by a side-letter or similar arrangement with an investor will govern solely with respect to such investor notwithstanding any other provision of the governing documents of such applicable Fund related thereto.

## **7. Advisory Agreements**

### **a. Information Received by Individual Clients**

At the onset of the Client relationship, HWM gathers information on each Client's investment objectives, risk tolerance, time horizons, and financial goals. HWM does not assume responsibility for the accuracy of the information provided by the Client and is not obligated to verify any

information received from the Client or from any of the Client's other professionals (e.g., attorney, accountant, etc.). Under all circumstances, the Client is responsible for promptly notifying HWM in writing of any material changes to their objectives, risk tolerance, time horizon, and financial goals. In the event that a Client notifies HWM of any changes, HWM will review such changes and advise the Client accordingly.

**b. Client Agreements and Disclosures**

Each Client is required to enter into a written agreement with HWM setting forth the terms and conditions under which the Firm shall render its services (the "Agreement"). In accordance with applicable laws and regulations, HWM will provide its disclosure brochure (ADV Part 2A), brochure supplement (ADV Part 2B), and most recent Privacy Notice to each Client prior to or contemporaneously with the execution of the Agreement. The Agreement between HWM and the Client will continue in effect until terminated by either party pursuant to the terms of the Agreement. HWM's fees (discussed below) shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the Client, as appropriate, in a timely manner.

Neither HWM nor the Client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of HWM shall not be considered an assignment.

As further discussed in Item 15 below, Client's assets will be custodied with a qualified custodian. All custodial and execution fees assessed for a Fund's assets remain the sole responsibility of Client.

**D. Participation in Wrap Programs**

HWM does not sponsor or participate in a wrap fee program.

**E. Amount of Client Assets Managed**

As of December 31, 2022, the following represents the amount of client assets under management by the Firm on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$327,291,376
Non-Discretionary	\$0
<b>Total:</b>	<b>\$327,291,376</b>

**ITEM 5: FEES AND COMPENSATION**

**A. Compensation for Advisory Services**

As described in greater detail below, HWM charges different types of fees, including fees based on a percentage of assets under management, fixed fees, hourly fees, and performance fees. The specific fees charged by HWM for its services will be set forth in the Client's Agreement.

Fees may be negotiable under certain circumstances at the sole discretion of HWM. In addition, HWM has full discretion to waive its advisory fees in their entirety. Although HWM believes its



advisory fees are competitive, Clients should be aware that lower fees for comparable services may be available from other sources.

### 1. Fixed and Hourly Fees

For Financial Planning services, the Firm generally charges a fixed fee. The Firm's fixed fees may be assessed as a one-time fee, or an ongoing fee dependent upon the services received. Generally, rates range from \$1,500 – \$25,000 on a fixed fee basis, based on the scope and complexity of the requested services, as stipulated in the Agreement. These rates may be negotiated based on the sole discretion of the Firm.

Clients are generally requested to pay 100% of the fixed or estimated fee upon execution of the Agreement. If any additional monies are owed, an invoice for services is issued on completion of the written analysis, which is payable upon receipt. Clients may terminate the Agreement, without penalty, at any time upon written notice. At the time of termination, any prepaid fees will be prorated based on the amount of work completed by the Firm as of the date the notice of termination is received, and any unearned fees will be returned to the Client.

### 2. Fees Based on a Percentage of Assets Under Management

The Firm provides investment management services to clients for a fee based upon a percentage of assets under management as of the close of business on the last business day of the preceding calendar quarter. For assets invested pursuant to the Firm's Traditional Portfolio Strategy, the Firm's portfolio management fees are calculated and assessed quarterly, in arrears, based on the following annual percentages:

Account Size	Annual Fees
\$0 - \$5,000,000	1.00%
\$5,000,001 - \$10,000,000	0.90%
\$10,000,001 - \$15,000,000	0.85%
\$15,000,001 - \$20,000,000	0.80%
\$20,000,001 +	0.75% / Negotiable

Client Assets that are invested pursuant to the Firm's Option Enhanced Portfolio Strategies and/or Private Placement Strategies will be assessed a fee of 35 basis points or (0.35%) **in addition** to the fees expressed in the table above.

The Firm's fees are not segregated by tier, but rather the Client's entire assets under management are assessed the applicable fee. For example, on an account with a balance of \$6,000,000 invested in the Firm's Traditional Portfolio Strategy, the Firm would not assess a fee of 1% on the first \$5 million and .90% on the next \$1 million. Rather the Firm would assess a fee of .90% on the entirety of the \$6 million. Further, if the Client has \$3,000,000 invested pursuant to the Firm's Traditional Portfolio Strategy, and an additional \$3,000,000 vested in one of the Firm's Option Enhanced Portfolio Strategies, the Firm will assess a fee of 0.90% on assets in the Traditional Portfolio Strategy, and 1.25% on assets invested in one of the Firm's Option Enhanced Portfolio Strategies.

The fees for account balances over \$20,000,000 will be determined by the size, complexity, and the amount of time involved in managing the assets.

Investment management fees will be automatically deducted from the Client's account by the custodian as soon as practicable following the end of each applicable period. Should a Client open an account during a quarter, the Firm's management fee will be prorated based on the number of days the account was open during the quarter. In the event the Firm's services are terminated mid-quarter, any paid, unearned fees will be promptly refunded to the Client. The number of days the account was managed during the quarter until termination is used to determine the percentage of the management fee earned (based on the total number of days in the quarter) and the balance is refunded.

The Firm will calculate a prorated advisory fee adjustment based on account contributions or withdrawals ("cash flows") for accounts billed in arrears. A positive cash flow is refunded for the number of days that it was not in the account during the billing period. For accounts that have a tiered fee schedule, the tier breakpoint that the cash flow is refunded at is determined by the aggregate value. The aggregate value is comprised of the cash flow amount, plus the overall household value the day prior that the flow occurred (for example, if a client deposited \$500,000 on 10/15 and the total household value on 10/14 was \$1,500,000; the aggregate value is used to determine which fee rate the contribution is refunded at is \$2,000,000). A negative flow creates a partial bill based on the number of days that it was in the account during the billing period. For accounts that have a tiered fee schedule, the distribution is billed at the percentage of the last tier that the household is billed at for that cycle (for example, an account had a \$100,000 distribution that occurred on 11/15, and the household value on 12/31 is \$5,400,000, both the remaining assets and the \$100,000 distribution will be billed at 1.00% pursuant to the Firm's standard fee structure).

HWM will rely on Orion – a third party technology provider, as the basis for aggregating cash flow transaction data in client accounts. Qualifying cash flow fee adjustments will be calculated at the end of the completed billing period in which the cash flow transaction occurred and may be labeled a "new money" fee and/or refund. For example, if a cash flow occurs in July, then the fee adjustment for the cash flow will be calculated in conjunction with the September billing cycle. HWM is not required to calculate cash flow fee adjustments in the middle of a billing cycle. If an account is partially or fully liquidated, but not formally closed at the custodian, then the liquidation may be treated as a cash flow adjustment rather than a closed account, which may also affect any advisory fee refund amount for an account.

Account values in the Orion reporting system will be used for HWM's quarterly fee calculations. Although custodial account holdings and Orion asset valuations should generally match, market values reflected in Orion's reporting system sometimes differ from those provided by the custodian on their statements. The three most common reasons why these values may differ are (i) differences in the manner in which accrued interest is calculated, (ii) differences in the date upon which "as of" dividends and capital gains are reported, and (iii) differences in whether settlement date valuations or trade date valuations are used. If you have any questions or believe there are material discrepancies between your custodial statement and Orion's reporting system, please contact us at (858) 613-9191.

Advisory fees are negotiable and arrangements with any particular Client may differ from those described above. In addition, for family and friends of the Firm, the Firm may, in its sole discretion, reduce or waive management fees in their entirety. **Please note** that certain "legacy clients" of the Firm could have a fee schedule and/or billing practices that differ from those disclosed herein. Legacy clients are those clients that had a pre-existing arrangement with an

investment adviser representative before that investment adviser representative became registered with HWM.

Unless instructed otherwise, each Client account will typically be billed individually for its respective share of fees owed the Firm. However, the Firm will at times bill Client accounts disproportionately for fees should such actions be necessary due to insufficient funds in any respective Client account, or if doing so is deemed by the Firm to be in the best interest of Client.

The Firm may amend its standard fee schedule at any time by giving thirty (30) days advanced written notice to Clients. Should a client have more than one account managed by the Firm, then HWM may elect at its sole discretion to aggregate the Client's accounts for the purpose of computing management fees.

Although HWM believes its fees are competitive, Clients are hereby advised that lower fees for comparable services may be available from other sources.

#### **B. Use of Third-Party Advisers**

Clients receiving services from a TPA should understand that the advisory fees assessed will vary dependent upon the TPA selected, the size of the account and the services provided. These fees are separate from, and in addition to, the Firm's fees. For information regarding the TPA's minimum account size, requirements, management services and associated advisory and referral fees, please refer to the TPA's client disclosure brochure and other TPA materials.

#### **C. Fund Fees and Expenses**

The Firm and its affiliates generally are entitled to receive management fees and carried interest distributions (and reimbursement of expenses) from the Funds, which fees ultimately are borne by the applicable investors in such Funds. If a Client of the Firm elects to invest in a Fund, such client will only be subject to the management fees and carried interest distributions payable to the Firm and its affiliates with respect to such Fund. Such fees will be exclusive of, not addition to, the advisory and other fees payable by such Client pursuant to its investment advisory agreement with the Firm. As a result, the Firm has an incentive to recommend investments in the Funds to Firm clients. Information regarding the management fees and carried interest distributions applicable to each Fund is set forth in the applicable offering and governing documents of such Fund and the information set forth below is qualified in its entirety by the information in the applicable offering and governing documents:

##### **1. Fund Management Fees**

With respect to any Fund, the Firm generally is entitled to receive a quarterly management fee, calculated at an annual rate of 1.35% (0.3375% per quarter), of each investor's allocable portion of the Fund's respective assets (including for this purpose any portfolio investments acquired with borrowing or leverage). Each investor in a Fund generally bears its allocable share of the management fee payable by such Fund. Management fees with respect to the Funds generally are payable to the Firm on a quarterly basis in advance. In addition to management fees payable by the Funds, a Fund generally is required to pay management fees and other fees to third-parties (such as underlying managers) in connection with one or more of its investments, which generally would be borne indirectly by investors in such Fund. The management fees with respect to any investor in a

Fund may be waived, reduced or calculated differently, and the right of the Firm to receive the management fees may be assigned to any person.

## **2. Carried Interest Distributions**

Subject to the terms and conditions set forth in the applicable governing documents, HPOP, the Firm, and/or their respective affiliates, is generally entitled to receive in respect of such Fund carried interest distributions equal to 15% of the cumulative net income with respect to each investor (except as otherwise provided in the applicable governing documents). The carried interest distributions in respect of a Fund generally will be made at the end of each calendar year and as of any date on which an investor makes a redemption from a Fund. The Firm or an affiliate may waive or reduce the carried interest distributions applicable with respect to any investor in a Fund and/or assign all or any part of its right to receive such carried interest distributions to any person.

## **3. Fund Expenses**

Subject to the terms and conditions set forth in the applicable governing documents, each Fund is generally responsible and reimburses its general partner, the Firm and their respective affiliates for its own expenses, including, but not limited to: (i) management fees; (ii) all general investment expenses (i.e., exchange commissions and expenses, brokerage commissions, research expenses, data processing costs and expenses, bank service fees, interest expenses, borrowing charges, custodial expenses, outsourced risk management advisory and software, investment-related consultants and travel costs that are research-related and other investment expenses); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance, and consulting costs and expenses; (iv) all fees, costs and expenses related to middle office operations which may include daily reconciliation of cash, cost, positions, and valuations; (v) fees, costs, and expenses of third-party service providers that provide such services; (vi) costs and expenses associated with preparing investor communications, printing, and mailing costs; (vii) insurance costs and expenses (e.g., for the assets of the Fund, D&O, E&O); (viii) marketing and syndication expenses; (ix) taxes and other governmental charges; (x) governmental licensing, filing, and exemption fees (including Blue Sky filing fees); (xi) indemnification obligations; (xii) all expenses (including reasonable attorneys' fees) incurred in connection with any threatened, pending, or anticipated litigation, U.S. Internal Revenue Service ("IRS") examination or audit, or similar audit or examination by any state or local taxing authority, or other legal proceeding; (xiii) organizational expenses; and (xiv) any extraordinary expenses.

## **D. Other Fees and Expenses**

Clients should understand that the fees described above do not include certain charges imposed by third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, Clients may incur brokerage commissions and transaction fees. Clients should further understand that such charges, fees, and commissions incurred in connection with transactions for a Client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by HWM.

**E. Additional Information Regarding HWM's Fees**

The Agreement for separately managed accounts executed by Clients specifies that payment of HWM's management fees will be made by the qualified custodian directly from Client's custodial account, unless otherwise specified in writing by the Client. Further, the qualified custodian agrees to deliver an account statement to the Client, at least quarterly, showing all disbursements, including HWM's advisory fees, deducted from the account. The Client is encouraged to review all account statements for accuracy and compare them to any reports received by Client. It is the Client's responsibility (and not the custodian's) to ensure the fee and its calculation in relation to the Client's account is correct. Please note that the fees charged by investment company funds and the Client's custodian are exclusive of, and in addition to, HWM's investment advisory fee. Please refer to Item 5.B above.

Advisers, such as HWM, which are deemed to have custody as a consequence of the authority to debit fees directly from Client accounts, are not required to obtain an independent verification of those Client funds and securities maintained by a qualified custodian so long as certain steps are followed. Clients should understand that it is their responsibility to ensure that the fee calculation is correct, and not the custodian. Please see item 15 below for additional information regarding Custody.

An Agreement for a separately managed account can be cancelled at any time, by either party, for any reason, customarily upon receipt of 30 days written notice. The advance notice requirement for termination varies by Agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

**F. Outside Compensation**

Certain employees of HWM are also employees of Heritage Advanced Tax Strategies, Inc., an affiliated tax and accountancy Firm. For a detailed description of these arrangements, please see Item 10 below.

**ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

HPOP, the Firm, and/or their affiliates are entitled to receive carried interest distributions from the Funds, which generally are borne by the investors in such Funds. The Firm regularly recommends investments in the Funds to certain of its advisory clients. By investing in a Fund, a client generally will become subject to additional fees (in the form of management fees and carried interest distributions) payable to the Firm and its affiliates by or with respect to such Fund. As a result of the potential for these additional fees, the Firm has a financial incentive to recommend investments in the Funds to its advisory clients and any such recommendation involves a conflict of interest. Additionally, performance-based fees and allocations (including carried interest distributions) could motivate the Firm and other persons to make investment decisions (or recommend investments) that are riskier or more speculative than would be the case if these arrangements were not in effect. The method of calculating carried interest, or performance-based compensation, arrangements raises potential conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions.

To address these conflicts, the Firm provides up-front disclosures regarding such compensation conflicts of interest to prospective investors and clients in the offering and governing documents of each fund. Additionally, the Firm and its employees are mindful of the fiduciary duties owed to all advisory clients. The Firm and its affiliates also attempt to mitigate such potential conflicts with

respect to each Fund by making a capital commitment to such Fund, which should help to align the interests of the Firm and its affiliates with the interests of the investors in such Fund. The Funds provide disclosures regarding material risk factors and conflicts of interest to all prospective investors and each investor is responsible for determining whether to subscribe for interests in the Funds.

Side-by-side management of an account that may pay a performance fee with other accounts can in some circumstances create conflicts of interest. For example, an adviser that receives a performance fee for one account might have an incentive to devote more attention to investment decisions for that account, allocate more favorable investment opportunities to that account, and/or take greater investment risks in that account. In practice, HWM seeks to avoid favoring any single account, including an account paying a performance fee, over other accounts. HWM periodically reviews and compares the performance of client accounts managed under similar strategies to seek to ensure that any material dispersion is attributable to reasonable causes without favoring particular accounts over the long term. As a control, the Firm has adopted a policy pursuant to which it seeks to allocate investment opportunities among advisory clients, including its Funds, in a fair and equitable manner, bearing in mind, among other things, the size, investment objectives, mandate or policies, risk tolerance, return targets, projected hold periods, diversification considerations, permissible and preferred asset classes, and liquidity needs of each advisory client. The Firm's policies prohibit the allocation of investment opportunities based on anticipated compensation to the Firm. Each advisory client typically has its own investment guidelines, governing agreements, and geographical and industry focus that must be taken into account when making investment allocation determinations. Final allocation decisions are under the purview of the Firm.

## **ITEM 7: TYPES OF CLIENTS**

### **A. Description**

HWM provides discretionary investment supervisory and management services on a continuous basis to individuals, small business, pension and profit-sharing plans and other ERISA accounts, pooled investment vehicles, trusts, estates, and business and institutional clients ("Client").

### **B. Conditions for Managing Accounts**

The Firm generally requires a minimum initial investment of \$1,000,000 to open an account, which could be negotiable by the Firm in its sole discretion. However, the Firm reserves the right to accept or decline a potential Client for any reason in its sole discretion. Prior to engaging the Firm to provide any of the investment advisory services described in this Brochure, the Client will be required to enter into one or more written Agreements with the Firm setting forth the terms and conditions under which the Firm shall render its services.

To invest in a Fund or any other pooled investment vehicle managed or sponsored by the Firm or an affiliate thereof, each investor generally is required to certify that it is, among other things, an "accredited investor" or a "qualified purchaser", as such terms are defined under applicable U.S. securities laws. In general, the minimum initial capital commitment for an investor in a Fund will be \$1,000,000, or such lesser amount accepted by the Fund's general partner in its discretion.

There may be times when certain restrictions are placed by a Client, which prevents HWM from accepting or continuing to manage the account. HWM reserves the right to not accept and/or

terminate management of a Client's account if it feels that the Client imposed restrictions which would limit or prevent it from meeting and/or maintaining its overall investment strategy.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

HWM typically uses asset allocation strategies for its advisory services. The investment strategy of HWM is to achieve returns in line with Client's objectives through its investment and portfolio management process. Certain strategies, as further discussed below, are more targeted and will not necessarily seek an allocation strategy, however. The Firm looks at a Client's entire financial picture in determining an investment strategy. The key considerations in determining these strategies are return objectives, risk tolerance, time horizon, tax efficiency, client requests, and required cash flows.

Following an investment, HWM will continue to monitor the progress and suitability of portfolio investments as well as market and economic outlook. To help develop its investment recommendations, HWM may use commercially available information services and financial publications dealing with investment research. Such information may be obtainable in print, via the internet or by some other means. Issuer-prepared materials (particularly prospectuses) and research releases prepared by third parties are also utilized. HWM also may use research materials prepared by various investment product vendors or custodians. HWM may also obtain information by meeting with management, customers, or competitors, attending industry conferences and consulting with experts in the appropriate field. The Firm also utilizes an investment committee comprised of multiple Firm employees to perform reviews.

When a financial plan is prepared, planning typically looks to the long-term. After the Client's short-term cash needs and emergency funds are evaluated, investment and insurance strategies are designed to help the Client achieve their financial goals. Casualty insurance (e.g. homeowner's, auto, liability, etc.), health insurance, and life insurance are reviewed at the Client's request, and any products recommended would be provided by an outside firm.

The Firm may also utilize TPAs to manage a portion of Client's assets pursuant to a specific investment strategy. In determining whether to invest client assets with certain TPAs, the Firm takes into consideration a variety of factors, and analyzes the TPAs for style consistency, investment strategies, risk attribution (if available) and historical performance. The Firm also considers information about the TPAs as represented in its disclosure brochure, promotional and other materials supplied by the TPA. The Firm also considers both quantitative and qualitative factors including, but not limited to, the respective TPA's performance during various time periods and market cycles; the TPA's reputation, experience and training; its articulation of, and adherence to, its investment philosophy; the presence and deemed effectiveness of the TPA's risk management discipline; the structure of the TPA's portfolio and the types of securities or other instruments held; its fee structure; interviews with the TPA; the quality and stability of a TPA's organization, including internal and external professional staff; and whether the TPA has a substantial personal investment in the investment program it pursues.

## 1. Portfolio Strategies

The Firm employs the following core strategies that may be employed at any time, on a discretionary basis, exclusively or in combination within Client accounts based on Client objectives:

### a. Traditional Portfolio Management Strategy

These strategies are generally comprised of, but not limited to, mutual funds, ETFs, individual stocks, bonds, alternative investments, and at times insurance sub-accounts. The mutual funds are typically invested in stocks, bonds, and alternative investments. HWM also utilizes multiple third-party money managers to manage individual securities (stock/bonds) or mutual funds.

#### i. Global Allocation Portfolios

These portfolios consist of diversified stock and bond mutual funds, ETFs, as well as individual equity securities. These strategies tend to be more heavily focused in US investments but also include investments in developed international and emerging and frontier markets. These strategies may also overweight certain sectors or styles or strategies of investment that the firm determines merit inclusion in the strategy, *i.e.* tech, or disruptive innovation, long/short, etc. All global allocation strategies tend to use similar securities weighted in different ratios based on the risk level of the selected portfolio. Typical ranges for the following strategies are listed below:

Strategy	Equity Positions	Fixed Income Positions
Defensive	0-20%	80-100%
Conservative	20-40%	60-80%
Growth & Income	40-60%	40-60%
Growth	60-80%	20-40%
Aggressive Growth	80-100%	0-20%
Equity	90-100%	0-10%

Please note in those instances where the Client elects to maintain legacy positions or other securities in the account that are not part of the global allocation portfolios maintained by HWM, the overall percentages noted above will vary from what has been disclosed. **If you elect to include Individual Speculative Growth/Opportunistic Stocks as part of the equity allocation within your global portfolio, see below for the description of that strategy.**

#### ii. “Tax Advantaged” Series of Global Allocation Portfolios

These strategies seek to track the Firm’s listed Global Allocation Strategies mentioned above, but with a focus on advantageous tax treatment. Specifically, these strategies attempt to minimize consequences of taxable gains through tax-efficient equity funds, as well as municipal and other tax-efficient fixed income securities, and additional traditional tax-income strategies. In addition to stock and bond tax strategies, the Tax Advantaged strategies will at times use tax-efficient mutual funds and/or ETFs.



### **iii. ETF Only versions of the Global Allocation Portfolios**

This strategy is typically employed for smaller accounts to minimize expenses that can occur from rebalancing portfolios with mutual funds, which while typically small can add to a meaningful percentage of a smaller account. These strategies can also be selected if tax management is a concern. **If you elect to include Individual Speculative Growth/Opportunistic Stocks as part of the equity allocation within your global portfolio, see below for the description of that strategy.**

### **iv. Fixed Income**

A diversified portfolio of bond mutual funds and ETF's. This strategy may include all kinds of bonds including government, corporate, high yield, emerging, etc. This strategy can range from short to long-term duration and high to low credit quality. This is a core bond strategy of high-income producing assets. This may include individual securities, mutual funds, ETF's, ETN's, CEF's invested in high yield bonds, emerging markets debt, BDCs, MLPs, Bank loans, preferred stock, equities, or any other asset type that the manager deems in their sole discretion could produce a high degree of income, relative to short term treasury bonds. No assurance can be granted that the objective of this or any of the other strategies will be achieved. this strategy should not be relied on exclusively for and investors income needs. dividend and distribution payouts can be produced or terminated at the sole discretion underlying investments managers or board of directors.

### **v. US Equity**

This strategy is designed to provide broad U.S. stock market exposure through mutual funds, ETF's and individual equity securities.

### **vi. Individual Speculative Growth/Opportunistic Stocks**

While the Firm may generate an equity sleeve for Clients that vary based upon the needs of the Client and direction of the market at any given time, for an individual equity investment strategy, HWM typically employs two different outlooks with unique processes in generating such portfolios: (1) Secular Growth, and (2) Opportunistic "Event-Driven." The details of each strategy are more fully described below:

#### **1. Secular Growth**

Secular Growth focuses on investing in companies that are growing recurring revenue at above market rates as compared to their competitors. From there the Firm strives to focus on those companies and industries it believe has a reasonable chance of continuing their higher growth rate for a sustained period. While these types of companies often operate in the technology, healthcare, and/or business services sectors, the strategy does not purport to focus on any particular industry or sector. Rather, it is the unique characteristics of the company that is a driver for inclusion in the strategy, regardless of industry.

#### **2. Opportunistic Event Driven**

The Opportunistic Event-Driven outlook will typically aim to invest in companies that are significantly below their 52-week high – normally due to a specific cause or event. While there is no exact number that must be obtained, typically HWM will focus on those companies that have experienced a reduction of thirty percent (30%) or more. These companies can be in any industry, and often this situation may occur to multiple companies within the same industry.

**b. Option Enhanced Portfolio Management Strategies:**

**i. OsoToro Strategy (Option Enhanced Bond Strategy)**

HWM employs a strategy where the objective is to balance capital appreciation with capital preservation. The strategy is designed to meet its objective by seeking to achieve a significant portion of the returns through the use of equity options, while attempting to mitigate the amount of client principal at risk through the use of ETFs, bonds and other fixed income securities. Options are the primary tool used to attempt this enhancement to returns. Accordingly, this strategy carries more risk than a traditional bond portfolio.

**ii. Tax-Sensitive OsoToro Strategy (Option Enhanced Bond Strategy)**

Same strategy as OsoToro strategy above except for the bonds may include tax-favored bonds in addition to taxable bonds and may use different types of options contracts to attempt to minimize the tax-impact of the strategy.

**iii. Option Enhanced Stock Strategy**

This strategy is designed to attempt to increase the return potential on a broad U.S. stock market exposure through the use of mutual funds, ETF's, individual equity securities, and options. Fixed income investments may be used as a smaller part of the portfolio to facilitate the strategy. Options are the primary tool used to attempt this enhancement to returns. Accordingly, this strategy carries more risk than a traditional stock portfolio.

**c. Private Placement Strategy (Standalone Account)**

HWM will identify individual private placement investments for including in the strategy. These private investments may include but are not limited to, private debt, private equity, private real estate, or other real assets. Exchange traded funds ("ETFs"), mutual funds, stocks, bonds, other fixed income products, and other securities will also be used to facilitate this strategy.

**B. Risk of Loss**

Investing in securities involves a significant risk of loss which Clients should be prepared to bear. HWM investment recommendations are subject to various market, currency, economic, political, and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the Client's account. There can be no assurance that the Client's investment objectives will be obtained and no inference to the contrary should be made.

Past performance is not indicative of future results. Therefore, Clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines, or the declines of individual securities or investments.

There are certain additional risks associated with the securities recommended and strategies utilized by HWM including, among others:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of Client investments. This is also referred to as systemic risk.
- Sector risk – The chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- Non-diversification risk – The risk of focusing investments in a small number of issuers, industries, or foreign currencies, including being more susceptible to risks associated with a single economic, political, or regulatory occurrence than a more diversified portfolio might be.
- Equity (stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Fixed Income Risk – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Interest rate risk – The chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- Reinvestment Risk – The risk that interest and principal payments from a bond will be reinvested at a lower yield than that received on the original bond. During periods of declining interest rates, bond payments may be invested at lower rates; during periods of rising rates, bond payments may be invested at higher rates.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund (or a close ended mutual fund), you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Closed-End Investment Company Risk – Closed-end investment companies frequently trade at a discount to their net asset value, which may affect whether a portfolio will realize gain or loss upon its sale of the closed-end investment company's shares. Closed-end investment companies may employ leverage, which also subjects the closed-end investment company to increased risks such as increased volatility
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Opportunity Cost Risk – The risk that an investor may forego profits or returns from other investments.

- Private Placement Life Insurance - Private placement life insurance (“PPLI”) products are long-term investments similar to variable life insurance products, except purchasers are able to invest policy premiums into various alternative investments. PPLI products present the risk that, as unregistered securities products, they are not subject to the same regulatory requirements and oversight as their registered counterparts. PPLI products are not suitable for all investors. An investment in PPLI products is subject to fluctuating values of the underlying investment options and it entails risk, including the possible loss of principal. Clients should consider the investment objectives, risks, charges and expenses of any PPLI product carefully before investing. Additional risk disclosures and other important information about PPLI products are contained in their offering memorandums, which Clients are urged to carefully review with their tax and legal advisors before investing. Such products are only available to accredited and qualified purchasers.
- Options Risk - Options are contracts specifying the price of an underlying asset at some point in the future (the expiration date). For equity options, the underlying asset is a stock, ETF, market index or similar product. When an option expires, it no longer has value and no longer exists. Options come in two varieties, calls and puts, and you can buy or sell either type. There are many types of option strategies, some of which help protect your portfolio and others which are highly speculative. In addition to the short-term expiration, the value of the option is affected by news on the company on which the option is held. Prior to buying or selling an option, clients should read “Characteristics and Risks of Standardized Options.” Copies of this document may be obtained from your financial advisor, on the web: [www.optionsclearing.com/components/docs/riskstoc.pdf](http://www.optionsclearing.com/components/docs/riskstoc.pdf), or by contacting The Options Clearing Corporation, One North Wacker Dr., Suite 500, Chicago, IL 60606 (1-888-678-4667).
- Debt Securities Risk - Debt Securities (corporate or municipal bonds) (aka fixed income securities) are promissory notes that pay interest and the return of principal at the end of a specified term. Credit risk is the chance the issuer will fail to pay the interest payments on the security or to pay the principal at maturity. Interest rate risk is that the market value of the bonds will go down when interest rates go up. Prepayment risk is the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off its debt. When this happens, the investor may not be able to reinvest the proceeds in an investment with as high a return or yield.
- High Yield Bonds Risk – High yield bonds have a lower credit rating than investment-grade bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.
- Alternative Investments Risk - Alternative investments, including private equity, private real estate, non-traded REITs (Real Estate Investment Trusts), Business Development Companies, and Private Placements are recommended only for accredited investors if the product fits the client’s stated financial situation, investment objectives, risk tolerance and time horizon. These investments are subject to legal or other restrictions on liquidity that do not exist for other publicly traded (liquid) investments. Investors in alternatives may not be able to sell when desired or to realize anticipated or reported value when sold. Also, the calculation of fair market value of alternatives can be difficult or delayed and alternatives typically have fees that are higher compared to publicly traded securities. Alternative Investments and Private Placements often are high risk products, are illiquid in almost all cases, and generally offer a high dividend rate to the investor as an offset to the increased risk and illiquidity. There is increased risk of partial or full loss of value when investing in illiquid securities.

- Alternative Investments in Mutual Funds - Alternative investments in mutual funds: There is no uniform definition of the term “alternative investments.” As utilized by HWM, alternative or “alt” mutual funds are publicly traded funds that use investment strategies that differ from the buy-and-hold strategy typical in funds. Compared to a traditional fund, an alternative fund typically holds more non-traditional investments and employs more complex trading strategies. Alt funds might invest in assets such as global real estate, commodities, natural resources, leveraged loans, foreign currency, managed futures, derivatives, swap agreements, start-up companies and unlisted securities that offer exposure beyond traditional stocks, bonds and cash. Alt fund strategies might include market neutral (long/short positions) and arbitrage strategies. Alternative mutual funds have unique characteristics and risks. Investors should read the prospectus for an understanding of a particular fund’s strategy and risk.
- Insurance Dedicated Fund (“IDF”) Risk - IDF’s are typically hedge fund or private equity, private debt, or private real estate type investments. These often carry “lock up” periods of 1 to 3 years and sometimes longer. Due the illiquid nature upfront, there is increased risk of partial or full loss of value when investing in illiquid securities. The underlying holdings of these investments also include risks associated with the general economic and business cycle, leverage, credit, interest, currency, among others. For IDF’s offered through investments sold by prospectus, clients should read the prospectus in full.
- Variable Insurance Trust (“VIT”) Risks - VITs are essentially mutual funds that are offered through insurance company products like life insurance and annuities. Individual VIT’s are investment pools, which generally include money market instruments, stocks, bonds, or other investment vehicles. Professional money managers research, select, and monitor the performance of the securities the fund purchases. It is a common way to achieve diversification instead of through individual stocks or bonds. For VIT’s offered through investments sold by prospectus, clients should read the prospectus in full.
- Private Fund Investments / Illiquid Investments - Some investments held by Clients (including investments in the Funds) may not be able to be sold except pursuant to a registration statement filed under the Securities Act of 1933 or in accordance with Rule 144 or another exemption under the Securities Act of 1933 (and other applicable securities laws). Furthermore, because of the speculative and non-public nature of some investments, the Firm may, from time to time, sell or otherwise dispose of investments (or recommend that Clients sell or dispose of investments) that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent Clients from realizing as great an overall return on investment as may have been realized if such sales or dispositions had been made at a later date, which may adversely affect investment results of Clients. A Client and underlying funds and managers may invest in securities that are subject to legal or other restrictions on transfer. Clients and underlying funds may be contractually prohibited from disposing of such investments for a specified period of time.
- Valuation Risks - The Firm may make or recommend investments by Clients in companies that are not traded on a recognized securities exchange (“Private Investments”). Private Investments will be recorded in the Firm’s or any applicable Fund’s books and records (or financial statement) at fair value as determined by the Firm or an affiliate (or an agent thereof) in its discretion and, as a result, there will be uncertainty as to the realizable value of such Private Investments (as the Firm typically will rely on information and statements received by the underlying funds and managers). The fair value of such Private Investments may not be readily determinable. The valuations used by the Firm for a substantial portion,

or all of the Private Investments may often not reflect the most recently available market information (and such valuations generally will be based on information received and obtained from third-parties – including underlying managers and underlying funds). The Firm, or an underlying manager, may engage third-party valuation agents in connection with the valuation of Client or other assets from time to time. When estimating fair value, the Firm will apply a methodology based on its judgment of what is appropriate in light of the nature, facts and circumstances of a Client's investments. Because such valuations are inherently uncertain, may fluctuate and may be based on estimates, the Firm's determinations of the fair value of one or more Private Investments may differ materially from the actual realizable values of such Private Investments. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined by other investors or firms or had an active market existed for such securities and will likely differ from the prices at which such securities may ultimately be sold. The fees assessed by the Firm may be higher or lower than would otherwise occur if a market price were more readily available for such investments. Additionally, a Fund's financial condition and results of operations could be adversely affected if the fair value determinations with respect to Private Investments were materially higher than the values that ultimately realized upon the disposition of such Private Investments.

THE FOREGOING RISKS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FIRM'S INVESTMENT ADVISORY AND FUND MANAGEMENT SERVICES

#### **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as HWM are required to disclose all material facts regarding any legal or disciplinary events that could be material to a Client's or prospective Client's evaluation of HWM or the integrity of its management. The Firm does not have any such legal or disciplinary events and therefore has nothing to disclose with respect to this Item.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Heritage Retirement Advisors ("HRA") is a non-affiliated consulting and insurance agency. However, the owner and representatives of HRA are related to Messrs. Jordan and Ryan Gibbs. At times, the Firm will recommend clients utilize HRA for insurance-related needs. While neither the Firm nor any of its representatives receive any direct compensation for such referrals, a conflict exists due to the familial relationship of the parties, and the Firm's representatives having an inherent bias to send Clients to their family members for insurance services. Clients are under no obligation to purchase insurance products either through HRA representatives, or through HRA itself.

HWM subleases office space to multiple subtenants, including HRA. The rental fees, activities performed by certain subtenants, and the proximity of the subtenants to HWM create potential conflicts of interest. While these sublease arrangements were done at arm's length, subtenants pay HWM a rental rate per square foot that exceeds the rate that HWM pays to its landlord. The increased rental rate compensates HWM for the subtenant's use of common areas, certain office equipment, phone and internet licenses, and administrative and support services. Certain subtenants, such as HRA, perform services on behalf of Clients, and HWM's receipt of higher

rental fees creates a conflict of interest in that HWM can be incentivized to utilize subtenants for services as opposed to other similarly situated providers who do not pay rent to HWM. In these instances, HWM assesses the subtenants' expertise, experience, familiarity with HWM and its Clients and corresponding fees to ascertain whether these costs are comparable to other unaffiliated third parties.

Further, the Firm's CCO, Ryan Gibbs ("Mr. R. Gibbs"), in his capacity as a Certified Public Accountant, also owns Heritage Advanced Tax Strategies, Inc. ("HATS"), a private tax service. At times, representatives of the Firm could recommend HWM clients utilize the services of HATS for their accountancy needs. There are no fees paid by HATS to HWM for such referrals. However, should clients of HWM choose to engage HATS, Mr. R. Gibbs will receive normal compensation for his respective role with HATS. The additional receipt of compensation creates a conflict of interest in that Mr. R. Gibbs has a financial incentive to recommend HATS as opposed to other accounting firms. In order to mitigate this conflict, it is disclosed to clients through the Firm's Disclosure Brochure and at the time of engagement. Further, Clients are made aware – typically through the delivery of this Brochure, that they are under no obligation to utilize HATS for their accounting needs and are free to select any accounting firm of their choosing.

HWM has an investment management agreement with Lombard pursuant to which HWM provides investment management and asset allocation services on a discretionary basis for investment portfolios underlying private placement life insurance ("PPLI") policies issued by Lombard. At times, the Firm will recommend HWM clients utilize PPLI policies issued by Lombard. This creates a conflict of interest in that the Firm has an incentive to recommend Lombard for PPLI policies as the Firm receives investment advisory fees for services in connection with managing the investment portfolios of PPLI policies. Further, an additional conflict exists in that HWM will at times receive higher fees for managing assets as part of a PPLI policy than it does pursuant to its standard management fee schedule. This creates a financial incentive for HWM to recommend PPLI policies to its clients. Firm Clients are under no obligation to purchase recommended PPLI products, or to purchase such products through Lombard specifically. HWM will only recommend PPLI policies if it's believed to be in the best interest of the Client.

When leaving an employer, Clients typically have four options regarding their existing retirement plan: (1) leave the assets in the former employer's plan, if permitted, (2) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (3) roll over the assets to an Individual Retirement Account ("IRA"), or (4) take a full withdrawal in cash, which would result in ordinary income tax and a penalty tax if the person is under age 59 1/2. At times, as part of its services, the Firm recommends that Clients roll over their 401(k) or other qualified plan assets to an IRA, this rollover recommendation presents a conflict of interest in that the Firm would receive compensation (or may increase current compensation) when investment advice is provided following the Client's decision to roll over plan assets. Clients who have assets in retirement accounts elsewhere would potentially pay a larger fee if rolled into an IRA or Roth IRA with HWM as the adviser. HWM will only recommend rollovers if it's in the best interest of the Client. Instances, where it may be in the best interest of the Client, are to simplify their account management (reduce the number of retirement accounts), have professional management of their account, limited investment options at current retirement plan, and/or high administrative fees. Prior to making a decision, each Client should carefully review the information regarding rollover options and are under no obligation to rollover retirement plan assets to an account managed by HWM.

To the extent the Firm determines in its sole discretion that investments in one or more Funds is suitable and appropriate for Clients, subject to the applicable eligibility requirements of such Funds, a conflict of interest exists in that the Firm and its affiliates generally are entitled to receive management fees and carried interest distributions and reimbursement of expenses from or with respect to each Fund (payable at the Fund level), which ultimately are borne by the investors in such Fund. In light of these additional fees, the Firm has a financial incentive to recommend investments in the Funds to its advisory clients. Further, as discussed above, principals and executive officers of the Firm are, among other entities, the owners of HPOP, a private fund manager that serves as the general partner of, and provides other services to, the Funds. Activities on behalf of HPOP and its clients will take up a portion of the principal's business time. Additionally, because the principals have financial interests in HPOP, the Funds and the Firm, the principals and others associated with the Firm have financial incentive to recommend that Firm Clients invest in the Funds as opposed to other pooled investment vehicles for which neither the Firm nor its principals receive any remuneration. To address such conflicts, the Firm provides full and fair disclosure to its Clients. The Firm and the principals additionally are mindful of the fiduciary duties they owe to all of their advisory clients. Additionally, to subscribe for an interest in a Fund, each investor will be required to complete and execute various subscription documents, pursuant to which it will, among other things, acknowledge, consent and agree to various applicable actual or potential conflicts of interest that are or may be applicable with respect to such Fund (including the Firm's recommendation of investments in the Funds to advisory clients).

Neither HWM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities. Moreover, HWM does not have any relationship or arrangement that is material to its advisory business or to its Clients. HWM does not recommend or select other investment advisers for Clients in exchange for compensation from those advisers.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Description of Code of Ethics**

HWM is a fiduciary who owes its Clients undivided loyalty. This fiduciary obligation imposes upon HWM and its associated persons a duty to deal fairly and to act in the best interest of its Clients. In addition, this obligation imposes upon HWM and its associated persons numerous responsibilities, including the duty to render disinterested and impartial advice; to make suitable recommendations within the context of the total portfolio to Clients in light of their needs, financial circumstances and investment objectives; to exercise a high degree of care to ensure that adequate and accurate representations of its business and other information about securities are presented to Clients; and to not engage in fraudulent, deceptive or manipulative practices.

To this end, HWM has adopted a Code of Ethics ("Code") which establishes standards of conduct for the firm's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information.



Because HWM's investment professionals and associated persons may transact in the same securities for personal accounts as they may buy or sell for Client accounts, it is important to mitigate potential conflicts of interest. As such, HWM has adopted personal securities transaction policies in its Code, which all of HWM's associated persons must follow. Specifically, the Code requires personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to personnel annually. HWM will provide a copy of its Code of Ethics to any Client or prospective Client upon request. Please contact HWM at (858) 613-9191.

## **B. Participation or Interest in Client Transaction**

It is HWM's policy not to enter into any principal transactions or agency cross transactions on behalf of Client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory Client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction.

Other than allowing for associated persons to buy or sell the same securities recommended or owned by clients (as discussed further below), neither HWM nor any related person buys or sells for clients' accounts investments in which the adviser or related persons has a material financial interest.

HWM or individuals associated with HWM may buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by Clients. Alternatively, HWM may cause Clients to buy a security in which HWM or such individuals have an ownership position. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the Client. Nevertheless, such practices present potential conflicts of interest. To mitigate these conflicts, HWM has adopted a Code of Ethics, which outlines the procedures regarding personal trading that must be followed (see details below). Additionally, as part of HWM's fiduciary duty to Clients, HWM and its supervised persons will endeavor at all times to put the interests of the Clients first and at all times are required to adhere to HWM's Code of Ethics.

## **C. Personal Trading**

On occasion employees of HWM may buy for their own accounts' securities which HWM also recommends to Clients. It is possible that officers or employees of HWM may buy or sell securities or other instruments that HWM has recommended to Client and may engage in transactions for their own account in a manner that is inconsistent with HWM's recommendations to a Client. Personal securities transactions by employees may raise potential conflicts of interest when such person's trade in a security that is owned by, or considered for purchase or sale for, a Client.

In order to mitigate this conflict of interest and to comply with all applicable laws and regulations, HWM's Code of Ethics sets forth the professional and fiduciary standards that all associated persons must follow. The Firm's intention is to protect Client interests at all times and to demonstrate HWM's commitment to its fiduciary duties of honesty, good faith and fair dealing with Clients. All associated persons are expected to adhere strictly to the policy and are required to follow specific procedures regarding personal trading, including:

- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Conduct all personal securities transactions in a manner consistent with the adopted policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

HWM and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which HWM does not deem appropriate to buy or sell for Clients.

## **ITEM 12: BROKERAGE PRACTICES**

When the Firm places orders for the execution of portfolio transactions for Client accounts, those transactions are allocated to brokers and dealers for execution in various markets at prices and commission rates that based upon good faith judgment will be in the best interest of the Client. In addition to using brokers as “agents” and paying commissions, the Firm may affect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

The following discussion summarizes the material aspects of the Firm’s practices for the selection of broker-dealers to execute Client transactions.

### **A. Selection Criteria**

The Firm generally effects all transactions for Client accounts through the broker-dealer custodian. HWM is independent from and not affiliated with any of the recommended broker/custodians. Additionally, there may be times, in limited situations, where HWM will permit Clients to direct brokerage (as described below).

The Firm periodically evaluates the commissions charged and the service provided by the custodian and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians. Other factors the Firm may consider when evaluating its choice of custodian include:

- Ability to trade mutual funds and other investments that the Firm determines suitable for a Client's portfolio;
- Any custodial relationship between the Client and the broker-dealer;
- Excellent customer service;
- Interaction simplicity with the Firm;
- Discount transaction rates;
- Reliability and financial stability.

For those Clients who select broker-dealers not recommended by the Firm, Clients should be aware that the Firm may not be able to negotiate specific brokerage commission rates with the broker on the Client’s behalf or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their

account than might otherwise be the case and that the Firm will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution.

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

Broker/custodians employ certain platforms that serve independent investment advisory firms like HWM. These platforms provide HWM and our clients with access to their institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to retail customers. These broker/custodians also make available various support services. Some of those services help us manage or administer our Clients' accounts while others help us manage and grow our business. The broker/custodian's support services generally are available on an unsolicited basis (*i.e.*, HWM does not have to request them) and at no charge. Below is a detailed description of available support services:

*Services that Benefit You.* 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 the broker/custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our Clients. The services described in this paragraph generally benefit you and your account.

*Services that May Not Directly Benefit You.* The broker/custodians also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist HWM in managing and administering our Clients' accounts. They include investment research of both the broker/custodian and of third parties. HWM may use this research to service all, some or a substantial number of our Clients' accounts. In addition to investment research, we also may receive access to software and other technology that:

- provide access to Client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple Client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our Clients' accounts; and
- assist with back-office functions, recordkeeping and Client reporting.

*Services that Generally Benefit Only Us.* The broker/custodians also offer other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

The broker/custodians may provide some of these services themselves. In other cases, it will arrange for third-party vendors to provide the services to us.

### **B. Best Execution**

It is the policy and practice of HWM to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, HWM will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although HWM will

strive to achieve the best execution possible for client securities transactions, this does not require it to solicit competitive bids and HWM does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while HWM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for Client transactions. HWM is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (*i.e.*, "soft dollars") provided by the broker which are included in the commission rate.

To ensure that brokerage firms recommended by HWM are conducting overall best qualitative execution, HWM will periodically (and no less often than annually) evaluate the trading process and brokers utilized. HWM's evaluation will consider the full range of brokerage services offered by the brokers, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

HWM's Client account custodians generally also serve as the broker of record for the Client account. All custodial fees and brokerage charges are fully disclosed on the account statements sent by the custodian to each Client. Please refer to Item 12.A above and item 14.A below for a detailed description of the services and benefits received by HWM through its Clients' broker/custodians.

It is important for Clients to consider and compare the significant differences between having assets custodied at a broker-dealer, bank, or other custodian prior to opening an account with HWM. Some of these differences include, but are not limited to: total account costs, trading freedom, commission rates, and security and technology services.

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

HWM's general policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") when entering into soft dollar arrangements. Section 28(e) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to HWM in making investment decisions for its Clients. "Brokerage" services and products are those used to effect securities transactions for HWM's clients or to assist in effecting those transactions.

Research and other products and services purchased with soft dollars will generally be used to service all of HWM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars may include, for example, quotation and communication equipment and services, other order management systems that provide trading

software or provide connectivity to such software, trade analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message services used to transmit orders.

Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by HWM under such soft dollar arrangements may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

The Funds understand and agree that, in selecting counterparties through or with which to effect transactions in investments for the Funds, HWM is authorized to cause the Funds to pay for various products and services with “soft dollars” and engage in other, related activities disclosed in the Fund’s offering documents. In particular, in selecting counterparties and in determining the terms of transactions with compensation payable to those persons or entities (including markups and markdowns), the Firm may take into account, in addition to execution quality or, in the case of a derivative contract, price and other fundamental terms of the particular contract or the creditworthiness of the counterparty, other factors relating to the relationship between the counterparty and the Funds or the Firm as HWM may consider appropriate, including, among other things: historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement and error correction capabilities of the counterparty generally and in connection with instruments of the type and in the amounts to be bought or sold (including the ability to follow instructions, provide timely reporting, maintain confidentiality, and provide market color); the counterparty’s willingness to commit capital; the counterparty’s reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the financial instrument, the nature, quantity and quality of research provided by the counterparty; the nature, quantity and quality of other services or products provided by the counterparty to the Funds or to HWM; the payment by the counterparty of costs or expenses otherwise payable by the Funds or the HWM, and such other factors as may be relevant, even though other persons may be able to effect transactions with or provide transactional services to the Funds (without any accompanying non-brokerage services or products) on better terms or at lower rates of compensation. The Funds acknowledge that these practices may relieve the Firm of payment obligations it might otherwise have to satisfy out of its own assets and/or may provide other benefits to the Firm.

## **2. Directed Brokerage**

Clients may direct HWM in writing to use a particular broker-dealer to execute some or all transactions for the Client. In that case, the Client will negotiate terms and arrangements for the account with that broker-dealer, and HWM will not seek better execution services or prices from other broker-dealers or be able to “aggregate” or “batch” Client transactions for execution through other broker-dealers with orders for other accounts managed by the Firm. As a result, the Client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, HWM may decline a Client’s request to direct brokerage if, in HWM’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

### **C. Trade Aggregation and Allocation**

Transactions for each client will be affected independently, unless HWM decides to purchase or sell the same securities for several clients at approximately the same time (such as for Client assets invested in the Oso Toro Strategy). HWM performs investment management services for various clients, some of which may have similar investment objectives. HWM may aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in HWM's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. HWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among HWM's clients' differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, HWM may allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

Accounts are monitored on an ongoing basis, which includes detailed periodic reviews. The frequency of reviews is at the discretion of HWM, but accounts are typically reviewed not less than annually. Accounts are reviewed for performance, consistency with the investment strategy and Client objectives, and other account parameters in order to determine if any adjustments need to be made. All reviews are performed by the investment adviser representative assigned to the respective Client's account, or that representative's licensed designee.

### **B. Other Reviews and Triggering Events**

In addition to the periodic reviews described above, reviews may be triggered by changes in a Client's personal, tax or financial status. Account holdings are also reviewed when changing market conditions warrant such review. Clients are encouraged to notify the Firm and its advisory representatives of any changes in their personal financial situation that might affect their investment needs, objectives, or time horizon.

### **C. Regular Reports**

Written account statements are generated no less than quarterly and are sent directly from the account custodian. These statements list the account positions, activity in the account over the covered period, and other related information, including any fees deducted from the account. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived.

In addition, Clients may receive other supporting reports from mutual funds, trust companies, broker-dealers or insurance companies based on their involvement with the account and their

applicable internal reporting requirements. Additionally, the Firm will provide periodic reports utilizing Orion's overlay software.

With respect to the Funds, the Firm or an affiliate provides investors in such Funds with periodic account statements, annual financial statements audited by the independent public accounting firm of such Funds, Schedules K-1 and other tax information and reports reasonably requested by investors from time to time. The Firm or an affiliate may from time to time provide or furnish other reports, statements, information and notices to investors in a Fund.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits Received**

HWM or a related person does not have any arrangement, oral or in writing, where it is paid cash by or receives some economic benefit for referring clients.

As discussed under Item 12, HWM receives certain "soft dollar" benefits whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist HWM in its investment decision-making process. The receipt of such services may be deemed to be the receipt of an economic benefit by HWM, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a Client's interest in receiving most favorable execution.

As described above, the Firm regularly recommends investments in the Funds to certain of its advisory clients and other persons. Please see Items 4, 5, 6, and 10 for additional information related to the Firm's relationship with the Funds, and conflicts of interest related thereto.

### **B. Compensation for Client Referrals**

HWM via written arrangement, retains third parties to act as solicitors for HWM's investment management services. All compensation with respect to the foregoing will be fully disclosed to each client to the extent required by applicable law. HWM will ensure each solicitor is properly registered in all appropriate jurisdictions. All such referral activities will be conducted in accordance with Rule 206(4)-3 under the Advisers Act, where applicable.

## **ITEM 15: CUSTODY**

Pursuant to the Investment Advisers Act of 1940, the Firm is deemed to have "constructive custody" of client funds because we have the authority and ability to debit our fees directly from the accounts of those clients receiving our services. Additionally, certain clients have, and could in the future, sign a Standing Letter of Authorization ("SLOA") (typically when a Client wishes to have standing instructions to have funds sent to their own bank accounts) that gives us the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give us custody. Custody is defined as any legal or actual ability by the firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure Clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the Client at least quarterly;

3. Confirm that account statements from the custodian contain all transactions that took place in the Client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the Clients' accounts for which the Firm is deemed to have custody.

However, the rules governing the direct debit of Client fees and SLOAs exempts us from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from Client accounts, we must receive written authorization from Clients permitting advisory fees to be deducted from the Client's account.
2. In the case of SLOAs, we must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to our Firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a Client maintains actual physical custody of Client assets. Client account statements from custodians will be sent directly to each Client to the email or postal mailing address that is provided to the qualified custodian selected by the Client. Clients are encouraged to compare information provided in reports or statements received by our Firm with the account statements received from their custodian for accuracy. In addition, Clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct.

If Client funds or securities are inadvertently received by our Firm, they will be returned to the sender immediately, or as soon as practical.

With respect to each Fund, the Firm is generally deemed to have custody of such Fund's cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. It is expected that most of the holdings of the Funds will be "privately offered securities" as defined in Rule 206(4)-2, which generally are not required to be maintained with a qualified custodian. With respect to any cash or securities (other than privately offered securities) of a Fund, they generally will be held or maintained with one or more qualified custodians selected by the general partner of such Fund from time to time (to the extent required by Rule 206(4)-2). In accordance with Rule 206(4)-2, the Firm or an affiliate (i) engages an independent public accounting firm registered with and subject to inspection by the Public Company Accounting Oversight Board to conduct an audit of the financial statements of each Fund for each fiscal year, and (ii) distributes or provides or furnishes copies of such audited financial statements (prepared in accordance with generally accepted accounting principles) to all investors within 120 days after the end of the fiscal year, but there can be no assurance that the Firm will be successful in this regard. Qualified custodians do not provide account statements directly to investors. The Firm generally expects that the underlying funds owned by the Funds will be subject to annual audits by independent public accounting firms.

We encourage our Clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.



## **ITEM 16: INVESTMENT DISCRETION**

### **A. Discretionary Authority; Limitations**

When providing investment management services, HWM will typically have full investment discretion over (1) which securities are to be bought or sold in Client accounts; (2) the amount of securities to be bought or sold in Client accounts; and (3) when transactions are made. This means that HWM does not have to obtain prior consent from the Client when investing Client assets.

HWM's authority to trade securities could be limited in certain circumstances by applicable legal and regulatory requirements. Additionally, in some instances, HWM's discretionary authority can be limited by conditions imposed by Clients, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to HWM in writing.

### **B. Limited Power of Attorney**

For each account HWM manages, the Client will establish a Limited Power of Attorney with their custodian authorizing the Firm to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent for the account.

## **ITEM 17: VOTING CLIENT SECURITIES**

HWM's policy and practice is to not vote proxies on behalf of its Clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a Client's account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the Client retains the responsibility for receiving and voting all proxies for securities held within the Client's account. HWM shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a Client.

HWM typically does not advise or act for Clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in Clients' accounts.

## **ITEM 18: FINANCIAL INFORMATION**

HWM does not require or solicit prepayment of more than \$1200 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. HWM does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Clients and has not been the subject of a bankruptcy proceeding.