



# **HORIZONS SUSTAINABLE FINANCIAL SERVICES**

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## **Form ADV Part 2A Disclosure Brochure March 29, 2023**

This brochure provides information about the qualifications and business practices of Horizons Sustainable Financial Services, Inc. Prospective clients are encouraged to read this Brochure prior to engaging Horizons for advisory services. If you have any questions about the contents of this Brochure or our services, please contact us at (505) 982-9661 or [info@horizonssfs.com](mailto:info@horizonssfs.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Horizons Sustainable Financial Services and our investment adviser representatives also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 1: Cover Page**

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## **Item 2: Material Changes**

Pursuant to SEC rules and regulations, Horizons Sustainable Financial Services will annually update this brochure within 90 days of the close of its fiscal year, which is December 31<sup>st</sup>. Before the current update, the last version of this Brochure was dated March 29, 2022. Horizons has made the following amendments to this Brochure:

- Item 4 –
  - Description of the Business - Removal of Kimberly Griego-Kiel from being an officer and shareholder of Horizons, pursuant to her retirement at the end of 2022;
  - Advisory Business - Updated assets under management totals; Financial Planning and Investment Consultation Services
  - Additional information added regarding how Horizons utilizes SRI/ESG for client investments
- Item 5
  - Changes in fees for stand-alone financial planning services.

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## **Item 4 - Advisory Business**

### **Description of the Firm**

We are Sustainable, Responsible, Impact investing (SRI) advisors, with a core commitment to building a sustainable and socially just world through sound investment practices. People have used a lot of different words to describe main investment strategy — Environmental-Social-Governance (ESG) Issues, Investing Socially Responsible Investing, Socially Conscious Investing, Socially Aware Investing, Responsible Investing, Green Investing, Ethical Investing, Values-Based Investing, Mission-Related Investing, Natural Investing, Stewardship Investing, Sustainable and Responsible Investing, ... The basic idea behind all of these labels, though, is simple. SRI is an investment strategy that adds an additional layer to traditional investing: the consideration of values, with the goal of ensuring that your investments have a positive impact on society and the environment.

Horizons holds itself to a *fiduciary standard*, which means that we owe each of our clients a fiduciary duty to put the client's interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith.

Horizons is a New Mexico domiciled company formed in 2013. Johann Klaassen, PhD, CFP®, AIF® is the firm's primary officer and shareholder. Horizons also has other investment advisor representatives located in Alabama, Oregon, and Washington. Additional information about Mr. Klaassen and each of Horizons' investment advisor representatives can be found in their respective Form ADV Part 2B brochure supplements, either included with this brochure, or on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Description of Advisory Services Offered**

The firm provides a broad range of investment advisory and financial planning solutions to its clients. For those interested in areas such as cash flow and budgeting, education funding, retirement planning, risk management, estate planning, tax planning, as well as periodic investment advice, it offers its *financial planning and investment consultation services*. Horizons also provides ongoing and continuous supervision of clients' portfolios through its own *investment supervisory services* offering, as well as providing our clients' access to institutional investment managers through *investment management services* engagements.

We will typically begin by conducting an introductory interview to determine the scope of services for your engagement. During or prior to your first meeting with our firm, you will be provided with a current ADV Part 2 advisory brochure that includes a statement involving our privacy policy. We will also ensure any material conflicts of interest are disclosed that could be reasonably expected to impair the rendering of unbiased and objective advice.

Should you wish to engage Horizons for its services, we must first enter into a written agreement via our client services engagement agreement; thereafter, discussion and analysis will be conducted to determine your financial needs, goals, holdings, etc. Depending on the scope of the engagement, you can or will be asked to provide current copies of the following documents early in the process:

- Wills, codicils and trusts
- Insurance policies
- Mortgage information
- Tax returns
- Current financial specifics including W-2s or 1099s
- in retirement and non-retirement accounts
- Completed risk profile questionnaires or other forms provided by our firm
- Information on current retirement plans and benefits provided by your employer

It is important that the information and financial statements you provide is accurate. The firm can, but is not obligated to, verify the information you have provided which will then be used in the financial planning or investment advisory process.

Clients who contract with Horizons for asset management services all begin by completing two worksheets: a **Financial Values Worksheet (FVW)**, and a **Social Policy Worksheet (SPW)**. The FVW gathers information including such items as risk tolerance and desired returns, current income and tax considerations, time horizon and contribution/distribution plans. Based on the answers provided by the client, and any additional discussions between the client and their Advisor, a basic asset allocation model is selected. The SPW gathers information about your basic SRI - related screening criteria, commitment or aversion to shareholder advocacy strategies, and interest in participating in below - market - rate community investment opportunities. For clients with larger portfolios, for whom our individual stock portfolios are appropriate, we can also make special exclusions based on broad social issues, economic sectors, or specific companies. ii. From the information provided by the client on these two worksheets, an Investment Policy Statement (IPS) is generated - and, after another round of discussion with the client and Advisor, the IPS is finalized and signed.

Our ability to provide our advisory services depends on access to important information about our clients. Accordingly, it is necessary that you provide us with an adequate level of information and supporting documentation throughout the term of the engagement, including but not limited to source of funds, income levels, and an accountholder or their legal agent's authority to act on behalf of the account, among other information. This helps us determine the appropriateness of our financial planning or investment strategy for you.

It is also very important that you keep us informed on significant changes that can call for an update to your financial and investment plans. Events such as changes in employment, unplanned windfall, marriage or divorce, or the purchase or sale of a home or business can have a large impact on your circumstances and needs. We need to be aware of such events, so we can make the adjustments needed to your plan or advice to keep you on track toward your goals.

### ***Investment Management and Investment Supervisory Services***

You can engage our firm to implement investment strategies that we have recommended to you. Depending on your risk profile, goals and needs, among other considerations, your portfolio will involve the employment of one of our investment strategies as well as either a broad range or more narrowly focused choice of investment vehicles as described in further detail in Item 8 of this brochure.

Where appropriate, we will prepare an investment policy statement (IPS) or similar document reflecting:

- your investment objectives
- annual Income
- time horizon
- Total Net Worth
- Liquid Net Worth
- Employment Status
- Tax Status
- Investment Experience
- Risk Tolerance
- Other relevant information

Since the IPS, to a large extent, will be a product of information and data you have provided, you will be responsible for reviewing and providing final approval of the document/plan.

### Investment Management Services (Third-Party Investment Managers)

Following our consultation session and plan development, we can or will recommend you engage a third-party investment manager to implement a portion or your entire portfolio. Prior to recommending a third-party investment manager, we will conduct what is believed to be an appropriate level of due diligence to include ensuring the third-party investment manager is appropriately registered or notice-filed within your jurisdiction. On a continuing basis but no less than annually thereafter, a review will be performed from both a compliance and performance perspective to determine whether the selected third-party investment manager remains an appropriate fit for your portfolio. Horizons will maintain the discretionary authority to re-assign the sub-adviser that will provide services to client accounts.

Under this type of engagement, we will gather information from you about your financial situation, investment objectives, reasonable restrictions you can or will want to impose on the management of the account, and we will then provide this data to the third-party investment manager to develop the portfolio. Third-party managers will invest on behalf of a client account in accordance with the strategies set forth in their own requisite disclosure documents which will be provided to you by our firm prior to your portfolio employing their strategies. The selected third-party investment manager typically assumes discretionary authority over an account (defined in Item 16), and some of these programs can or perhaps will not be available for those clients who prefer an account to be managed under a non-discretionary engagement or whom can or will have other unique account restrictions.

Under the third-party investment process, one of the managers selected for your account can or will be Horizons. Under this process, with accounts maintained at Folio Institutional, we do not charge an additional manager fee. Only those managers who are not Horizons will charge the third-party manager fee for the portion of the account that they are managing.

### Investment Supervisory Services

In limited situations and only when an account requires unique customization, our firm will provide its own investment supervisory services under either a discretionary or non-discretionary agreement (see Item 16). The engagement can include:

- Investment strategy
- Investment policy statement development
- Asset allocation
- Asset selection
- Risk tolerance
- Regular monitoring
- Periodic rebalancing

### **Financial Planning and Investment Consultation Services**

Financial planning and investment consultation services can be broad-based (sometimes coined “comprehensive planning”) or more narrowly focused as you can or will desire. For initial or contracted Financial Planning and Consulting Services, financial plans are completed within a year or less. New or additional financial planning and consulting services are performed pursuant to a separate engagement agreement with the client. If several or all of the services described are provided together through a broad-based plan, the total time needed to complete these services can be less than the time it would take to complete each service separately because of the efficiency gained by combining more than one service.

### Cash Flow Analysis and Debt Management

A review of your income and expenses will be conducted to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used, or how to reduce expenses if they exceed your income. Advice can also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. Recommendation can also be made with respect to appropriate cash reserves for emergencies and other financial goals, and a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.

### Risk Management

A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice can be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance ("self-insuring").

### Employee Benefits

We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible in your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.

### Retirement Planning

Retirement planning services typically include projections of your likelihood of achieving your financial goals, with financial independence usually the primary objective. For situations where projections show less than the desired results, a recommendation can include showing you the impact on those projections by making changes in certain variables (i.e., working longer, saving more, spending less, taking more risk with investments). If you are near retirement or already retired, advice can be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

### Tax Planning Strategies

Advice can include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we can or will make recommendations on which type of account(s) or specific investments should be owned based in part on their "tax efficiency," with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that can or will impact your situation.

### Education Planning

College funding advice can include projecting the amount that will be needed to achieve post-secondary education funding goals, along with savings strategies and the "pros-and-cons" of various college savings vehicles that are available.

### Estate Planning

Review and advice usually involves an analysis of your exposure to estate taxes and your current estate plan; determining whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We can or will provide you with contact information for attorneys who specialize in estate planning when you wish to hire someone for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request. We are not compensated for these referrals.

#### *Investment Consultation*

Our investment consultation services can involve providing information on the types of investment vehicles available, employee stock options, investment analysis and strategies, asset selection and portfolio design, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian (collectively, we term as “service providers”). The strategies and types of investments we can recommend are further discussed in Item 8 of this brochure.

#### *Periodic Review*

We strongly urge our clients to notify us of any change in their circumstances, and to schedule a review any time there is such a change. An annual review should be considered even if there is not a substantial change, because tax laws, estate laws, and insurance and investment products are rapidly evolving. Additional information can be found in Item 13.

#### ***Educational Workshops***

Horizons offers periodic sessions for those desiring general advice on personal finance and investing. Topics can include issues related to financial planning, college funding, estate planning, retirement strategies, or various other economic and investment topics. Our workshops are educational in nature and do not involve the sale of insurance or investment products. Information presented will not be based on any one person’s need nor do we provide individualized investment advice to attendees during our general sessions.

#### *Client-Tailored Services and Client-Imposed Restrictions*

##### ***Broad-Based v. Modular Financial Planning***

A broad-based plan is an endeavor that requires detail, therefore, certain variables can affect the cost involved in the development of the plan: the quality of your own records, complexity and number of current investments, diversity of insurance products and employee benefits you currently hold, size of the potential estate, special needs of the client or their dependents, among others.

While certain broad-based plans can or will require 10 or more hours to complete, complex plans can or will require more than 20 hours. Alternatively, we can or will concentrate on reviewing only a specific area (modular planning), such as college funding, a portfolio allocation, or evaluating the sufficiency of your retirement plan. Note that when these services focus only on certain areas of your interest or need, your overall situation or needs can or perhaps will not be fully addressed due to limitations you can or will have established. Whether we have created a broad-based or modular plan, we will present you with a summary of our recommendations, guide you in the implementation of some or all of them, as well as offer you periodic reviews thereafter (see Item 13).

Unless stated otherwise in your agreement with our firm, upon completion of our presentation or delivery of advice, our financial planning and investment consultation engagement is typically concluded. We recommend that you return for periodic reviews.

In all instances involving our financial planning and investment consultation services, our clients retain full



discretion over all implementation decisions and are free to accept or reject any recommendation we make. Clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with Horizons or investment adviser representatives of Horizons.

### **Management of Assets for Other Advisors**

Horizons is available to manage client assets for other advisors and their clients on a contracted basis managing with our portfolios of Mutual Funds, Individual Stock accounts at Folio or Individual Bond SMA accounts within an SRI framework. Accounts will be held at Schwab Institutional or Folio Institutional and Horizons will be the Manager of Record for these accounts and have access to the client account for trading, fee billing and distribution purposes only. Assets will be billed quarterly, in advance, with the fee to Horizons being not more than  $\frac{1}{4}$  of the overall fee charged to the client. All accounts will be managed on a Discretionary basis. Any discounts offered to the client will be shared by both the Advisor and Horizons with the maximum fee to the client to not exceed 1.6% annually, lower fee schedules can be negotiated per client or account. The Fees shared do not include custody and trading costs. All advisors will maintain their own RIA and designations and will not be an IAR of Horizons.

### **Consultation with Other Firms**

From time to time, Horizons can be asked to consult with other RIA Firms, Asset Managers, or Mutual Funds on creating a SRI platform/social screening or monitoring, or the ongoing management of the SRI platform/social screening and monitoring. We will receive a consulting fee for those services either as a one-time consultation fee or as an ongoing consultation fee for ongoing services to the RIA or Fund.

### ***Investment Account Restrictions***

As stated in your IPS or similar document, we will account for any reasonable restrictions you can or will require for the management of your investment account(s). For example, a client can prefer to avoid or require certain types of holdings (e.g., "sin stocks," international or small cap stocks, etc.) in their portfolio. We will then communicate these restrictions to the portfolio manager handling your account.

We want to note that it is our duty make reasonable efforts to document and annually update client suitability information however, you should promptly notify us if there is any change in your financial situation and/or investment objectives for the purpose of our reviewing, evaluating or revising previous account restrictions or firm investment recommendations.

### **Wrap Fee Programs**

Our firm does not serve as sponsor or portfolio manager in an investment program involving wrapped fees.

### **Client Assets Under Management**

As of December 31, 2022, our firm had \$111,161,223 of client assets under management: \$110,765,805 through discretionary account agreements, and \$395,418 through non-discretionary account agreements; (as defined in Item 16-Investment Discretion).

### **General Information**

Horizons does not provide legal or accounting services. With your consent, we can work with your other professional advisors to assist with coordination and implementation of accepted strategies. You should be aware that these other advisors will charge you separately for their services and these fees will be in addition to our own advisory fees.

Our firm will use its best judgment and good faith effort in rendering its services. Horizons cannot warrant or guarantee any particular level of account performance or that your account will be profitable over time. Past performance is not necessarily indicative of future results.

Except as otherwise be provided by law, our firm will not be liable to the client, heirs, or assignees for any loss an account can or will suffer by reason of an independent investment decision made or other action taken or omitted in good faith by our firm with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from our adherence to your direction or that of your legal agent; any act or failure to act by a service provider maintaining an account.

Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document shall constitute a waiver of any rights that a client can or will have under federal and state securities laws. Nothing in this Agreement can be interpreted to limit or modify the investment adviser's fiduciary duties to its clients.

## **Item 5 - Fees and Compensation**

### **Method of Compensation and Fee Schedule**

#### ***Hourly Fees***

We can or will be engaged for our financial planning and investment consultation services under an hourly fee arrangement. The hourly rate is up to \$500 per hour; billed in 15-minute increments (four increments per hour), and a partial increment (i.e., eight minutes, etc.) will be treated as a whole increment.

The hourly fee rate will take into consideration such factors as the expertise dedicated to the engagement and any special services you can or will require. Prior to entering into an agreement with the firm you will receive an estimate of the fee range based on your plan requirements.

#### ***Asset-Based Fees***

Fees for investment supervisory services and third-party investment manager programs are assessed an annualized asset-based fee that will be calculated based on the reporting period ending value of your account. These fees will be billed quarterly, in advance.

#### **Investment Management Services (Third-Party Investment Manager)**

An annualized asset-based fee not to exceed 1.60% (160 basis points) will be charged to your account under a third-party investment manager program.

Each program has a stated fee range, described to you through the use of the third-party investment manager disclosure documents prior to your investing, and will range from 0.25% to 1.25% (25 to 125 basis points) depending upon the program selected, investment strategies involved, asset size of the account, and the services provided to the client. Our firm will share in part of the advisory fee for its consultation services and can receive up to 1.40% (140 basis points) of the total fee assessed, and we will describe our portion of the advisory fee in your engagement agreement.

#### **Investment Supervisory Services**

Our investment supervisory services engagement fees are based on the reporting period ending value of your account as described in the following table.

Assets Under Management	Asset-Based Fees (% of AUM)			
	Schwab Fixed Income Only Portfolio	Schwab Mutual Fund / ETF Portfolio	Folio Third-Party Investment Manager Portfolio	Maximum Total Fees*
First \$200,000	0.70%	1.25%	1.20%	1.60%
Next \$300,000	0.70%	1.25%	1.10%	1.50%
Next \$500,000	0.55%	1.10%	0.95%	1.35%
Next \$1,000,000	0.55%	0.97%	0.80%	1.20%
Next \$1,000,000	0.45%	0.89%	0.70%	1.10%
Next \$2,000,000	0.45%	0.81%	0.60%	1.00%
Above \$5,000,000	To be arranged separately.			

### Aggregating Account Fees

For the benefit of discounting your asset-based fee, we can or will aggregate investment supervisory services accounts for the same individual or two or more accounts within the same family, or accounts where a family member has power of attorney over another family member's or incompetent person's account. Should, however, investment objectives be substantially different for any two or more household accounts, requiring different investment approaches or operational requirements, we do reserve the right to apply our fee schedule separately to each account. Accounts identified for aggregation will be annotated on the Advisory agreement the clients signs to enter into advisory services.

We will inform you in advance as to whether the selected third-party investment manager(s) will allow for account aggregation for the purpose of fee discounts.

### **Negotiable Fees**

Fees are negotiable at the sole discretion of the Firm, and arrangements with any client can vary. Fees are assessed based on a variety factors, including but not limited to the extent and complexity of services provided and the size of a client's account. Horizons reserves the right to waive fees for certain friends and family of the firm.

We strive to offer fees that are fair and reasonable in light of the experience of the firm and the services to be rendered to our clients, however, similar services can be made available from other providers and potentially at a lower fee.

### Client Payment of Fees

#### **Hourly Fees**

Fees can be paid by check or cashier's draft from a US-based bank; we do not accept cash or similar forms of payment for our engagements. Fees are generally due upon your receipt of our invoice, and engagements that are greater than 30 days in duration can be billed monthly, in arrears.

#### **Asset-Based Fees**

Annualized asset-based fees will be billed quarterly, in advance. Your first billing cycle will begin once your agreement is fully executed and your assets have settled into your account held by the custodian of record.

Fees for partial quarters will be prorated based on the remaining days in the reporting period in which the firm and/or third-party manager services the account. Fee payments will generally be assessed within 15 days of the beginning of each billing cycle. Fees will be prorated based upon the number of days the account was open during a billing period.

Accounts will be valued in accordance with the values disclosed on the statement the client receives from the custodian for the purpose of verifying the computation of the advisory fee. In the absence of a reportable market value (Not listed on a Public Exchange), Horizons can seek an independent third-party opinion or a consistent with Adviser's fiduciary duty determination by a qualified associate. If a client does not agree with the valuation assigned, they have the right to dispute the valuation by contacting the Firm in writing within thirty (30) days of receiving their invoice.

By signing our firm's engagement agreement, as well as the selected custodian account opening documents, you will be authorizing the withdrawal of transactional (see following section) and advisory fees from your account. All fees will be clearly noted on account statements that you will receive from the custodian of record, and we will provide notice of the fees to be deducted from your account. The notice will include the fee, the formula used to calculate the fee, the fee calculation itself, the time period covered by the fee, the amount of assets under management on which the fee was based, and the name of the custodian(s). The withdrawal of these fees will be accomplished by the selected custodian, not by our firm, and the custodian will remit our fees directly to our firm. Please note that you will be responsible for verifying the accuracy of the fee calculation; the custodian can or will not verify the accuracy for you. Clients are urged to compare the account statements they receive from the qualified custodian with invoices and reports they receive from Horizons and the third-party adviser.

#### Additional Client Fees

Any transactional or service fees (sometimes termed *brokerage fees*) assessed by a selected service provider (i.e., a custodian), individual retirement account fees, or qualified retirement plan and/or account termination fees will be borne by the accountholder and are per those provided in current, separate fee schedules of any selected service provider. Some custodians recommended by Horizons charge an account termination fee or securities transfer fee. These different fees should be discussed with your Horizons Advisor to allow you to figure these fees into your plans.

Fees paid by our clients to our firm for our advisory services are separate from any transactional charges a client can or will pay, as well as those for mutual funds, exchange-traded funds (ETFs), exchange-traded notes (ETNs), or other investments of this type.

Interest at 10% per year can be assessed on our advisory fee balances that are more than 45 days past due. Further, we reserve the right to suspend our advisory services once an account is deemed past due.

Additional information about our fees in relationship to our business practices are noted in Items 12 and 14 of this document.

#### Charged Prepayment of Client Fees

##### ***Advance Payment for Certain Services***

We reserve the right to require an initial deposit for financial planning and investment consultation services engagements in the amount of \$500 or one-half of the upper end of the estimated fee range (whichever is greater), and this deposit will be defined in your engagement agreement.

Asset-based fees are assessed quarterly and in advance of each reportable period however, Horizons does not

collect fees in excess of \$500 six months or more in advance.

### ***Termination of Services***

Either party can terminate the agreement at any time, which will typically be in writing. If you verbally notify our firm of the termination and, if in two business days following this notification, we have not received your notice in writing, we will make a written notice of the termination in our records and send you our own termination notice as a substitute. If the service that is provided does not meet the required hourly threshold, the amount due will be reduced according to the service that was completed and any unearned fee will be refunded to the client. If a client terminates its relationship with Horizons before Horizons finishes the client's written financial plan or analysis, it is Horizons policy to not deliver completed portions of any documents to the client as any reliance on such would unreasonably subject and expose Horizons to liability in the event the former client relied upon or acted upon such. Horizons will provide an invoice to the client showing the amount of earned fees retained by Horizons and the amount of fees returned to the client.

In the event the advisory services are terminated mid-quarter, any paid, unearned fees will be promptly refunded to the client, while any unpaid fees will be due and payable to Horizons. 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).

You have the right to terminate the engagement without penalty within five business days after entering into the agreement. Should you terminate an engagement after this time period, you can or will be assessed fees for any time or charges incurred by our firm in the preparation of your plan or investment allocation. We will promptly return any prepaid, unearned amount upon receipt of termination notice.

For those clients who utilize our investment management and investment supervisory services, our firm will not be responsible for future allocations, investment advice or transactional services upon receipt of a termination notice. Upon termination, it will be necessary that we inform the custodian and/or third-party investment manager serving the account that the relationship between the firm and the client has been terminated.

### **External Compensation for the Sale of Securities to Clients**

Our advisory firm is engaged for fee-only services and we attempt to recommend "no load" investments whenever practical. We do not charge or receive a commission or mark-up on your securities transactions, nor will the firm or an associate be paid a commission on your purchase of a securities holding that we recommend.

We do not receive "trailer" or SEC Rule 12b-1 fees from an investment company we can or will recommend. Fees charged by issuers are detailed in prospectuses or product descriptions and you are encouraged to read these documents before investing. Our firm and its associates receive none of these described or similar fees or charges.

You will always have the option to purchase recommended or similar investments through your own selected service provider or other brokers or agents that are not affiliated with Horizons or Horizon's Investment Adviser representatives. Note that most (including all those recommended by Horizons) third-party investment managers can or perhaps will not be available to self-directed investors.

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

Our fees will not be based upon a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as “performance-based fees.” Performance-based compensation creates an incentive for a firm or their representatives to recommend an investment that can carry a higher degree of risk to a client. We do not use a performance-based fee structure because of the conflict of interest this type of fee structure poses. Our fees will also not be based on side-by-side management, which refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it can or will pose, does not conform to our firm’s practices.

## **Item 7 - Types of Clients**

We provide our advisory services to individuals, trusts, estates; foundations and charitable organizations; businesses of various scale as well as their pension and profit-sharing plans. Horizons does not require minimum income levels, minimum level of assets or other conditions for its services, nor do the sub-advisers we recommend to you, based on Horizons agreement with the sub-adviser. We reserve the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, or pre-existing relationships. We also reserve the right to decline services to any prospective client for any legal non-discriminatory reason.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

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

#### ***Method of Analysis***

When we are engaged to provide investment advice, we will first gather and consider several factors, including your: current financial situation, current and long-term needs, investment goals and objectives, level of investment knowledge, tolerance or appetite for risk, and any possible restrictions involving the management of your portfolio.

#### ***Investment Philosophy***

We maintain a core commitment to building a sustainable and socially just world through sound investment practices and a focus on Sustainable, Responsible, Impact investing processes. We will not tell clients what principles they ought to endorse or what moral commitments they ought to make – but we trust that we will be able to work with the vast majority of the investors who seek us out. To this end, we will use as many of the four key SRI processes as we can for each of our clients:

**Screening** – Most people who talk about SRI think first of “negative screening” – keeping shares of companies involved in tobacco, alcohol, and firearms (for example) out of their portfolios. This is an important part of SRI but it is only the first step. The next step is “positive screening” – seeking out those publicly traded companies which are involved in industries that are likely to have a positive impact, and to help create a sustainable economy in the future.

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**Advocacy** – Screening alone cannot make a company change its fundamental business strategies. Sometimes our clients will own the shares of companies that might offend against their moral values in order to use their rights as shareholders to change the company’s behavior. This kind of “shareholder advocacy” is an incredibly powerful tool for changing the behavior of the corporate America.

**Community** – It is possible to invest directly in the lives of individuals and their communities. Through the mechanisms of “community investments” or “micro-credit” we can help provide capital to areas that have difficulty attracting funds from traditional sources.

Within the United States and around the world the loan funds provided by socially conscious investors help individuals and communities to build vibrant local economies.

**Impact** – For some clients there can be opportunities to invest in the tiniest companies, pushing forward the most exciting new developments in such exciting areas as sustainable energy, ecologically sensitive farming, or waste-less manufacturing. While there are significant federal restrictions regarding which investors can currently participate in the venture capital and private placement marketplaces, we are working to find new ways to get involved in this type of investment opportunity, and to increase the impact everyone’s investments can have.

Please note that both venture capital and private placements are illiquid and generally have lengthy, required holding periods. These assets are unmanaged by Horizons and will not be included in Horizon’s fee calculation.

Our firm also employs a fundamental analysis: evaluating economic factors including interest rates, the current state of the economy, or the future growth of an industry sector. In addition to our own research, the firm’s recommendations can also be drawn from sources that include materials from economists and other industry professionals, corporate rating services, company press releases, annual reports, prospectuses and regulatory filings.

Horizons makes asset allocation and investment policy decisions based on the aforementioned factors. We will discuss with you how, in our best judgment, to meet your objectives while at the same time seeking a prudent level of risk exposure.

#### **Investment Strategies and Method-based Risk**

We recognize that each client’s needs and goals are different; therefore, recommended investment strategies and underlying investment vehicles can or will vary. The following three strategies reference those that we ascribe to in serving our clients’ portfolios:

##### **Active Asset Management**

A portfolio manager engaging in an active asset management strategy believes it is possible to create a profit from identifying or leveraging mispriced securities and producing returns greater than a stated benchmark, such as a well-known index. For example, a “large cap stock” fund manager might attempt to outperform the Standard & Poor’s 500 Index by purchasing underpriced stocks or derivative instruments representing these positions. A portfolio that employs active management strategies can, at times, outperform or underperform various benchmarks or other strategies. To meet or surpass these benchmarks, active portfolio management can require more frequent trading or “turnover.” This can result in shorter holding periods, higher transactional costs and/or taxable events generally borne by the client, thereby potentially reducing or negating certain benefits of active asset management.

##### **Core + Satellite Strategy**

A Core + Satellite investment strategy blends passive based (or index) and active investing, where passive investments are used as the basis or “core” of a portfolio and actively managed investments are added as “satellite” positions. With this strategy, the portfolio core holdings are indexed to potentially more efficient asset classes, while outlying selections are often limited to active holdings that are attempting to

outperform a particular sector, or a selection of particular positions to increase core diversification, or to improve portfolio performance, or reduce risk during downward trends in the market and during times of uncertainty. For example, the core of a portfolio can or will be built with passive based institutional mutual funds; satellite holdings would include actively managed mutual funds or separately managed accounts that have unique strategies that are believed capable of adding value beyond a stated benchmark over a full market cycle. The core can represent the majority of the total portfolio, using primarily index funds or index-based ETFs/ETNs. The remainder of the portfolio can then employ mutual funds or ETFs/ETNs that take a shorter duration to assist in the over-or-under allocation to specific sectors, regions, assets classes, etc. Strategies involving Core + Satellite investing can have the potential to be affected by “active risk” or “tracking error risk,” which might be defined as a deviation from the stated benchmark. Since the core portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation can come from a satellite portfolio or position, or from a “sample” or “optimized” index fund or ETF/ETN that can or perhaps will not as closely align the stated benchmark. In these instances, a portfolio manager can choose to reduce the weighting of a satellite holding, utilize very active satellites, or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.

### **Passive Investment Management**

Investment managers employing this strategy generally ascribe to and construct portfolios based on the principles of the Modern Portfolio Theory which is based on the belief that proper diversification and risk management will provide an investor client with a more stable and consistent return over time. It has been statistically determined that a properly diversified portfolio, consisting of an appropriate weighting in different asset classes, will generally outperform most asset classes over time. The practice of Modern Portfolio Theory does not employ market timing nor stock selection methods of investing but rather a long term buy-and-hold strategy with periodic rebalancing of the account to maintain desired risk levels. Should a portfolio employ a passive, efficient markets approach (often associated with Modern Portfolio Theory), an investor will need to consider the potential risk that the broader allocation can or will at times generate lower-than-expected returns than that from a specific asset, and that the return on each type of asset is a deviation from the average return for the asset class. It is felt that this variance from the “expected return” is generally low under normal market conditions if the portfolio is made up of diverse, low or non-correlated assets.

### **Fundamental Analysis**

Fundamental analysis is a method of measuring a security's intrinsic value by examining related economic and financial factors. Fundamental analysts study anything that can affect the security's value, from macroeconomic factors such as the state of the economy and industry conditions to microeconomic factors like the effectiveness of the company's management. The end goal is to arrive at a number that can be compared with a security's current price in order to see whether the security is undervalued or overvalued. This method of stock analysis is considered to be in contrast to technical analysis, which forecasts the direction of prices through an analysis of historical market data such as price and volume. The risk involved in employing fundamental analysis is that information obtained can be incorrect; the analysis can or will not provide an accurate estimate of earnings, which can be the basis for a security's value. If a security's price adjusts rapidly to new information, a fundamental analysis can result in unfavorable performance.

### **Material Risks**

We believe our strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk; however, we cannot guarantee that an investment objective or planning goal will be achieved. As an investor you must be able to bear the risk of loss that is associated



with your account, which can include the loss of some or your entire principal. In general, risks regarding markets include interest rates, company, and management risk, among others. Examples include:

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**Company Risk** – When investing in securities, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as *unsystematic risk* and can be minimized through appropriate diversification.

**Financial Risk** – Excessive borrowing to finance a business operation increases profitability risk because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations can result in bankruptcy and/or a declining market value.

**Inflation Risk** – When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

**Management Risk** – An investment with a firm varies with the success and failure of its investment strategies, research, analysis and determination of its portfolio. If an investment strategy were not to produce expected returns, the value of the investment would decrease.

**Market Risk** – When the stock market as a whole or an industry as a whole fall, it can cause the prices of individual stocks to fall indiscriminately. This is also called systemic or systematic risk.

**Research Data** – When research and analyses are based on commercially available software, rating services, general market and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. Therefore, while our firm makes every effort to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided which can or perhaps will not affect the advice on or investment management of an account.

**Socially Conscious Investing** – A portfolio invested according to socially conscious principles can experience reduced asset class diversification since the number of publicly traded companies that meet stated investment parameters can or will be limited. Therefore, there is the potential of similarity or overlap of holdings, especially among socially conscious mutual funds or ETFs, and a pronounced positive or negative impact can occur with a socially conscious portfolio, which could be more volatile than an unscreened portfolio.

#### **Security-Specific Material Risks**

**ETF/ETN and Mutual Fund Risk** – ETFs/ETNs and mutual funds can carry additional expenses based on their share of operating expenses and certain brokerage fees, which can result in the potential duplication of certain fees. The risk of owning these types of holdings also reflects the risks of their underlying securities.

**Fixed Income Risks** – Various forms of fixed income instruments, such as bonds, money market funds, bond funds, and certificates of deposit, can be affected by various forms of risk, including:

**Credit Risk** – The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk can also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This can result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and typically have priority to assets before equity holders (i.e., stockholders) when receiving a

payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

**Duration Risk** – Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

**Interest Rate Risk** – The risk that the value of the fixed income holding will decrease because of an increase in interest rates.

**Liquidity Risk** – The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (i.e., bonds), there are risks which can occur such as when an issue trading on any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.

**Reinvestment Risk** – With declining interest rates, investors can or will have to reinvest interest income or principal at a lower rate.

**Index Investing** – ETFs and indexed funds have the potential to be affected by “active risk” or “tracking error risk,” defined in the earlier paragraph with respect to Core + Satellite risks.

**QDI Ratios** – While many ETFs, ETNs, and index mutual funds are known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these investment vehicles or holding periods within that can or perhaps will not benefit. Shorter holding periods, as well as commodities and currencies (that can be part of an ETF/ETN or mutual fund portfolio), can be considered “non-qualified” under certain tax code provisions. We consider a holding’s QDI when tax-efficiency is an important aspect of the client’s portfolio.

## **Item 9 - Disciplinary Information**

Registered investment advisors are required to disclose legal or disciplinary events that would be material to a client’s evaluation of an investment advisor. Horizons, its management, and its investment advisor representatives do not have applicable legal or disciplinary events to disclose.

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

Our policies require the firm and any associated person to conduct business activities in a manner that avoids conflicts of interest between the firm and its clients, or that can be contrary to law. We will provide disclosure to each client prior to and throughout the term of an engagement regarding any conflicts of interest which might reasonably compromise our impartiality or independence. One of our advisory representatives is also licensed as an insurance agent in the state of Washington. This representative typically spends 20 hour per month on this activity, one hour per day during market hours.

The above arrangements present a conflict of interest because they create an incentive to make recommendations based upon the amount of compensation we receive rather than based upon your needs. We will explain the specific costs associated with any recommended investments with you upon request. You have the option to purchase investment and insurance products through other brokers or agents who are not affiliated with us.

### Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Neither the firm, management, nor its associates, are registered or have an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) member firm, nor do they have a material relationship with any of the following entities: banking or thrift institution; lawyer or law firm; accountant or accounting firm; real estate broker or dealer; pension consultant; sponsor or syndicator of limited partnerships; or, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund).

Upon your request, we may be able to provide referrals to various professionals, such as an accountant or attorney. While these referrals are based on our best information, we do not guarantee the quality or adequacy of the work provided by these referred professionals. We do not have an agreement with or receive fees from these professionals for these informal referrals. Any fees charged by these other entities for their services are completely separate from fees charged by our firm.

### Recommendation or Selection of Other Investment Advisers and Conflicts of Interest

As noted in Item 4 of this brochure, Horizons can provide a recommendation to pre-screened, third-party investment managers (who are also required to be registered as investment advisors) to service part of or your entire portfolio, and in which both firms inevitably are paid a portion of an advisory fee as described in Item 5.

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

The firm holds itself to a *fiduciary standard*, which means it has a duty to put the client’s interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith. Horizons believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate or at least minimize potential material conflicts of interest and to appropriately manage any material conflicts of interest that can or will remain. Clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest. Our firm will disclose to advisory clients any material conflict of interest relating to the firm and its associates which could reasonably be expected to impair the rendering of unbiased and objective advice.

### Code of Ethics Description

Horizons has a Code of Ethics that establishes policies for ethical conduct for its personnel. The firm accepts the obligation not only to comply with applicable laws and regulations but also to act in an ethical and professionally responsible manner in professional services and activities. Firm policies include prohibitions against insider trading, unacceptable conflicts of interest, and certain political contributions, among others. We will provide a copy of the firm’s Code of Ethics to any client or prospective client upon request.

### Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

Neither the firm nor an associate is authorized to recommend to a client, or effect a transaction for a client, involving any security in which the firm or a “related person” (e.g., associate, an immediate family member, etc.) has a material financial interest, such as in the capacity as an underwriter or advisor to an issuer of securities, etc. An associate is prohibited from borrowing from or lending to a client unless the client is an approved financial institution.

As described in Item 10, an associate can also serve as a licensed insurance agent; therefore, certain clients

can have multiple business relationships with the associate. In instances where an insurance or annuity contract is purchased subsequent a financial plan the firm has been engaged by the client to develop, and the purchase is made through an associated representative (as an agent) that results in a commission being paid to the agent by the issuer, the firm can (but is not obligated to) offset its financial planning fee at the discretion of the firm principal or as required by jurisdictional statute. Further, each associate must describe how they are to be compensated for their role, the conflict of interest the role or service to be provided can involve (such as the potential for dual compensation and whether there is an incentive on their part to do so), and if there can be alternative providers for this service/product. The firm remains focused on ensuring that its offerings are based upon the needs of its clients, not resultant fees or commissions received for such services.

Horizons can provide a broad range of services to its clients, including financial planning, investment consultation, and investment management or investment supervisory services. A fee for some or all of these services can be paid to the firm per the engagement agreement and, therefore, a potential conflict of interest can exist. Therefore, we note that you are under no obligation to act on a recommendation and, if you elect to do so, you are under no obligation to complete all of them through our firm or a service provider whom we can or will recommend.

#### Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest

Horizons does not trade for its own account (e.g., proprietary trading). The firm's related persons can buy or sell securities that are the same as, similar to, or different from, those recommended to clients for their accounts. A recommendation made to one client can be different in nature or in timing from a recommendation made to a different client; clients often have different objectives and risk tolerances. At no time, however, will the firm or a related person receive preferential treatment over a client.

In an effort to reduce or eliminate certain conflicts of interest involving personal trading (i.e., trading ahead of a client's order, etc.), firm policy requires the restriction or prohibition of related parties' transactions in specific securities. Any exceptions or trading pre-clearance must be approved by the firm in advance of the transaction in a related person's account, and the firm maintains required personal securities transaction records per regulation.

## **Item 12 - Brokerage Practices**

As disclosed in Item 14 below, Horizons does not engage in solicitation activities as defined by statute.

#### Factors Used to Select Broker/Dealers for Client Transactions

Horizons does not maintain physical custody of your assets (see Item 15). Your account must be maintained by a qualified custodian (generally a broker/dealer, bank or trust company) that is frequently assessed for its capabilities to serve in that capacity by their respective industry regulatory authority. Our firm is not a custodian nor is there an affiliate that is a custodian. Neither the firm nor any associate is registered with or supervised by any custodian.

When engaged to provide investment consultation services, the firm can recommend the service provider with whom your assets are currently maintained. Should you prefer a new service provider, a recommendation made by the firm would be based on your needs, overall cost, and ease of use.

If you have engaged the firm to provide investment management or investment supervisory services, Horizons requests clients use the institutional services divisions of Charles Schwab & Co., Inc., Fidelity Institutional/Goldman-Sachs, Inc., or TD Ameritrade, Inc., collectively "Custodian." Each Custodian is a

FINRA and SIPC member, and SEC-registered broker/dealers. Our firm is independently owned and operated; it is not affiliated with the referenced Custodian.

While we recommend that you use a Custodian, you will decide whether to do so and will open your account with one or more of them by entering into an account agreement directly with them. We do not technically open the account for you, although we will assist you in doing so. If you do not wish to place your assets with any of the noted Custodians, we will not be able to manage your account under our investment supervisory services engagement and it can be necessary to engage our firm under another form of advisory service (e.g., investment consultation services). Certain third-party investment managers can allow a client account to be opened directly with their firm and/or their custodian of record instead of through our Custodian, and we will inform you in advance if this is feasible and we will ensure your account documents fully disclose the custodian of record for your account. The noted Custodians offer independent investment advisors various services which include custody of client assets, trade execution, clearance and settlement, etc. Our firm can receive certain benefits from participation in one or more Custodians' independent advisor support program (please see Item 14 for further details).

We periodically conduct an assessment of any service provider we recommend (including the noted Custodians) which generally involves a review of their range and quality of services, reasonableness of fees, among other items, and in comparison, to their industry peers.

#### Best Execution

"Best execution" means the most favorable terms for a transaction based on all relevant factors, including those listed in the paragraph titled *Factors Used to Select Broker-Dealers for Client Transactions* and within Item 14.

We recognize our obligation in seeking best execution for our clients, however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected service provider's transactions represent the best "qualitative execution" while taking into consideration the full range of services provided. Therefore, we will seek services involving competitive rates but it can or will not necessarily correlate into the lowest possible rate for each transaction.

We have determined that having our firm's investment supervisory services accounts' trades executed through the noted Custodians is consistent with our duty to seek best execution of your trades. We also periodically review policies regarding our recommending any particular custodian to our clients in light of our duty to seek best execution.

#### Directed Brokerage

We do not require or engage in directed brokerage involving our client's accounts through our recommended Custodians. You can direct our firm to use another stated broker/dealer to execute some or all transactions for your account. In these circumstances, you will be responsible for negotiating, in advance, the terms and/or arrangements for your account with your selected broker/dealer. We will not be obligated to seek better execution services or prices from these other broker/dealers, or able to aggregate your transactions (should we choose to do so) for execution through other broker/dealers with orders for other accounts managed by our firm. As a result, you can or will pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case. Pursuant to our obligation of best execution, we can or will decline a request to direct brokerage if we believe any directed brokerage arrangement would result in additional operational difficulties or risk to our firm.

### Aggregating Securities Transactions

Transactions for each of our investment supervisory services clients will generally be affected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time, often termed “aggregated,” “blocked” or “batched” orders. We do not receive any additional compensation or remuneration as a result of aggregated transactions.

We can, but are not obligated to, aggregate orders in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among our client accounts should there be differences in prices and commissions or other transaction costs that might have been obtained had such orders been separately placed.

Commission prices can vary due to account size and/or confirmation receipt method. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the firm or related party can or will invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter *SMC Capital, Inc.*

Client accounts where trade aggregation is not affected can potentially be assessed higher transaction costs than those that are aggregated.

We review both our trade aggregation procedures and post-trade allocation processes on a periodic basis to ensure they remain within stated policies and regulation. We will inform you, in advance, should our trade aggregation and allocation practices change at any point in the future.

### Trade Errors

The firm corrects its trade errors through an account maintained by its selected custodian, and the firm can be responsible for trading error losses that occur within a client account. Should there be a gain following a correction of a trading error, the client account will retain trading error correction gains.

For accounts held at TD Ameritrade, Inc., our firm corrects its trade errors through an account maintained by TD Ameritrade, Inc., and the firm can be responsible for certain trading error losses that occur within a client account. Trading error gains in accounts maintained at TD Ameritrade, Inc. are swept to a designated account and donated to a 501(c)(3) charity of the Custodian’s choice. The Custodian will be obligated to disclose in their own literature to account holders whether such recipients’ receipt of such donations presents a material conflict of interest.

## **Item 13 - Review of Accounts**

### Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

#### ***Financial Planning and Investment Consultation Services***

Periodic financial check-ups or reviews are recommended if you are receiving our financial planning and investment consultation services, and we recommend that they occur at least on an annual basis whenever practical. As planning and consulting contractual engagements should terminate within a year, account reviews will be performed under a new contractual engagement.

Reviews will be conducted by your financial planner and normally involve analysis and possible revision of your previous financial plan or investment allocation. A copy of revised plans or asset allocation reports will be provided to the client upon request.

Unless provided for in your engagement agreement, reviews are generally conducted under a new or

amended agreement and will be assessed at our current fee rate.

### ***Investment Management Services***

For accounts served by a recommended third-party investment manager, we will periodically review reports provided to you by your third-party investment manager and contact you at least annually to review your financial situation and objectives.

We will communicate information to your third-party investment manager as warranted and assist you in understanding and evaluating the services provided by the third-party manager. In certain instances, you can be able to communicate directly with your selected third-party investment manager.

### ***Investment Supervisory Services***

Investment supervisory services accounts are reviewed on a frequent basis by assigned portfolio manager as well as supervisory personnel. On a continuing basis but no less than annually thereafter, a review will be performed from both a compliance and performance perspective to determine whether the selected third-party investment manager remains an appropriate fit for your portfolio. A copy of a revised IPS or asset allocation reports will be provided to the client upon request.

#### Review of Client Accounts on Non-Periodic Basis

### ***Financial Planning and Investment Consultation Services***

You should contact our firm for additional reviews when you anticipate or have experienced changes in your financial situation (i.e., changes in employment, an inheritance, the birth of a new child, etc.), or if you prefer changes involving your investment account.

Non-periodic reviews are generally conducted by your financial planner, which can occur under a new or amended agreement, and will be assessed at our published rate. A copy of revised plans or asset allocation reports will be provided to the client upon request.

### ***Investment Management and Investment Supervisory Services***

Additional reviews by your portfolio managers and/or firm supervisory personnel can be triggered by news or research related to a specific holding, a change in our view of the investment merits of a holding, or news related to the macroeconomic climate affecting a sector or holding within that sector.

Accounts can be reviewed for an additional holding or when an increase in a current position is under consideration. Account cash levels above or below what we deem appropriate for the investment environment, given the client's stated tolerance for risk and investment objectives, can also trigger a review.

#### Content of Client Provided Reports and Frequency

Whether you have opened and maintained an investment account on your own or with our assistance, you will receive account statements sent directly from mutual fund companies, transfer agents, custodians or brokerage companies where your investments are held. We urge you to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear.

Our firm can provide portfolio "snapshot" reports if we are engaged to provide periodic asset allocation or investment advice; however, we do not provide ongoing performance reporting under our financial planning and investment consultation services engagements. These "snapshots" will detail the amount,

current value of holdings in the portfolio and total dollar value of the portfolio.

For investment supervisory services accounts, our firm can provide quarterly reports or position performance summary reports, and annual realized gains/loss reports for taxable accounts. Some of our clients can receive additional reports depending on their specific requirements. You can also receive quarterly portfolio or performance reports directly from your selected third-party investment manager.

All firm performance reports (if any are provided) will be in prepared in accordance with appropriate jurisdictional guidance. Clients are urged to carefully review and compare account statements that they have received directly from their service provider with any report received from our firm.

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

### **Economic Benefit from External Sources and Potential Conflicts of Interest**

As disclosed in Item 12, we can or will receive economic benefit from the noted Custodians in the form of various products and services they make available to our firm and other independent investment advisors that can or perhaps will not be typically available to a "retail investor."

These benefits can include the following products and services (provided either without cost or at a discount):

- receipt of duplicate client statements and confirmations
- research related products and tools
- access to trading desks serving our clients
- access to block trading (should we chose to do so) which allows our firm to aggregate securities transactions for execution and then allocate the appropriate shares to our client's accounts
- the ability to have advisory fees deducted directly from our client's accounts per our written agreement
- resource information related to capital markets and various investments
- access to an electronic communications networks for client order entry and account information
- access to mutual funds with no transaction fees and to certain third-party investment managers
- discounts on marketing, research, technology, and practice management products or services provided to our firm by third party vendors
- business consulting or other professional services

Some of the noted products and services made available by a noted Custodian can benefit our firm but can or will perhaps will not directly benefit a client account, and certain research and other previously referenced services can qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934. The availability of these services from a Custodian benefits our firm because it does not have to produce or purchase them as long as our clients maintain assets at their firm. Therefore, there is an appearance of a conflict of interest since our firm can have an incentive to select or recommend a noted Custodian based on our firm's interest in receiving these benefits rather than on our clients' interest in receiving favorable trade execution.

As part of our fiduciary duty, Horizons endeavors to put the interests of our clients first. We believe it is important to mention that the benefit received by our firm through participation in a Custodian's program does not depend on the amount of brokerage transactions directed to a Custodian, and our selection of a Custodian is in the best interests of our clients since the selection is primarily supported by the scope, quality, and price of their services -- not just those services that benefit only our firm, as our Firm holds itself to a fiduciary standard, which means it has a duty to put the client's interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith.



### Advisory Firm Payments for Client Referrals

We do not engage in solicitation activities as defined by statute or regulation, nor do we receive or provide compensation for client referrals.

A firm associate can hold individual membership or serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements. A benefit these entities can provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual participants within a selected state or region. These passive websites can provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public can also choose to telephone association staff to inquire about an individual within their area and would receive the same or similar information. A portion of these participant's membership fees can be used so that their name will be listed in some or all of these entities' websites (or other listings).

Prospective clients locating our firm or an associate via these methods are not actively marketed by the noted associations. Clients who find us in this way do not pay more for their services than clients referred to us in another fashion, such as by another client. We do not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

### **Item 15 - Custody**

Your assets will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer (e.g., a referenced Custodian), mutual fund companies, or transfer agent. Your assets are not held by Horizons or any associate of our firm. In keeping with this policy involving client funds or securities, our firm:

- Restricts the firm or an associate from serving as trustee or having general power of attorney over a client account;
- Prohibits any associate from having authority to directly withdraw securities or cash assets from a client account. Advisory fees will only be withdrawn from a client investment account through engagement of a qualified custodian maintaining client account assets, via prior written client approval, and following receipt of our notice/invoice (termed "constructive custody");
- Does not accept or forward client securities (i.e., stock certificates) erroneously delivered to our firm;
- Will not collect advance fees of \$500 or more for services that are to be performed six months or more into the future;
- Will not authorize an associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts) if such access would result in physical control over account assets.

You will be provided with transaction confirmations and summary account statements provided directly to you by your selected service provider, such as your custodian of record. Typically, statements are provided on at least a quarterly basis or as transactions occur within your account. We will not create a statement for you nor be the sole recipient of account statements.

Should you receive periodic reports from our firm that includes investment performance information, you are urged to carefully review and compare your account statements that you have received directly from your service provider with invoices and any report from our firm.

## **Item 16 - Investment Discretion**

### ***Investment Consultation Services***

Should you ask us to assist you in any trade execution (including account rebalancing), it will only be done with your selected service provider and following your approval.

### ***Investment Supervisory Services***

Horizons provides its investment supervisory services under either a *discretionary* or *non-discretionary* account authority agreement.

Similar to a limited power of attorney, *discretionary authority* allows our firm to implement investment strategies and decisions, such as the purchase or sale of a security on behalf of your account or the selection or termination of a third-party investment manager involving your account, without requiring your prior authorization for each transaction in order to meet your stated investment objectives. This authority will be granted through your execution of our client services agreement as well as the selected custodian of record account opening documents. The custodian of record will specifically limit our authority in your account to the placement of trade orders and request for the deduction of our advisory fee.

We can also be engaged under a *non-discretionary authority* agreement where your prior approval must be made for each transaction with regard to the investment and reinvestment of account assets, or for the firm to give other instructions to the custodian maintaining your account (i.e., wire instructions, etc.) or third-party investment manager managing your portfolio. Please note that in light of the requirement for your pre-approval you must make yourself available and keep us updated on your contact information so that instructions can be efficiently affected on your behalf. In addition to our firm's client services agreement that describes our account authority, as well as the custodian of record's account opening documents, you will be required to complete their restrictive limited power of attorney form. This document will allow our firm to implement your investment or distribution decisions, following your authorization, in order to meet your requests.

### ***Investment Management Services***

Third-party investment managers typically provide their services under *discretionary account* authority as earlier described. This authority will be granted by you through your execution of their account opening documents and will limit their authority in your account to the placement of trade orders and the request of their portion of advisory fees.

If you require your account be managed in a non-discretionary manner, you should be aware that most third-party investment managers retain the right to either refuse or terminate an account, or continue to manage the account under a higher asset-based fee due to increased operational costs. In light of the requirement for your pre-approval for a non-discretionary investment management account (if accepted), you must also make yourself available and keep both our firm and each selected third-party investment manager updated on your contact information so that instructions can be efficiently affected on your behalf. Horizons retains information about all client account instructions, limitations and rescissions, and these are reviewed and approved by our firm principal.

## **Item 17 - Voting Client Securities**

### **Proxy Voting**

If you request us to do so and it is noted in your executed agreement, we will vote proxies for securities held within your account. Proxies will be voted in what we believe to be your best interest and in accordance with our current

firm proxy voting policy. As such, Horizons will either vote all your proxies or none, Horizons will not accept direction on voting only certain securities. We can choose to employ the services of an independent proxy voting service to provide research, guidelines, recommendations and other proxy voting services as needed. In these instances, and absent a determination by our firm to override the independent provider's recommendation, your proxies will be voted by Horizons or the independent proxy voting service in accordance with those recommendations. Horizons' proxy voting policy is available upon your request.

Our firm has implemented procedures designed to prevent conflicts of interest from influencing proxy voting decisions. These procedures include information barriers and the use of an independent party when required to assist in the proxy voting process.

Accounts managed through a selected third-party investment manager can have proxy voting executed by the portfolio manager or another qualified industry entity. It is important for you to review the selected third-party investment advisor's Form ADV Part 2 to determine their proxy voting policies. You can also obtain copies of their written proxy voting policies and procedures as well as information on how proxies were voted for an account by requesting such information directly from that entity. They will generally not disclose proxy votes to other clients or third parties unless specifically requested, in writing, by you or your legal representative.

#### Other Corporate Actions

We do not offer guidance on or have the power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

#### Receipt of Materials

You can receive proxies or other similar solicitations sent directly from your custodian of record or transfer agent. Should we receive a duplicate copy, we will not generally forward these or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions.

### **Item 18 - Financial Information**

Due to the nature of our firm's services and operational practices, an audited balance sheet is not required nor included in this brochure. There is no financial condition that is reasonably likely impair our ability to meet contractual commitments to clients.

### **Item 19 - Privacy Policy Statement**

Horizons respects the privacy of all clients and prospective clients ("customers"), both past and present. It is recognized that you have entrusted the firm with non-public personal information and it is important that both access persons and customers are aware of firm policy concerning what can be done with that information.

The firm collects personal information about customers from the following sources:

- Information clients provide to complete their financial plan or investment recommendation
- Information clients provide in engagement agreements, account applications, and other documents completed in connection with the opening and maintenance of their accounts
- Information customers provide verbally

- Information received from service providers, such as custodians, about client transactions

The firm does not disclose non-public personal information about our customers to anyone, except in the following circumstances:

- When required to provide services our clients have requested
- When our customers have specifically authorized us to do so
- When required during the course of a firm assessment (i.e., independent audit)
- When permitted or required by law (i.e., periodic regulatory examination)

Within the firm, access is restricted to customer information to staff that need to know that information. All access persons and service providers understand that everything handled in firm offices are confidential and they are instructed to not discuss customer information with someone else that can request information about an account unless they are specifically authorized in writing by the customer to do so. This includes, for example, providing information about a spouse's IRA account or to adult children about parents' accounts, etc.

To ensure security and confidentiality, the firm maintains physical, electronic, and procedural safeguards to protect the privacy of customer information.