



# HOMRICH BERG<sup>®</sup>

WEALTH MANAGEMENT

## **HB Wealth Management, LLC**

3550 Lenox Road, NE, Suite 2700

Atlanta, GA 30326

404-264-1400

[www.homrichberg.com](http://www.homrichberg.com)

10/25/2024

This Brochure (also known as Form ADV Part 2A) provides information about the qualifications and business practices of HB Wealth Management, LLC (“Homrich Berg” or “HB”). If you have any questions about the contents of this Brochure, please contact us at 404-264-1400. 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.

Homrich Berg is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Homrich Berg also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

In this section, we are required to provide a summary of material changes since the last annual update of our Brochure. The most recent annual update of our Brochure was filed in March 2023. Since that time, we note the following changes:

Antares Wealth Management, LLC was closed on 12/31/2023. Item 10 has been updated to reflect this change.

On January 1<sup>st</sup>, 2024, Thomas Carroll replaced Andy Berg as CEO. Andy Berg is now Chairman of the Board for HB.

HB CEO Thomas Carroll joined the Schwab Advisory Board. Item 12 has been updated to reflect this change.

Removed references to the TD Ameritrade Institutional Advisor Program. Item 12 has been updated to reflect this change. Removed references to TD Ameritrade in Items 4, 12, and 14 due to the merger with Charles Schwab.

HB terminated its participation in the Fidelity Wealth Advisor Solutions<sup>®</sup> Program (the “WAS Program”), through which HB receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA) in March 2023. Item 14 has been updated to reflect this change.

HB engaged Forvis to conduct a “GAAP” audit of the 2017 Real Estate Opportunity Fund. Item 15 has been updated to reflect this change.

We have clarified our disclosures related to our fees to note that clients’ investments in affiliated and unaffiliated private investment funds are included in our investment management fees, and expanded disclosures related to fees charged by external managers and the negotiability of our fees. Please refer to Item 5 for additional information.

HB closed several private funds it sponsored which are, H&B Natural Resources I, LLC, Income Opportunity Fund, LP, Peachtree Opportunistic Warehouse Fund, LP, and Peachtree Opportunistic Warehouse Fund-A, LP. HB opened Peachtree Opportunity Fund VI, LP. HB opened Peachtree Credit Opportunities Fund III, LP. Item 10 has been updated to reflect this change.

HB began a custodian relationship with Bank of New York Mellon (“Pershing”). Item 12 has been updated to reflect this change. HB is receiving benefits from custodians Charles Schwab & Co. and Bank of New York Mellon – Pershing in connection with its recommendation that

clients transition their accounts to these custodians. HB’s disclosures under Item 12 have been enhanced to describe these benefits.

## Table of Contents

Item 2 - Material Changes.....	ii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	8
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9 – Disciplinary Information .....	15
Item 10 – Other Financial Industry Activities and Affiliation.....	15
Item 11 – Code of Ethics .....	18
Item 12 – Brokerage Practices .....	19
Item 13 – Review of Accounts.....	25
Item 14 – Client Referrals and Other Compensation.....	26
Item 15 - Custody.....	28
Item 16 – Investment Discretion .....	29
Item 17 – Voting Client Securities.....	29
Item 18 – Financial Information.....	30

## **Item 4 – Advisory Business**

### About the Firm

HB Wealth Management, LLC (“Homrich Berg” or “HB”) succeeded the business of Homrich & Berg Inc., which was founded in 1989. Homrich & Berg Inc. sold a minority stake in firm ownership to NMSEF I Holdings V, L.P., and affiliate of New Mountain Capital (together “NMC”) a growth-oriented investment firm. In connection with the NMC investment, HB completed an internal restructuring, pursuant to which it created a new wholly owned subsidiary, HB Wealth Management, LLC, into which NMC made its investment, and Homrich & Berg, Inc. contributed substantially all its assets to this new subsidiary entity (the “Restructuring,” and together with the NMC Investment, the “Transaction”). Following the Restructuring, HB Wealth Management, LLC became the operating entity. The transaction closed on 9/30/2021. HB’s principal owners are Homrich & Berg Inc. and NMSEF I Holdings V, L.P.

### Investment Management Services

HB primarily provides wealth management services. We provide these services mainly to individuals and families, but also to trusts, retirement plans, corporate entities, foundations, and family offices. HB’s investment management services involve the review of client portfolios with respect to stated investment objectives, other outside assets of the client, and the obligations of the client. HB also provides specific investment advice solely on the basis of investment objectives and instructions received from the client. HB offers consolidated quarterly investment capital reports.

HB considers the client's specific goals and risk tolerance and our capital markets outlook when directing assets to investments. Clients may impose restrictions on investing in certain securities or types of securities.

Investment purchases are generally made through our primary custodian of client accounts, Charles Schwab & Company, but may also include Fidelity Investments or Bank of New York Mellon “Pershing,” an unaffiliated SEC-registered broker-dealer and FINRA member, if appropriate. Using the custodian's services, each client opens a custodial/brokerage account and authorizes HB to effect transactions on his or her behalf. The custodian’s services offer the client the advantage of, among other things, online access to accounts, a dedicated service team for handling client matters, and a broad range of investment and asset management options. Each of the custodians offer consolidated statements of account.

HB provides its clients with a periodic summary of the firm's outlook on the capital markets. In addition, HB occasionally sends general industry, individual investments, or economic reports

to clients (and at times, other persons) that are believed to have a particular interest in the subject of this material.

HB consults with its clients on other wealth management matters. Such advice includes, but is not limited to, cash flow planning, planning for retirement income needs, wealth transfer and estate planning, insurance planning, income tax planning, and other non-security services agreed upon by HB and the client. These services may be referred to as financial planning or some similar term.

All investment management and financial planning services clients retain HB by entering into a written agreement. This agreement may be terminated within five (5) days of the executing date of the agreement or by either party with a written notice thirty (30) days prior to termination as agreed upon. Fees will be prorated to the date of the termination as specified in the notice and any unearned portion of prepaid fees will be refunded to the client.

### Investment Types

In addition to equities and bonds, we invest in the following securities:

#### Mutual Funds and Exchange-Traded Funds

Occasionally, we recommend investments in no-load, open-ended mutual funds or exchange traded funds (ETFs) instead of individual equity or fixed income securities. We consider this investment appropriate in certain circumstances for diversification without investing in a portfolio of individual securities.

#### Private Investment Funds

HB provides investment advice regarding private investment funds, both affiliated and unaffiliated, but are limited to accredited investors, and for some funds, we require the investors to also be qualified clients or qualified purchasers. Private funds are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in a private fund does not constitute a complete investment program, and who fully understand and are willing to assume the risks involved in the private fund's investment program. Even when the investments of a private fund are successful, some do not produce a realized return for a period of years. The private funds' offering documents contain additional information that must be reviewed by any potential investor. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of HB calculating its investment advisory fee. HB's

clients are under absolutely no obligation to consider or make an investment in any private investment fund(s).

#### HB Funds (Affiliated Funds)

HB forms and manages its own private investment funds (“HB Funds”). HB uses a third-party administrator for administration and reporting. Within the HB Funds, HB may invest in underlying private investments including but not limited to issuers such as direct real estate investments in addition to other private funds including pooled investments such as private equity, debt, real estate, and natural resources. HB Fund valuations are prepared by the fund administrator and are reported to investors by HB on a quarterly basis. These valuations are based upon the most recent valuation reports received from underlying fund managers or investment sponsors. The valuations are generally lagged by one quarter such that a quarterly report dated June 30<sup>th</sup> will contain the valuation from March 31<sup>st</sup>. This may result in a higher or lower fee based on the current value of the fund.

#### Unaffiliated Private Investments

HB invests in other unaffiliated private investments such as direct real estate investments and pooled investments such as private equity, debt, real estate, and natural resources funds. Valuations are reported quarterly and are based upon the most recent valuation reports received from underlying fund managers or investment sponsors. Quarterly HB Advisory fees will be calculated using the most recent valuation reports provided by the investment manager or sponsor. The valuations are generally lagged by one quarter such that a quarterly report dated June 30<sup>th</sup> will contain the valuation from March 31<sup>st</sup>. This may result in a higher or lower fee based on the current value of the fund.

#### Hedge Funds

HB invests in pooled hedge fund entities. The values and returns for pooled hedge fund entities are computed monthly. Final monthly valuations are usually available around the 20<sup>th</sup> business day of the month. To give a more accurate picture of the values of pooled hedge fund entities, HB may use estimates from the hedge fund managers as soon as they are available and update the hedge fund values in client accounts. Generally, hedge fund managers provide these estimates beginning on the 5<sup>th</sup> business day of the month for the prior month ending value. HB uses its best efforts to update hedge fund valuations based upon estimates provided by the managers. When the managers deliver the final valuation the last week of the month, HB will update the value if there is a change from the estimate. Quarterly HB Advisory fees will be calculated using the most current hedge fund valuations. In some

cases this is an estimate and in other cases it may be the actual value from the prior month. This may result in a higher or lower fee based on the current value of the fund.

### Portfolio Accounting and Reporting

HB uses a third-party provider, Black Diamond Performance Reporting, for portfolio accounting and client performance reporting. Clients have online access to view portfolio holdings, performance, and other portfolio attributes. Market values in Black Diamond are updated daily and include accrued interest and accrued dividends. Client accounts are reconciled daily by Black Diamond. Valuations of private investments, including such investments as direct real estate, hedge funds, private equity, private debt, and other private funds are updated by HB as valuations are provided to us by the fund managers or investment sponsors.

### Retirement Plan Rollovers - Potential for Conflict of Interest

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If HB recommends that a client roll over their retirement plan assets into an account to be managed by HB, such a recommendation may create a potential conflict of interest if HB will earn new (or increase its current) compensation as a result of the rollover. HB mitigates this potential conflict by analyzing the former employer's plan comparing to the client's options taking multiple factors into account and making a recommendation in the best interest of the client. No client is under any obligation to roll over retirement plan assets to an account managed by HB.

HB is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. HB is also a fiduciary under the Internal Revenue Code (the "IRC") with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners (collectively, "Retirement Account Clients"). As such, HB is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a "PTE").

As a fiduciary, we have duties of care and of loyalty to you and are subject to obligations imposed on us by the federal and state securities laws. As a result, you have certain rights that you cannot waive or limit by contract. Nothing in our agreement with you should be interpreted as a limitation of our obligations under the federal or state securities laws or as a waiver of any unwaivable rights you possess.

### Assets Under Management

HB provides discretionary and non-discretionary asset management. Our RAUM as of 12/31/2023 are as follows:

Discretionary:	\$ 13,470,685,163
Non-Discretionary:	\$ 1,728,618,967
Total:	\$ 15,199,304,130

In addition, HB also advises clients on assets and makes investment recommendations to clients on assets where HB has no ability to place trade for the clients. In this situation, we refer to those assets as “assets under advisement”.

### Financial Planning and Wealth Advisory Services

HB offers financial planning services to clients. These services include assessing a client’s present financial situation and assisting with defining personal financial planning goals and objectives. Focus areas can include, but are not limited to, cash flow planning, tax planning, retirement planning, estate planning, investment planning and education planning.

HB does not prepare any accounting or legal documents for implementation of the financial plan. Any fees incurred for such professional services are the client’s responsibility.

## **Item 5 – Fees and Compensation**

### Fees for Wealth Management Services

HB’s fee for providing Wealth Management Services (includes but not limited to investment management and financial planning) depends on several factors. The two main factors are (1) the scope, complexity, and frequency of the services to be provided, and (2) the value of the investment capital placed under HB’s management. HB generally imposes a minimum annual fee of \$12,500 for its services but may negotiate a fee below the annual minimum, or tiered



schedule, where circumstances warrant. HB may request reimbursement of out-of-pocket expenses it incurs in providing services to its clients.

HB's compensation for Wealth Management Services is calculated and payable in accordance with the agreed upon fee schedule. The fee schedule is applied by HB to the market value of assets, which includes accrued interest and dividends, (in some cases excluding margin balances; in other cases the margin balances are not excluded) of the client's accounts as reasonably determined by HB at the end of the preceding calendar quarter. Fees are paid in advance at the beginning of each calendar quarter. If Wealth Management Services begin after the start of a quarter, fees will be prorated accordingly. If a client terminates their advisory agreement during the quarter, HB will refund the prorated amount of the fee that was paid in advance. HB deducts fees from client accounts as described in the client agreement. In some cases, the firm will allow a client to pay by check instead of the account fee deduction. HB occasionally provides financial services to clients on an hourly rate basis.

HB's current standard fee schedule for Financial Planning and Investment Management Services is listed below. In some cases with financial planning clients, there may be an agreed upon fixed annual minimum fee which would cause the total fees charged as a percentage of investment capital under management to exceed the tiered fee schedule below. HB's fees are negotiable. In addition, legacy clients pay legacy fee rates that differ from HB's fee rates. Accordingly, a number of current clients have fee schedules that differ from the standard fee schedule.

#### FINANCIAL PLANNING AND INVESTMENT MANAGEMENT SERVICES

<b>Market Value of Portfolio</b>	<b>Annual Fee</b>
First \$ 1,000,000	1.25%
Next \$ 4,000,000	1.00%
Next \$ 5,000,000	0.75%
Over \$ 10,000,000	0.50%

HB's current standard fee schedule for Investment Management Services is listed below. In some cases with Investment Management only clients, there may be an agreed upon fixed annual minimum fee which would cause the total fees charged as a percentage of investment capital under management to exceed the tiered fee schedule below. HB's fees are negotiable. In addition, legacy clients pay legacy fee rates that differ from HB's fee rates. Accordingly, a number of current clients have fee schedules that differ from the standard fee schedule.

HB's fees for Investment Management Services include the fees HB charges for investments in affiliated and unaffiliated private investment funds.

INVESTMENT MANAGEMENT SERVICES

<b>Market Value of Portfolio</b>	<b>Annual Fee</b>
First \$ 1,000,000	1.25%
Next \$ 1,000,000	1.00%
Next \$ 3,000,000	0.75%
Over \$ 5,000,000	0.50%

Payment of fees may be paid directly to HB by the client, or payment of fees may be made by the independent custodian holding the client's investments.

When payment is to be made by the custodian:

- (1) The client provides written authorization permitting the fees to be paid directly from the client's account held by the custodian;
- (2) HB provides the custodian the amount of the fee;
- (3) HB sends to the client an invoice that shows the amount of the fee, the value of the client's assets upon which the fee is based, and the specific manner in which the fee is calculated;
- (4) The custodian discloses to the client that it is the client's responsibility to verify the accuracy of the fee calculation and that the custodian has not determined whether the calculation is properly made; and
- (5) The custodian sends to the client an account statement that shows all amounts disbursed from the client's account.

HB's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties such as margin interest, trade away fees, management fees, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, other fees and taxes on brokerage accounts and securities transactions, and separate custody fees for maintaining Alternative Investments in taxable or retirement accounts. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's

prospectus. We advise each client to read the appropriate prospectus for mutual funds & ETF's in addition to the Operating Agreement and Offering Memorandum of Private Investment Partnerships for a list of expenses. Such charges, fees and commissions are exclusive of and in addition to HB's fee, and HB shall not receive any portion of these commissions, fees, and costs. Item 12 further describes the factors that HB considers in selecting or recommending brokers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

#### EXTERNAL MANAGERS

Where HB provides portfolio management services to accounts through the use of external managers who serve as third-party asset managers, some clients incur an additional fee payable to the external manager that is separate from the HB fee.

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

Performance fees include fees based upon the investment performance of an account or overall portfolio. HB does not charge any such performance-based fees. Such performance fees may come with an inherent conflict of interest for a manager to take on additional risk in order to attempt to achieve a higher return thereby increasing the management fee. HB does not wish to be in this position, so we have removed that potential conflict from our relationship with our clients.

#### **Item 7 – Types of Clients**

HB provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, private investment funds, trusts, and a registered investment company.

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

HB provides advice on securities such as mutual funds, exchange traded funds (ETF's), exchange traded notes (ETN's), bonds, stocks, hedge funds, private equity funds, real estate funds, natural resources funds, and structured notes. Our methods of analysis, investment strategies, and certain risks are described below.

#### Third-party equity and fixed income mutual funds, ETFs/ETNs, hedge funds, private partnerships - *Methods of Analysis*

Quantitative Analysis – When evaluating third-party managers, we use a variety of investment factors that include, but are not limited to, performance statistics, risk statistics, volatility,

concentration (sector, position, and geographic), market-cap weightings, and liquidity of underlying securities. For passive (index) investments, we evaluate the index methodology.

#### Qualitative Analysis

Team – We evaluate the strength of the investment team which includes, but is not limited to, determining key decision makers, relevant experience, compensation structure, alignment of interests, employee turnover, and ownership structure.

Process – We determine whether we believe the investment process is repeatable and if it has remained consistent in various market environments. We evaluate how idea sourcing occurs, how security selection is made, and how the portfolio construction is determined.

#### Additional Methods of Analysis for Individual Stocks

Quantitative Analysis – When evaluating individual equities, we look at a wide variety of investment factors that include, but not limited to, market-cap weightings, profitability, and a track record of consistent growth in earnings, cash flow, and dividend payments to investors and are positioned to continue growing all three metrics into the foreseeable future.

#### Additional Methods of Analysis for Individual Bonds

Analysis of individual bonds includes, but is not limited to, evaluation of the underlying ratings of the securities, analysis of spreads versus similarly rated bonds, and analyzing the overall shape of the yield curve. We evaluate the bond structure (e.g. general obligation bonds vs. revenue bonds). We seek bonds that offer proper diversification to the client's portfolio in terms of sector, geography, and maturity.

#### Additional Methods of Analysis for ETFs

Liquidity analysis – Illiquidity of ETFs is a risk that must be evaluated. We analyze trading volume and determine if we should place trades outside of market orders to protect our clients from wide bid/ask spreads which may result in unfavorable pricing.

#### Additional Methods of Analysis for ETNs

Counterparty risk – ETNs are exchange traded notes that are senior, unsecured debt securities issued by an underwriting bank and are therefore backed only by the credit of the issuer. As part of our analysis, we review the credit-worthiness of the underlying issuer.

### Additional Methods of Analysis for hedge funds

Operational due diligence checks – Because hedge funds do not provide full transparency or daily liquidity, we perform an extra layer of analysis. These include, but are not limited to, assessment of valuation policies, cash management controls, portfolio risk management, reliability of systems, and checks on their service providers. In addition, we review all legal documents.

### Additional Methods of Analysis for private partnerships

Deal flow/sourcing – Because private partnerships are often blind pools (investors know the strategy but not the specific investments), we attempt to determine if the management team will be able to generate sufficient deal flow and has the appropriate contacts to source attractive opportunities.

Valuation methods – Because private partnerships are illiquid and often have long durations, we must determine that we are comfortable with the valuation policies in place and they are an accurate depiction of the value of the underlying investments.

Fund terms – Terms for private investments are more complicated than mutual funds and ETFs. We must become comfortable with the partnership's terms and determine that they are not onerous for underlying investors.

### Additional Methods of Analysis and Risks for Structured Notes

Structured note risks and terms depend on a variety of factors including interest rates, volatility, and the credit quality of issuers. HB takes all of these items into consideration when evaluating potential structured note investments for clients. HB will quote multiple issuers when trading structured notes in an effort to get best pricing, taking all risks into account.

**Complexity.** Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation includes leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes usually have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-

leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with us.

**Market risk.** Some structured notes provide for the repayment of principal at maturity, which is often referred to as “principal protection.” This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility.

**Issuance price and note value.** The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer’s estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes cannot be re-sold on a daily basis and thus will be difficult to value given their complexity.

**Liquidity.** The ability to trade or sell structured notes in a secondary market is often very limited as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on security exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution’s broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

**Credit risk.** Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors could lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that would be due on the structured notes.

**Call risk.** Some structured notes have “call provisions” that allow the issuer, at its sole discretion, to redeem the note before it matures at a price that can be above, below or equal to

the face value of the structured note. If the issuer “calls” the structured note, clients may not be able to reinvest their money at the same rate of return provided by the structured note that the issuer redeemed.

**Tax considerations.** The tax treatment of structured notes is complicated and, in some cases, uncertain. Before purchasing any structured note, clients should consult with a tax advisor. Clients also should read the applicable tax risk disclosures in the prospectuses and other offering documents of any structured note they are considering purchasing.

#### Additional Methods of Analysis and Risks for Options

The main areas of analysis when buying or selling options are the implied volatility of the option and the delta of the option. These two metrics govern the risk and return potential for the security. Leverage is also a significant consideration when investing in options. The risk of purchasing options are well defined. The maximum loss is equal to the premium paid for the option. There are two main risks to an options-writing strategy. The first is that the value of the option moves against the investor and the investor chooses to close out their position prior to expiry at a mark to market loss. The second is that the underlier moves to a level significantly above (call) / below (put) the strike price, and the investor is then forced to purchase the asset at an off-market price at or before expiry.

#### Risks of Investing in Securities

Investing in securities involves the risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Investment risks that investors face include the following:

**Interest Rate Risk:** Fluctuations in interest rates can cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions can trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar’s value today can vary compared to the value of a dollar next year, as purchasing power usually erodes at the same rate as inflation.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments are reinvested at potentially lower rate of return (i.e., interest rate). This risk primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Cash Withdrawals Risk:** The need to sell the portfolio's holdings in order to meet a client's cash withdrawal requests could cause loss when selling securities if the requests are unusually large or frequent or occur in times of overall market turmoil or declining prices, or when the securities the portfolio manager wishes to sell or is required to sell are illiquid.

**Financial Risk:** Excessive borrowing to finance a business's operations increases the risk of profitability, 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.

**Management Risk:** The risk is whether the investment strategy process and risk analyses applied by HB will produce the desired results and that legislative and regulatory developments can affect the investment techniques available to HB and the individual portfolio manager in connection with managing the portfolio. There is no guarantee that the investment objective of the portfolio will be achieved.

#### Risks of Investing in Private Funds:

HB is the Investment Manager of private investment funds in which clients and others are solicited to invest, but are limited to accredited investors, and for some funds, we require the investors to also be qualified clients or qualified purchasers. The private funds are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for



whom an investment in a private fund does not constitute a complete investment program, and who fully understand and are willing to assume the risks involved in the private fund's investment program. Even where the investments of a private fund are successful, some do not produce a realized return for a period of years. The private funds' offering documents contain a detailed description of risk factors that must be reviewed by any potential investor in the fund.

#### Cybersecurity Risk:

The computer systems, networks and devices used by HB and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, and security breaches. Despite the various protections utilized, these systems, networks, and devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches can cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences can result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs can be incurred by these entities in order to prevent or mitigate the risk of cybersecurity breaches in the future.

#### Pandemic Risk:

The transmission of a pandemic and efforts to contain its spread could result in border closings and other travel restrictions and disruptions, market volatility, disruptions to business operations, supply chains and customer activity and quarantines. Volatility in the U.S. and global financial markets caused by a pandemic could impact our firm's investment strategies. Although currently there has been no significant impact, future pandemics could negatively affect vendors on which our firm and clients rely and could disrupt the ability of such vendors to perform essential tasks.

## **Item 9 – Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HB or the integrity of HB's management. HB has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliation**

Peachtree Alternative Strategies Fund ("PAS"): At the end of 2016, HB converted the H&B Hedge Fund, LLC (a private fund) into a Registered Investment Company, the PAS and serves as the Fund Adviser. HB's CIO, Stephanie Lang, serves on the PAS Board of Directors, and HB Director, Ford Donohue, serves as the PAS President. Neither Mrs. Lang nor Mr. Donohue earns any additional compensation for their services to the PAS. HB advises its suitable clients to invest in the PAS.

NMSEF I Holdings V, L.P., an affiliate of New Mountain Capital is a principal owner of HB. As such the affiliation HB has with New Mountain Capital and its affiliates is material to the business of HB. However, we do not believe this presents any material conflicts to HB clients.

HB has formed several private investment funds listed below in which clients are solicited to invest. The Manager of each investment fund is a related company which is under common ownership and control of HB. The Principals of HB, including some select employees may also invest in the same private investment funds as HB clients.

H&B Partners, LLC ("Partners"): Partners is an affiliated company under common ownership and control with HB. Partners, a Georgia limited liability company, was formed in 1998 and is owned by HB Principals Andrew Berg, Frank Butterfield, and Adam Fuller. Partners serves as managing member for the following five investment vehicles in which clients were solicited to invest. The investment vehicles were organized by the investment committee of HB. Partners does not receive fees for its management services from the investment vehicles. Partners is reimbursed the cost of various incidental operating expenses (licenses, mail service, etc.) paid for the benefit of the investment vehicles.

Income Opportunity Fund II, LP, Delaware limited partnership formed in 2013 as a vehicle for HB clients to invest in public and/or private debt, equity, fixed income, real estate, natural resources, and distressed asset investment funds. The fund is closed to new investors.

2008 Opportunity Partners, LLC ("Opportunity Partners"), is an affiliated company under common ownerships and control with HB. Opportunity Partners, a Delaware limited liability company formed in 2008, is owned by HB Principals Andrew Berg, Frank Butterfield, Adam

Fuller, and Andrew Klepchick. Opportunity Partners serves as General Partner to the 2008 Opportunity Fund, L.P. listed below. Opportunity Partners, LLC does not receive fees for its management services from the funds listed below. Opportunity Partners is reimbursed the cost of various incidental operating expenses (licenses, mail service, etc.) paid for the benefit of the 2008 Opportunity Fund, L.P.

2008 Opportunity Fund, L.P., a Delaware limited partnership formed in 2008 as a vehicle for HB clients to invest in private markets (including private equity, real estate, natural resources, and distressed debt). The fund is closed to new investors.

Homrich Berg Partners, LLC, is an affiliated company under common ownership and control with HB. HB Partners, a Georgia limited liability company formed in 2015, is owned by HB Principals Andrew Berg, Frank Butterfield, Adam Fuller, Ross Bramwell, and Stephanie Lang. HB Partners serves as General Partner to the fifteen funds listed below. HB Partners does not receive fees for its management services from the funds listed below. HB Partners is reimbursed the cost of various incidental operating expenses (licenses, mail service, etc.) paid for the benefit of the funds listed below.

2015 Opportunity Fund, L.P., a Delaware limited partnership formed in 2015 as a vehicle for HB clients to invest in private markets (including but not limited to private equity, private real estate, private natural resources, and private debt). The fund is closed to new investors.

2017 Opportunity Fund, L.P., a Delaware limited partnership formed in 2017 as a vehicle for HB clients to invest in private markets (including but not limited to private equity, private real estate, private natural resources, and private debt). The fund is closed to new investors.

2017 Real Estate Opportunity Fund, L.P., a Delaware limited partnership formed in 2017 as a vehicle for HB clients to invest private direct equity or debt real estate investments that are not available through traditional outlets (including but not limited to office, multifamily, hospitality, senior housing, self-storage and retail). The fund is closed to new investors.

Peachtree Credit Opportunities Fund, LP, a Delaware limited partnership formed in 2018 as a vehicle for HB clients to invest in a diversified portfolio of private fund and/or managed account investments, with a focus on income-producing opportunities. The fund is closed to new investors.

Peachtree Real Estate Fund II, LP, a Delaware limited partnership formed in 2019 as a vehicle for HB clients to invest in which will seek to provide opportunities to partner with real estate operators to provide attractive returns through both current income and long-term capital

appreciation through real estate investments in all property types. The fund is closed to new investors.

Peachtree Real Estate Fund II-A, LP, a Delaware limited partnership formed in 2019 as a vehicle for HB clients to invest in which will seek to provide opportunities to partner with real estate operators to provide attractive returns through both current income and long-term capital appreciation through real estate investments in all property types. The fund is closed to new investors.

Peachtree Opportunities Fund IV, LP, a Delaware limited partnership formed in 2020 as a vehicle for HB clients to invest in private markets (including but not limited to private equity, private real estate, private natural resources, and private debt). The fund is closed to new investors.

Peachtree Opportunities Fund V, LP, a Delaware limited partnership formed in 2021 as a vehicle for HB clients to invest in private markets (including but not limited to private equity, private real estate, private natural resources, and private debt). The fund is closed to new investors.

Peachtree Opportunity Fund VI, LP, a Delaware limited partnership formed in 2023 as a vehicle for HB clients to invest in private markets (including but not limited to private equity, private real estate, private natural resources, and private debt). This fund is closed to new investors.

Peachtree Real Estate Fund III, LP, a Delaware limited partnership formed in 2021 as a vehicle for HB clients to invest in which will seek to provide opportunities to partner with real estate operators to provide attractive returns through both current income and long-term capital appreciation through real estate investments in all property types. The fund is closed to new investors.

Peachtree Real Estate Fund III-A, LP, a Delaware limited partnership formed in 2021 as a vehicle for HB clients to invest in which will seek to provide opportunities to partner with real estate operators to provide attractive returns through both current income and long-term capital appreciation through real estate investments in all property types. The fund is closed to new investors.

Peachtree Credit Opportunities Fund II, L.P., a Delaware limited partnership formed in 2021 as a vehicle for HB clients to invest in a portfolio of income-producing private fund investments with the potential for higher interest rates and/or volatility to adversely affect public fixed income returns in the future. The fund is closed to new investors.

Peachtree Credit Opportunities Fund III, L.P., a Delaware limited partnership formed in 2024 as a vehicle for HB clients to invest in a portfolio of income-producing private fund investments with the potential for higher interest rates and/or volatility to adversely affect public fixed income returns in the future. The fund is open to new investors.

Peachtree Real Estate Fund IV, L.P., a Delaware limited partnership formed in 2022 as a vehicle for HB clients to invest in direct private debt and equity real estate investments that are not available via traditional investment strategies. The fund is closed to new investors.

Peachtree Real Estate Fund IV-A, L.P., a Delaware limited partnership formed in 2022 as a vehicle for HB clients to invest in direct private debt and equity real estate investments that are not available via traditional investment strategies. The fund is closed to new investors.

#### Clients of HB who are also Investment Managers or Sponsors

HB has long-standing relationships with investment managers and other private investment sponsors on which we advise our clients to invest. In some instances, such investment managers or sponsors have also become Wealth Management clients of HB. Currently, multiple executives of recommended investment sponsors including but not limited to private real estate investments, REITS, fixed income securities, and Film/Gaming Industry companies who offer tax credits. A potential conflict of interest may exist when we advise our clients to invest in private investments that are managed or sponsored by other HB clients. We conduct extensive due diligence in both private and public investment opportunities, and we only recommend such investment opportunities when we believe it is in the best interest of our clients. To mitigate this conflict, HB discloses this fact prior to recommending the private investment or tax credit to a client.

#### **Item 11 – Code of Ethics**

HB has adopted a Code of Ethics for all principals and employees of the firm that describes its high standard of business conduct and fiduciary duty owed to its clients. The Code of Ethics includes provisions relating to personal securities trading procedures. All employees of HB must acknowledge the terms of the Code of Ethics annually, or as amended.

HB anticipates that, when consistent with clients' investment objectives, it may recommend that investment advisory clients or prospective clients purchase or sell securities in which HB, its affiliates, and/or clients have a position of interest. This occurs in some cases with recommended exchange traded funds or mutual funds where employees may invest in the same funds that the firm recommends to clients. In addition to this, principals/employees of the firm may invest in the same Private Investment Partnerships as they recommend to clients.

HB's principals and employees are required to follow HB's Code of Ethics, subject to satisfying this policy employees of HB may trade for their own accounts in securities which are recommended to and/or purchased for HB's clients. If a conflict of interest is present when investing in the same securities as a client, the principal or employee must disclose that conflict to the client prior to making the investment. The Code of Ethics is designed to assure that the personal securities transactions, as well as activities and interests of the HB employees, will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Employee trading is continually monitored under the Code of Ethics, which is designed to reasonably prevent conflicts of interest between HB and its clients. HB has engaged a third-party software provider which allows HB to electronically monitor employee trading activity.

Employee accounts may trade in the same securities with client accounts on an aggregated basis when consistent with HB's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. HB will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. The same process will apply to privately traded securities and for those private securities with limited supply, the investment will be allocated on a pro rata basis. Any exceptions will be explained to the Order.

HB's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting W. Travis McKinney at 404-264-1400 or [travis.mckinney@homrichberg.com](mailto:travis.mckinney@homrichberg.com).

## **Item 12 – Brokerage Practices**

HB has discretion over those accounts under its management as specified in the contractual agreement it enters into with the client. HB buys or sells specific securities in amounts that are a function of HB's understanding of the client's objectives, tolerance for risk, and financial resources in addition to any client-imposed trading restrictions. These factors act as limitations on HB's authority and investment discretion.

Unless in the case of selected individual fixed income securities (corporate bond, municipal bond, government bond, etc.), HB directs securities transactions to the custodian which maintains the client account. The custodian is also the broker-dealer used for execution of the transaction. HB does not have the ability to negotiate commissions on a trade-by-trade basis

under normal circumstances. However, at the onset of a relationship with a custodian and periodically thereafter, HB may negotiate standard commission rates for all its client accounts. HB attempts to negotiate the most favorable rates for its clients on a global scale. However, the rates negotiated by HB may not be the lowest available rates found in the market. When selecting a custodian for client accounts, HB considers the overall value of services provided by the custodian to clients of HB. Generally, HB's clients do not pay higher commissions for those services. In most cases HB suggests the use of the custodial and brokerage services of Charles Schwab & Co., Inc., Fidelity Investments, or Bank of New York Mellon "Pershing" who are all independent and non-affiliated broker-dealers (collectively, the "Broker-Dealer Custodians")

When recommending a Broker-Dealer Custodian, HB considers several factors including:

- (a) The firm's service and commitment to the business;
- (b) Overall costs, including but not limited to: wire transfers, check requests, overnight delivery, etc.
- (c) Execution, clearance and settlement capabilities;
- (d) Whether the firm offers insurance in excess of the insurance afforded by the Securities Investor Protection Corporation;
- (e) Investment product availability and online tools;
- (f) The broker-dealer's financial stability; and
- (g) The firm's willingness to negotiate commission and margin interest rates.

Accordingly, transactions will not always be executed by the custodian/broker-dealer at the lowest available commission.

In the case of individual fixed income securities where markets may be less liquid, HB may search the inventories of multiple broker-dealers and custodians in the effort to obtain better pricing. In such cases, HB will attempt to get competitive pricing from multiple sources and execute the transaction at what it believes are the best terms for the client. When selecting fixed income dealers HB considers several factors including execution speed, access to fixed income inventory, reliability, and pricing. When HB purchases fixed income securities for a client through a firm which is not the custodian of the brokerage account, the client will incur an additional "trade away" fee. This is imposed by the custodian of the account.

## Products and Services from the Broker-Dealer Custodians

The Broker-Dealer Custodians serve independent investment advisory firms like HB. The Broker-Dealer Custodians provide HB and its clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to retail customers. The Broker-Dealer Custodians also make available various support services. Some of those services help HB manage or administer clients' accounts, while others help HB manage and grow its business. The Broker-Dealer Custodians support services generally are available on an unsolicited basis (HB does not have to request them) and at no charge, though some of the Broker-Dealer custodians require that a minimum aggregate amount of client assets be maintained at the Broker-Dealer Custodians. If HB's clients collectively have less than \$10 million in assets at Schwab, Schwab may charge HB quarterly service fees of \$1,200.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which HB might not otherwise have access or that would require a significantly higher minimum initial investment by HB's clients.

## Services that May Not Directly Benefit Clients

The Broker-Dealer custodians make available other products and services that benefit HB but may not directly benefit clients. These products and services assist HB in managing and administering HB's clients' accounts. They include investment research, both the Broker-Dealer Custodian's own and that of third parties. HB may use this research to service all or a substantial number of its clients' accounts, including accounts not maintained at that Custodian Broker-Dealer. In addition to investment research, the Broker-Dealer Custodians also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of HB's fees from HB's clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

## Services that Generally Benefit Only Homrich Berg

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



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

Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services to HB. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees, including a speaker fee for HB client events. Schwab may also provide HB with other benefits, such as occasional business entertainment for HB's personnel.

#### Homrich Berg's Interest in Schwab's Services

The availability of these services from Schwab benefits HB because we do not have to produce or purchase them. HB does not have to pay for Schwab's services so long as HB's clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon HB committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give HB an incentive to recommend that clients maintain accounts with Schwab, based on HB's interest in receiving Schwab's services that benefit HB's business rather than based on clients' interests in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. HB believes, however, that its recommendation of Schwab as custodian and broker is in the best interests of clients. HB's selection is primarily supported by the scope, quality, and price of Schwab's services. HB does not believe that recommending clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

#### Additional Benefits from Schwab

Schwab has agreed to pay for certain expenses in connection with HB's recommendation that clients transition their custodial accounts to Schwab.

Additionally, Schwab has agreed to a one-time benefit that would assist HB with technology, research, marketing, or compliance consulting related expenses.

The fact that HB receives these benefits from Schwab is an incentive for HB to recommend the use of Schwab rather than making such a decision based exclusively on clients' interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a conflict of interest. HB believes, however, that taken in the aggregate, HB's

recommendation of Schwab as custodian and broker is in the best interests of HB's clients. HB's selection is primarily supported by the scope, quality, and price of Schwab's services.

#### Schwab Advisor Services Advisory Board Membership

Thomas Carroll, *CEO of Homrich Berg* serves on the Schwab Advisor Services Advisory Board (the "Advisory Board"). As described under Item 12 of this Form ADV, *Homrich Berg* recommends that certain clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab") and/or its affiliates to maintain custody of the clients' assets and effect trades for their accounts. The Advisory Board consists of representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Generally, Board members serve for two-year terms. *Mr. Carroll's* term ends 12/31/2025. Advisory Board members enter into a nondisclosure agreement with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange (symbol SCHW). The Advisory Board meets in person or virtually approximately twice per year and has periodic conference calls scheduled as needed. Advisory Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Advisory Board members' travel, lodging, meals, and other incidental expenses incurred in attending Advisory Board meetings. Schwab may also provide members of the Advisory Board a fee waiver for attendance at Schwab conferences such as IMPACT.

#### Additional Benefits from Pershing

##### Products and Services Available to HB from Pershing

Pershing provides institutional support services to independent investment advisers such as HB that are similar to those provided by Schwab and described above.

Pershing has agreed to pay for certain expenses in connection with HB's recommendation that clients transition their custodial accounts to Pershing.

The support to be provided by Pershing will offset costs that HB would otherwise be required to bear. In addition, the support services provided by Pershing may be used by HB to service all or a substantial number of the firm's client accounts, including accounts not maintained at Pershing. The receipt by HB of these products and services from Pershing will not reduce a client's fees, including any Management Fee or Performance Fee.

The fact that HB receives these benefits from Pershing is an incentive for HB to recommend the use of Pershing rather than making such a decision based exclusively on clients' interest in

receiving the best value in custody services and the most favorable execution of client transactions. This is a conflict of interest. HB believes, however, that taken in the aggregate, HB's recommendation of Pershing as custodian and broker is in the best interests of HB's clients. HB's selection is primarily supported by the scope, quality, and price of Pershing's services.

### Soft Dollars

In addition to the above services, HB receives research and other soft dollar benefits from Fidelity Investments in connection with client transactions. These benefits include third party research, subscriptions, and tools which assist HB with research and portfolio analytics and are at no cost to us. By receiving these benefits without cost to us, there is an inherent conflict of interest in HB advising clients to open and maintain their investment account(s) with Fidelity as we may have an incentive to do so over other similar custodians. Despite the benefits to us, we do not believe they are so material to our business that they would influence our decision to recommend Fidelity as a custodian to our clients for the fact that similar soft dollar relationships are available with other qualified custodians. We use such research and soft dollar benefits to help us service all client accounts, not just those that generated the benefits. We do not seek to allocate research and soft dollar benefits to client accounts in proportion to how those accounts generate soft dollars. While soft dollar and other research benefits are available to us, these benefits are not a factor in executing transactions. Rather, our trader(s) seek the best available price irrespective of any soft dollar benefit when buying or selling Fixed Income securities. And in the event of transactions in equities, ETF's mutual funds, or options, we direct the transactions to the custodian of the client account.

In some cases, research products or services provided fall into a category known as "mixed use". Mixed use refers to a situation when part of the products or services received is used for research while another part is used for non-research activities. HB reviews products & services received to determine if any are mixed use. HB will make the determination as to the portion of the product to designate as research and will only receive economic benefit for that portion. HB will pay for the portion designated as non-research.

### Cross Transactions

In certain circumstances, HB can utilize cross transactions when a current client liquidates their account, sells securities to raise cash or a change occurs in the client's tax status necessitating the sale of bonds. Cross transactions are considered when HB feels the security is attractively priced in the present market environment and that both sides will benefit from the transaction. If HB determines that a cross transaction is appropriate, HB will seek prices that are fair to both selling and purchasing clients. Typical securities considered for cross

transactions are mortgage-backed securities, municipal bonds and corporate bonds. All cross transactions must be reviewed and approved by the Investments Team.

### Trade Allocations

Trades in publicly traded securities are generally executed at the account level. In some infrequent circumstances, a block trade may be executed, and portions of the block allocated to various customer accounts. The block transactions are allocated in a fair and equitable manner taking into consideration such factors including, but not limited to, client's cash availability, suitability for participation, and other pending orders. If a block order is only partially filled, an attempt will be made to allocate on a pro rata basis. When this is not practical, allocation will be made such that, over time, no client will be advantaged or disadvantaged in relation to other client accounts. Whether done as a block, or an individual order at the account level, the custodian charges the same commission rate per transaction. The same process will be applied in situations where there are limited investment opportunities of certain privately offered securities. Whether publicly traded securities or privately offered securities, HB employees may participate side by side with clients.

### Trading Errors

Any trading error that may occur in a client's account will be reported immediately upon discovery to a principal, and any such error will be resolved promptly. Our selected custodians have differing processes regarding resolution of a trade error. However, in no case will a client account suffer a loss resulting from a trading error caused by HB and in each such case, the client will be "made whole".

### **Item 13 – Review of Accounts**

Reviews of client accounts are ordinarily performed on at least a quarterly basis while financial plans are generally reviewed at least annually. A significant change in economic conditions, in the client's financial and investment objectives, or in the client's risk tolerance may also trigger a review of said client's portfolio or financial plan. A client request may also trigger a review. The level of the review is dependent upon the triggering factor and can be brief or in-depth. A brief review may involve the verification of holdings, allocations, or minor changes in objectives. An in-depth review includes an evaluation of investor holdings against model allocations and financial objectives.

HB has multiple principals and multiple client service teams. Each client is assigned to a client service team. Client service teams are typically comprised of a principal or director, associate(s), and a client service operations specialist. Client accounts are reviewed by

principals or directors with input and support from associates. The members of the client service team work together in performing various functions on each account depending on the complexity of the work and the particular client situation.

Although clients have online access to their portfolios which are updated daily, HB will provide reports quarterly to clients on the performance of their accounts. These written reports typically include a listing of accounts with holdings and values, an investment allocation chart, and investment performance. Performance for the total portfolio and by each asset class is compared against relevant indices. In addition to quarterly portfolio correspondence and client mailings, clients may consult with HB when they have a change in circumstances.

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

HB has an arrangement in place with certain third parties, called promoters, under which such promoters refer clients to us in exchange for a percentage of the advisory fees we collect from such referred clients. Such compensation creates an incentive for the promoters to refer to us, which is a conflict of interest for the solicitors. Rule 206(4)-1 of the Advisers Act address this conflict by, among other things, requiring disclosure of whether the promoter is a client or a non-client and a description of the material conflicts of interest and material terms of the compensation arrangement with the solicitor. Accordingly, we require promoters to disclose to referred clients, in writing: the material conflicts of interest arising from the relationship and/or compensation arrangement; and the material terms of the compensation arrangement, including a description of the compensation to be provided for the referral.

HB may also compensate HB employees for referring advisory clients to HB through the sharing of a portion of applicable investment advisory fees. Advisory fees for referred clients are not greater than fees charged to other HB clients and all fees are fully disclosed to the client.

HB receives client referrals from Charles Schwab & Co., Inc. (“Schwab”) through HB’s participation in Schwab Advisor Network® (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with HB. Schwab does not supervise HB and has no responsibility for HB’s management of clients’ portfolios or Advisor’s other advice or services. HB pays Schwab fees to receive client referrals through the Service. HB’s participation in the Service raises potential conflicts of interest described below.

HB pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a separate one-time Transfer Fee on all accounts that are transferred to another custodian. The Transfer Fee creates a conflict of interest that encourages HB to

recommend that client accounts be held in custody at Schwab. The Participation Fee paid by HB is a percentage of the value of the assets in the client's account. HB pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee and any Transfer fee is paid by HB and not by the client. HB has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs HB charges clients with similar portfolios who were not referred through the Service. The Participation and Transfer Fees are based on assets in accounts of HB clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, HB will have incentives to recommend that client accounts and household members of clients referred through the Service maintain custody of their accounts at Schwab.

HB considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation, and the quality of services provided. In selecting Charles Schwab ("Schwab") as the broker and custodian for certain of its current and future client accounts, HB takes into consideration its arrangement with Schwab as to obtaining price discounts for Schwab's automatic portfolio rebalancing service for advisors known as "iRebal." The standard iRebal annual license fee applicable to HB is \$137,500. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the Schwab Institutional platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the Schwab Institutional platform will bring fee reductions of up to 25% per year for each of as many as three years or more. The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). If HB does not maintain the relevant level of taxable assets on the Schwab Institutional platform, HB may be required to make a penalty fee payment to Schwab calculated on the basis of the shortfall. Although HB believes that the products and services offered by Schwab are competitive in the marketplace for similar services offered by other broker-dealers or custodians, the arrangement with Schwab as to the iRebal service may affect HB's independent judgment in selecting or maintaining Schwab as the broker or custodian for client accounts.

We receive economic benefits from Schwab, Fidelity and Pershing in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts at Schwab and Pershing. In addition, in connection with our recommendation that clients transition their accounts to the custodians, Schwab and Pershing have agreed to pay for certain products and services for which we would otherwise

have to pay. The products and services provided, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

HB has an arrangement in place with certain third parties, called promoters, under which such promoters refer clients to us in exchange for a percentage of the advisory fees we collect from such referred clients. Such compensation creates an incentive for the promoters to refer to us, which is a conflict of interest for the solicitors. Rule 206(4)-1 of the Advisers Act address this conflict by, among other things, requiring disclosure of whether the promoter is a client or a non-client and a description of the material conflicts of interest and material terms of the compensation arrangement with the solicitor. Accordingly, we require promoters to disclose to referred clients, in writing: the material conflicts of interest arising from the relationship and/or compensation arrangement; and the material terms of the compensation arrangement, including a description of the compensation to be provided for the referral.

### **Item 15 - Custody**

Under SEC rules, we are deemed to have custody of your assets if, for example, you authorize us to instruct your custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Your custodian maintains actual custody of your assets. Clients should receive account statements at least quarterly from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. The statement will be sent to clients via email or by the postal mailing address a client provides to their custodian. HB urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. HB does not maintain physical custody of client assets. However, in some cases HB may have access to client funds. In these cases, HB has what is termed "implied custody". The cases where HB has such implied custody are listed below:

Bill Pay - for certain clients HB pays personal bills and other invoices on their behalf. This requires HB to have the ability to write checks on their behalf,

Capital Call Funding Authority - for certain clients invested in the HB Funds, clients have provided to Charles Schwab or Fidelity Investments, standing instructions which authorizes HB to journal funds from the client brokerage account to an HB Fund in order to make capital calls.

Online access to external accounts – for reporting purposes for certain clients; we have access to external accounts such as bank accounts, or 401(k) accounts,

Trustee relationship – In some cases, clients have requested that a Principal of HB to personally serve as trustee of their trust.

HB has engaged Forvis, LLP (“Forvis”) to conduct a “custody examination” for the above referenced situations where HB has implied custody. Forvis is an independent public accounting firm registered with the Public Company Accounting Oversight Board. Because HB has “implied custody”, these annual custody examinations are required by the SEC Custody Rule and are conducted annually on a surprise basis. A copy of the exam report is available upon request. It is also available through the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### HB Funds

As described earlier in “Item 10 - Other Financial Industry Activities and Affiliation”, HB serves as the Adviser to the HB Funds and its related entities serve as the Manager of the respective HB Funds. In this capacity HB has custody of assets of the HB Funds. HB complies with and satisfies its responsibilities under the SEC Custody Rule through the following:

PCAOB Registered Auditor – we have engaged Forvis, LLP (“Forvis”) to conduct “GAAP” audits of all of the HB funds. Forvis is an independent public accounting firm registered with the Public Company Accounting Oversight Board and subject to regular inspection.

Audited Financial Statements – HB delivers the audited financial statements for our funds to each fund investor in a timely manner.

### **Item 16 – Investment Discretion**

HB has discretion over those accounts under its management as specified in the contractual agreement it enters into with the client. HB buys or sells specific securities in amounts that are a function of HB's understanding of the client's objectives, tolerance for risk, and financial resources in addition to any client-imposed trading restrictions. These factors act as limitations on HB's authority and investment discretion.

In some limited cases, HB may accept an account on a non-discretionary basis. In this instance, HB will discuss investment decisions and transactions with the client prior to making the transaction.

### **Item 17 – Voting Client Securities**

HB clients retain the right to vote all proxies and HB is precluded from voting proxies on client’s behalf. However, HB may provide advice to clients regarding the clients' voting of proxies if requested. Clients participating in certain investment opportunities may authorize



the underlying managers to vote proxies on their behalf through the terms of the investment advisory agreements.

### Legal Proceedings

HB has engaged a third-party service provider, Chicago Clearing Corporation (“CCC”), to monitor and file securities claims class action litigation paperwork with Claims Administrators on behalf of HB Clients. HB may share client information such as name, tax ID, and account number with CCC as necessary to provide this service. HB does not receive any fees or remuneration in connection with this service nor does it receive any fees from the third-party provider(s). CCC will earn a fee of all claims they collect on behalf of HB Clients. This fee is retained by CCC out of the claims paid by the Claim Administrator. Clients may opt out of this service at any time. If a client opts out, HB has no obligation to advise or to take any action on behalf of a client in any legal proceedings, including bankruptcies or class actions, involving investments held in or formerly held in a client's account. HB will forward to the client or to the client's custodian any notices received relating to pending class actions involving a client's account.

### **Item 18 – Financial Information**

HB has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.