

**Item 1: Cover Page**

**Part 2A of Form  
ADV Firm Brochure**

March 30, 2023

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This brochure provides information about the qualifications and business practices of Holder Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at 217-398-4015. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State regulatory authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

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

## Item 2:Material Changes

Information in this brochure has been revised since the last filing dated March 24, 2022. Revisions have been made to the following sections:

- Item 4 (Advisory Business) has been updated to reflect the firm's assets under management.

Other changes have been made to this Brochure which are not discussed in this summary. Consequently, we urge you to read this Brochure in its entirety.

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**Item 4: Advisory Business****A. Description of Your Advisory Firm**

Holder Wealth Management, Inc. ("HWM" and/or "the firm"), an Illinois corporation, is an investment adviser governed under the Investment Advisers Act of 1940. HWM was organized in September 2014 and is principally owned by Virginia B. Holder. HWM's clients include individuals and high-net-worth individuals, trusts and estates, pension and profit sharing plans, charitable organizations, corporations, and other legal entities. Investment advice and other financial planning services are tailored to each client's stated objectives and needs. HWM provides discretionary asset management services to its clients and has no minimum portfolio size requirement for any of its services.

**B. Description of Advisory Services Offered**

HWM's advisory services may include investment strategy, portfolio management, financial planning, and estate planning. All investment advisory services are provided on a discretionary basis.

HWM recommends securities transactions to its clients that include securities and strategies as described in Item 8 of this Brochure. Clients may impose restrictions on the management of their accounts.

**B.1. Investment Advisory Services**

HWM's investment advisory services consist of its management of client accounts on a discretionary basis and investing in securities the firm determines are appropriate for each client's account based upon the client's investment objectives and risk tolerance.

**B.1.a. Hourly Fee-Based Investment Consulting**

HWM's hourly fee-based investment consulting consists of providing investment evaluations and recommendations for the client's accounts on an hourly fee basis. HWM's hourly fee-based investment consulting includes the firm's assessment of each client's financial risk preferences by determining the extent to which a client would choose to risk experiencing a less favorable outcome in pursuit of a more favorable outcome. Based upon the client's financial situation and risk tolerance, HWM makes a recommendation of a target asset allocation. HWM also performs an evaluation of the client's current investment holdings and makes recommendations, if appropriate, to bring the client's current investments into alignment with his or her risk tolerance and agreed-upon target asset allocation.

Unlike HWM's investment advisory services, however, its hourly fee-based investment consulting does not include any execution of the recommendations in the client's account(s) nor any ongoing monitoring or realignment of the client's investments. The hourly fee-based investment consulting arrangement terminates upon HWM's presentation of its recommendations to the client. The client is responsible for determining whether he or she would like to implement the

recommendations made by HWM and for the actual implementation of the recommendations (by executing his or her own securities transactions). The client is also responsible for any monitoring and/or realignment of his or her account(s) after the investment consulting arrangement is completed.

#### **B.2. Financial Planning Services**

In addition to its investment advisory services, HWM offers financial planning services. Representative services include providing hourly fee-based investment consulting without continual and regular monitoring and reallocation. There is no minimum net worth size or minimum portfolio size that a client must have to retain the firm for financial planning services.

#### **C. Client-Tailored Services**

HWM tailors its advisory services to each Client, whose accounts will be managed on the basis of their financial situation and investment objectives.

#### **D. Wrap Fee Programs**

HWM does not participate in wrap fee programs (wrap fee programs offer services for one all-inclusive fee.)

#### **E. Client Assets Under Management**

As of March 28, 2023, HWM had approximately \$190,228,000 in discretionary assets under management and \$0 in non-discretionary assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule

Compensation to the firm for investment advisory services will be calculated in accordance with the terms of the investment advisory services agreement. No fees are required to be paid before investment advisory services are provided. HWM's investment advisory fees are based upon the client's assets under management, and generally follow this fee schedule:

<u>Market Value of Assets</u>	<u>Annual Fee Rate</u>
Less than or equal to \$1,000,000	1.00% on
Greater than \$1,000,000 but less than	0.75% on
Greater than or equal to \$2,000,000	Negotiable

HWM does not require its clients to maintain a minimum amount of assets as a condition to opening or maintaining an investment advisory relationship with the firm, although clients who contract for services with HWM generally have \$100,000 in investment assets. HWM may, in its sole discretion, discount its fees or negotiate fees different from those specified above.

Fees are paid on a quarterly basis in arrears. The quarterly fee will be equal to the applicable annual percentage rate (%) divided by 4 ("period effective rate"), multiplied by the net asset value of the client's account(s) on the last business day of the quarter being billed. HWM will mail a billing statement to the client detailing the computation of quarterly fees. The client and the client's custodian or broker-dealer will be invoiced at the end of each calendar quarter. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter.

The client authorizes the qualified custodian to automatically deduct the fee and other charges from the assets in the account when due, with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

A client investment advisory agreement may be canceled at any time by either party upon five days' written notice. Upon termination any earned, unpaid fees will be due and payable.

### **A.2.Hourly Fee-Based Investment Consulting**

HWM estimates that a representative simple plan for its hourly fee-based investment consulting services can be expected to take four to six hours to prepare. Therefore, projected fees for a simple investment consulting plan are generally expected to be between \$1,000 and \$1,500.

Fees are billed monthly in arrears as services are performed.

If, during HWM's provision of the hourly fee-based investment consulting services and prior to the firm's providing the plan to a client, the client decides that he or she no longer wishes to obtain the hourly fee-based investment consulting plan, the client must inform HWM that he or she no longer wishes to receive the hourly fee-based investment consulting plan.

At the time HWM receives notice from the client that the client no longer wishes to receive the hourly fee-based investment consulting plan, HWM shall determine the number of hours of hourly fee-based investment consulting services it has performed to that point and charge the client its standard hourly rate for any remaining unbilled services.

### **A.3.Financial Planning Fees**

HWM's fees for providing any financial planning services are \$250.00 per hour. The fees for financial planning services are not negotiable. There is no minimum net worth size or minimum portfolio size that a client must have to retain the firm for financial planning services. HWM estimates that a representative simple plan for its hourly fee-based investment consulting services can be expected to take four to six hours to prepare. Therefore, projected fees for a simple investment consulting plan are generally expected to be between \$1,000 and \$1,500.

Fees are billed monthly in arrears as services are performed.

## **B. Client Payment of Fees**

### **B.1.Payment of Asset-Based Fees**

HWM has authority to deduct advisory fees directly from client accounts pursuant to the written client agreements. Clients receive a statement from the qualified custodian, at least quarterly, indicating all amounts disbursed from the account. Upon request, a client may instead choose to be billed separately for the fees incurred.

### **B.2.Payment of Financial Planning Fees**

In the event of hourly fee-based investment consulting or financial planning fees, HWM will invoice the client on a monthly basis in arrears.



### **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, private placements, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each private placement's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using HWM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

### **D. Fees in advance**

HWM does not bill fees in advance. Fees are paid on a quarterly basis, in arrears.

### **E. Compensation for Sale of Investment Products**

Neither HWM nor its affiliates receive or accept compensation for the sale of any investment products.

## Item 6: Performance-Based Fees and Side-by-Side

HWM does not charge performance-based fees.

## Item 7: Types of Clients

HWM offers its investment services to various types of clients, including individuals and high-net-worth individuals, trusts and estates, pension and profit sharing plans, charitable organizations, corporations, and other legal entities.

HWM does not require its clients to maintain a minimum amount of assets as a condition to opening or maintaining an investment advisory relationship with the firm, although clients who contract for services with HWM generally have \$100,000 in investment assets.

## **Item 8: Methods of Analysis, Investment Strategies, and**

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

HWM relies heavily on the research from Dimensional Fund Advisors ("DFA"), a registered investment company under the Investment Company Act of 1940. DFA provides extensive research into the operation and nature of the equity markets as well as extensive investment data and academic research, which HWM uses to formulate recommendations to clients.

HWM generally uses a "buy and hold" strategy, utilizing index and similar funds for its clients' investment portfolios, primarily DFA funds. HWM does not receive any cash payments for recommending DFA funds. HWM does, however, receive research material from DFA that it uses to formulate investment recommendations for all of its clients. A potential conflict of interest may be deemed to exist because of this arrangement.

HWM's methods of analysis also may include fundamental and technical analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. In addition, HWM reviews research material prepared by others, corporate filings, corporate rating services, and a variety of financial publications.

HWM may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange Traded Funds, Equity and Fixed Income Securities**

HWM may recommend mutual funds and individual securities (including fixed income instruments). Such investments may represent a variety of asset classes that may include, among others, large-, mid- and small-cap value, growth and core; international and emerging markets; and alternative investments. HWM may on occasion recommend exchange-traded funds, primarily those that move inverse to the general market (i.e., funds that carry short positions in underlying securities that realize positive gains through a decline in the market value of the underlying security positions). A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, and individual securities (including fixed-income securities) is set forth below.

HWM has formed relationships with third-party vendors that

- prepare performance reports
- perform due diligence monitoring of mutual funds
- perform billing and certain other administrative tasks

HWM may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and exchange-traded funds as appropriate under the circumstances.

HWM reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations

to its clients. Quantitative criteria may include:

- the performance history of a mutual fund and exchange-traded fund evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund's fee structure
- the relevant fund manager's tenure

Qualitative criteria used in recommending mutual funds include the investment objectives and/or management style and philosophy of a mutual fund, a mutual fund's consistency of investment style, and employee turnover and efficiency and capacity. HWM will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to their determination to retain a mutual fund or exchange-traded fund.

Quantitative and qualitative criteria related to mutual funds and exchange-traded funds are reviewed by HWM on a quarterly basis or such other interval as mutually agreed upon by the client and the firm. In addition, mutual funds and exchange-traded funds are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed by HWM (both of which are negative factors in implementing an asset allocation structure). Based on its review, HWM will make recommendations to clients regarding the retention or discharge of a particular mutual fund or exchange-traded fund.

HWM will regularly review the activities of fund managers utilized by the client. Clients that invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

#### **A.2. Material Risks of Investment Instruments**

HWM typically invests in mutual funds and exchange-traded funds; however, HWM may recommend or utilize individual equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Option contracts on securities

- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

#### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.2.b. Warrants and Rights**

Warrants are securities typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, StreetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERS<sup>®</sup>. An ETF may be purchased to gain exposure to a portion of the U.S. or foreign market. As a shareholder of an ETF, a client would bear its pro rata portion of

the ETF's expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

Certain ETF's may be inverse funds which borrow securities that are then sold. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the fund is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the borrowed security.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be

taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

**A.2.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States. As debt instruments, such government securities may decrease in value based on movements in interest rates, the rate of inflation and other market factors.

**A.2.h. Options on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates. Holders of options may lose the value of premiums paid and may lose value based on movements in the price of the underlying securities.

**A.2.i. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities.

Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government. Such mortgage-backed



securities may decrease in value based on movements in interest rates, the rate of inflation, credit concerns, real estate values and other factors.

**A.2.j. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, HWM may invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds). Such debt obligations may decrease in value based on movements in interest rates, the rate of inflation, credit concerns, and other factors.

**A.2.k. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, HWM may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with

stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities. Such mortgage-backed securities may decrease in value based on movements in interest rates, the rate of inflation, credit concerns, real estate values and other factors.

#### **A.2.1. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. Such debt obligations may decrease in value based on movements in interest rates, the rate of inflation, credit concerns, the value of the underlying assets and other factors.

### **B. Investment Strategy and Method of Analysis Material Risks**

HWM utilizes a long-term investment strategy for clients through recommendation of a diversified portfolio of mutual funds, exchange-traded funds, and in certain instances individual equity securities (including fixed income securities). Although equity securities carry risk as described in Item 8.A.2 above, HWM tries to mitigate such risk through recommending diversified portfolios of securities.

#### **B.1. Leverage**

Although HWM as a general business practice does not utilize leverage, there may be instances in which exchange traded funds and, in very limited circumstances, HWM will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are

able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

### **B.2.Short-Term Trading**

Although HWM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3.Short Selling**

HWM generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the borrowed security.

### **B.4.Option Strategies**

Depending on the client's needs and risk tolerance, HWM may utilize various option strategies as further defined below.

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

HWM as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy

- Equity collars
- Long straddles

#### **B.4.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.4.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.4.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.4.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; clients may contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **B.4.e. Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire

worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

**B.4.f. Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

**B.4.g. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified "cap rate." A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified "floor rate." A collar involving stock is called an "equity collar." In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

**B.4.h. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

**C. Concentration Risk**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have

diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

HWM is required to disclose any legal or disciplinary events for ten years following the event's resolution that are material to a client or prospective client's evaluation of our advisory business or the integrity of our management.

### **A. Criminal or Civil Actions**

HWM has nothing to disclose for this item.

### **B. Administrative Enforcement Proceedings**

HWM has nothing to disclose for this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

HWM has nothing to disclose for this item.

## **Item 10: Other Financial Industry Activities and**

### **A. Broker-Dealer or Representative Registration**

Neither HWM nor its affiliates are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither HWM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

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

The Principals of the firm are affiliated with Daniel E. Holder & Associates, Inc. ("Holder & Associates"), an accounting firm that provides accounting, tax, and related services, and for which he is entitled to receive a share of profits. In addition, one of the principals maintains a separate law practice. HWM may refer clients for accounting services or legal services to these affiliated entities. Clients who elect to utilize the services of these affiliates will pay separate but customary fees for accounting services. Clients are under no obligation to use HWM's affiliates for accounting or legal services.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

HWM does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.



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

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

In accordance with the Advisers Act, HWM has adopted policies and procedures designed to detect and prevent insider trading. In addition, HWM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the firm's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of the firm. HWM will send clients a copy of its Code of Ethics upon written request.

HWM has policies and procedures in place designed to ensure that the interests of its clients are given preference over those of the firm, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

HWM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, HWM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

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

HWM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans may purchase the same securities as are purchased for clients. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which HWM specifically prohibits. It is HWM's policy to:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct

any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow HWM's procedures when purchasing or selling the same securities purchased or sold for the client.

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

HWM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans may effect securities transactions for their own accounts that differ from those recommended or effected for other of the firm's clients. HWM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. It is HWM's policy to place the clients' interests above those of the firm and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

HWM recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. HWM is independently owned and operated and not affiliated with Schwab.

Schwab does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into Schwab accounts.

Pursuant to the client advisory agreement, HWM may direct clients to use certain broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

When selecting broker-dealers to execute client transactions, HWM considers a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services

In determining which broker-dealer to use, HWM's goal is not to obtain the lowest possible cost, but to obtain the best qualitative execution considering the factors above.

**A.1.b. Soft Dollar Arrangements**

HWM does not utilize soft dollar arrangements. HWM does not direct brokerage transactions to executing brokers for research and brokerage services.

**A.1.c. Other Products and Services**

Schwab, or any other broker-dealer recommended by HWM, may also make available to HWM at no cost other products and services that benefit HWM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of HWM's accounts, including accounts not maintained at Schwab. Schwab also makes available to HWM its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of HWM's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Schwab also offers other services intended to help HWM manage and further develop its business enterprise. These services may include:

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

Schwab may also provide other benefits, such as educational events or occasional business entertainment of HWM personnel. In evaluating whether to recommend that clients custody their assets at Schwab, HWM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers. This creates a conflict of interest for HWM to recommend Schwab (or any other broker-dealer) based on the nature of services provided by Schwab, rather than on the cost

As part of its fiduciary duties to clients, HWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HWM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence HWM's recommendation of broker-dealers such as Schwab for custody and brokerage services.

**A.2. Brokerage for Client Referrals**

HWM does not engage in the practice of directing brokerage commissions

in exchange for the referral of advisory clients.

## **B. Aggregating Securities Transactions for Client Accounts**

Since HWM may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by HWM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

HWM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. HWM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients.

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**Item 13: Review of Accounts****A. Schedule for Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by each investment advisor representative and are overseen by HWM's President. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in the macroeconomic climate. Hourly fee-based investment consulting clients receive their financial plans and recommendations at the time service is completed.

**B. Review of Client Accounts on Non-Periodic Basis**

HWM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how HWM formulates investment advice.

**C. Content of Client-Provided Reports and Frequency**

All investment advisory clients receive customized written reports of their accounts, including information regarding client's holdings, performance, and recent transactions. Investment advisory clients also receive standard written account statements from the custodian of their accounts no less frequently than quarterly. Financial planning clients do not normally receive investment reports. Hourly fee-based investment advisory clients receive their financial plans and recommendations at the time service is completed; no further diligence is provided.

The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by HWM. Clients are urged to compare reports sent by HWM to the statements sent by the custodian.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

HWM occasionally receives products and services such as research at no cost to HWM. As part of its fiduciary duties to clients, HWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HWM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence HWM's recommendation of broker-dealers such as Schwab for custody and brokerage services.

### **B. Advisory Firm Payments for Client Referrals**

HWM does not compensate any third-parties for client referrals.

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**Item 15: Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in their accounts. HWM urges its clients to compare the information shown on their HWM performance review to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.



## Item 16: Investment Discretion

Clients grant a limited power of attorney to HWM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, HWM will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities, and the executing broker for such transactions.

## Item 17: Voting Client Securities

As a matter of HWM policy, we do not vote proxies on behalf of clients, unless explicitly instructed by the client(s). Therefore, although HWM may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, bankruptcy proceedings or other related type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Clients can address questions about a particular solicitation to:

Chief Compliance Officer  
Holder Wealth Management, Inc.  
2504 Galen Drive, Suite 105  
Champaign, IL 61821  
217-398-4015

## **Item 18: Financial Information**

### **A. Balance Sheet**

HWM does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

HWM does not have any financial issues that would impair its ability to meet its contractual commitments to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There are no bankruptcy petitions to report.