



## **Form ADV 2A Disclosure Brochure**

### ***Reserved KP Only***

***VestAdvisor (Discretionary and Non-Discretionary)***

**December 1, 2018**

SEC File No. 801 - 29892  
HD Vest Advisory Services®

**This Form ADV 2A Disclosure Brochure provides information about the qualifications and business practices of HD Vest Advisory Services, Inc. (“HDVAS”) which uses the trade name HD Vest Advisory Services®. If you have any questions about the contents of this brochure, please contact us at (972) 870-6000. This information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about HD Vest Advisory Services is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Please note that registration as an investment adviser is required by securities laws, and does not imply a certain level of skill or training.**

You should review this brochure and consider its contents before investing in a program offered by or through HDVAS.

Securities offered through HD Vest Investment Services®, Member FINRA/SIPC, Advisory services offered through HD Vest Advisory Services®, 6333 N. State Highway 161, Fourth Floor, Irving, TX 75038, 972-870-6000. \*Brokerage account(s) carried with National Financial Services LLC, Member NYSE, SIPC, a Fidelity Investments® Company.

## Item 2: Summary of Material Changes

The following items changed since our previous Form ADV dated September 20, 2018:

1. **Restricted Equity Awards to Certain Advisors.** In 2019, HDVAS will award restricted stock units in its ultimate parent company, Blucora, Inc. (Nasdaq: BCOR), to 50 Advisors who achieve the highest dollar amount of advisory net flow over the period October 2018 through September 2019.
2. **Expense Sharing Arrangements** include products in addition to mutual funds, such as exchange-traded funds (ETFs). A new Educational Partner, Wisdom Tree, was also added.

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## Item 4: Advisory Business

Pursuant to SEC Rule 204-3 promulgated under the Investment Advisers Act of 1940, as amended (“Advisers Act”), HD Vest Advisory Services, Inc. (“HDMAS”) presents this Form ADV 2A, Appendix 1 Disclosure Brochure (“Wrap Fee Brochure”) which provides the required Form ADV Part 2A, Appendix 1 disclosures.

### HDMAS Advisory Services®

HDMAS Advisory Services, Inc. (“HDMAS”) was established in 1987 and is a wholly-owned subsidiary of HD Vest, Inc. HDMAS is an indirect subsidiary of Blucora, Inc., a publicly traded company (Nasdaq: BCOR). HDMAS is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser and was created to offer ongoing consultative investment management services through investment advisory programs designed to help our Clients meet their financial objectives.

HDMAS is an affiliate of HD Vest Investment Services, Inc. (“HDMIS”), a broker-dealer registered with the SEC and a FINRA member firm. HDMIS generally provides brokerage, custody and execution services through a clearing arrangement with National Financial Services LLC (“NFS”), a non-affiliated firm and member NYSE, SIPC and Fidelity Investments® Company. Your Advisory Consultant may be affiliated with both HDMAS and HDMIS for the purpose of offering you a broader range of financial services.

Depending on factors such as your Advisory Consultant’s licensing there are restrictions in the programs and types of investments that can be offered to you. In addition, an Advisory Consultant can elect not to offer certain programs based on subjective and objective factors including their investment philosophy or individual professional preferences. HDMAS’s and its Advisory Consultants’ investment advice is tailored to clients’ individual needs and limitations may be placed on trading restrictions requested by clients.

### Assets Under Management

As of December 31, 2017, HDMAS managed \$5,494,718,447 of Client assets (26,647 clients) on a discretionary basis, and \$7,032,249,695 of Client assets (30,129 clients) on a non-discretionary basis for a total of \$12,526,968,142 in assets under management and 58,776 clients in its various advisory programs.

### Suitability of Fee-Based Programs

Depending on your particular needs, you can choose different types of accounts, programs, products and levels of services offered through various HD Vest companies. These choices have important implications in terms of the legal rights and responsibilities that attach to your relationship with HD Vest, the compensation earned by HD Vest and Advisory Consultants, and the disclosures you receive. You should take these considerations into account when deciding which type of account best suits your individual needs.

With a commission-based brokerage account (or investments made through HDMIS directly with a product sponsor), HDMIS has no duty to provide ongoing advice and the primary service you are obtaining is the recommendation and execution of individual securities transactions. Most Advisory Consultants with HDMAS are also registered representatives of HDMIS. In their role as a registered representative of HDMIS, any advice provided is solely incidental to the recommended transaction, and neither HDMIS or its registered representatives have an ongoing obligation to monitor your account after the transaction is executed. HDMIS also has a more limited obligation to disclose information about conflicts of interest than HDMAS. HDMIS is compensated by the sales commission you pay on transactions you execute and other brokerage account fees; you do not pay a separate fee for (nor do you receive) ongoing advice.

The primary service HDMAS offers is ongoing management of your accounts through our *VestAdvisor*®, *VestAdvisor Select*®, *VestAccess*™ and *VestStrategist*™ programs. As an investment adviser, HDMAS acts as a fiduciary as defined by applicable law and is required to provide additional disclosure (e.g., this Disclosure Brochure) which contains information about your account and material conflicts of interest, among other things. Unlike in a brokerage account, HDMAS clients do not pay sales commissions on individual transactions and instead pay an ongoing fee based on the value of assets in the Account. In the case of financial planning, Clients will pay either a flat fee or a percentage of assets. (Financial planning services are not on-going.) The compensation earned by HDMAS is not tied directly to the number or size of transactions in your Account, and Advisory Consultants do not have an incentive to recommend transactions to generate additional sales commissions. On the other hand, HDMAS and your Advisory Consultant will earn the Program Fee for the ongoing advice they provide, regardless of whether you execute any transactions. In some advisory programs, you will also pay some or all trading costs in addition to the program fee.

You should consider the importance and value of ongoing advisory services (including ongoing advice) when comparing various options for obtaining advice, custody and safekeeping, reporting and trade execution. You should also consider your anticipated trading activity when selecting between different types of accounts and assessing your overall cost. If there are prolonged periods of infrequent trading or your portfolio contains significant cash holdings, an advisory account will probably result in higher overall expenses than if commissions were paid separately for each transaction. If you do not need ongoing advice and do not anticipate at least a moderate amount of trading, or if you would rather pay your investment professional based on each transaction you execute, a brokerage account is often the right choice for you. There is no long-term commitment with any program offered by HDMAS and you can cancel your *VestAdvisor* Client Agreement (“Agreement”) at any time if your needs or objectives change, or if you do not feel that you are receiving value in exchange for the program fee you are paying.

This information is not intended to address all issues or questions concerning differences between brokerage and advisory accounts. When considering a fee-based program you should understand the different investment solutions that are available to you. For example, you could decide that you want a brokerage account for certain investments and an advisory account for others. You should discuss the different account and service options and ask any questions you need answered before investing. If you have questions about the difference between brokerage and advisory accounts, or would like to see our disclosure brochures on other advisory programs and services offered by HDMAS, ask your Advisory Consultant or contact the HD Vest Compliance Department at (800) 821-8254.

### Other Fee-Based Programs

For additional information about other programs offered by HDMAS, please ask your Advisory Consultant for further details. These programs are:

- *VestAccess*™: A digital managed fully discretionary advisory program investing only in low-cost mutual funds and exchange-traded funds for accounts with balances as low as \$5,000.
- *VestAdvisor Select*®: A wrap-fee program with professional management by the Chief Investment Strategist of HDMAS in low cost mutual funds and ETFs. The account minimum is \$25,000.
- *VestStrategist*™: A program utilizing unaffiliated third-party money managers with a variety of investment styles, objectives and areas of expertise available to clients. Account minimums vary by money manager but range from \$40,000 to \$500,000.

## The *VestAdvisor*<sup>®</sup> Program

The *VestAdvisor* Program ("*VestAdvisor*" or "Program") is offered as a discretionary or non-discretionary investment advisory service by HDVAS and made available by the platform manager, Envestnet Asset Management Inc. ("Envestnet"), an investment adviser registered under the Advisers Act. You will be required to open a brokerage account with HDVAS's chosen Custodian (National Financial Services LLC, member NYSE and SIPC, a Fidelity Investments<sup>®</sup> Company) to participate in the *VestAdvisor* Program, and all trades will be referred to HDVIS, our affiliated broker-dealer under common ownership, for execution. A conflict of interest exists since HDVIS will receive compensation on some transactions.

The Program offers you the ability to purchase certain mutual funds, exchange-traded funds or products ("ETFs"), stocks, bonds, unit investment trusts (UITs), alternative investments, and other allowed securities, otherwise called "Approved Securities" in your *VestAdvisor* Account. It is designed for individuals and businesses with investment accounts with at least \$25,000 or more of Approved Securities, although exceptions to the minimum qualifications may be made at the sole discretion of HDVAS. The *VestAdvisor* Program is designed to help you pursue your investment goals and needs as communicated to your Advisory Consultant. A description of these services is provided in the "Services" section.

Your Advisory Consultant will serve as portfolio manager for your *VestAdvisor* Account. Generally your Advisory Consultant will evaluate quantitative and qualitative aspects of the universe of available investment products (or a subset based on their individual professional preferences) evaluated during their due diligence process. Qualitative analysis is a securities analysis that uses subjective judgment based on unquantifiable information, such as management expertise, industry cycles, strength of research and development. Qualitative analysis contrasts with quantitative analysis, which focuses on numbers such as the firm's financials and prospectus or offering memorandums. Both techniques are often used together in order to examine a company's operations and evaluate its potential as an investment opportunity. Not every Advisory Consultant has the same experience when managing investment portfolios and you should carefully consider this when choosing the *VestAdvisor* Program. Your Advisory Consultant's Form ADV, Part 2B Supplemental Brochure provides additional background on your Advisory Consultant's experience.

To participate in the Program, your Advisory Consultant will gather information regarding your financial situation and assist you in completing the Statement of Investment Selection ("SIS"). The *VestAdvisor* Client Agreement ("Agreement") is included as part of the SIS and supplements this Disclosure Brochure. The Disclosure Brochure and SIS are collectively referred to as "Related Documents". The Brokerage Client Agreement, the HD Vest Disclosures Packet and the Schedule of Fees are collectively referred to as the "Brokerage Agreement" and set forth the terms under which brokerage services are provided to you as part of your Agreement. (A partial list of the fees most applicable to your *VestAdvisor* Account are included in Appendix 1.) If you want to provide the ability for your Advisory Consultant to trade your Account on a discretionary basis, your Agreement will include the applicable discretionary trading authorization.

HDVAS and your Advisory Consultant rely on the information you provide to us, and accordingly it is important that you keep that information current. You have an ongoing obligation to notify your Advisory Consultant if there are any changes to your financial situation or the information provided, including information relevant to your investment objectives or risk tolerance. You must also inform your Advisory Consultant if there is other information not reflected on the SIS that is relevant to assessing your financial situation, investment objectives or risk tolerance (for example, anticipated large expenditures in the future or short-term cash needs). Your Advisory Consultant will update your profile with HDVAS, NFS and Envestnet, as applicable.

You may request restrictions to your Account in consultation with your Advisory Consultant at any time during the management of the Account. Your Advisory Consultant or HDVAS has the option to decline or terminate the Account if your elected restrictions are too prohibitive, and we do not feel the Account can be managed within this Program. Restrictions, even those considered reasonable, will affect your Account performance and may mean the performance in the Account is not the same (or close to) the performance of other similarly managed *VestAdvisor* Accounts.

## Program Services

Summary of services provided by Advisory Consultants for *VestAdvisor* includes:

- Educate clients on the features of a fee-based investment management strategy;
- Evaluate the suitability of the Account;
- Gather data to be used in the preparation and implementation of the investment portfolio;
- Assist clients with the completion of the SIS;
- Present portfolio recommendations and/or asset allocations based on the information you provided;
- Initial and on-going evaluation of investment and model recommendations;
- Complete other paperwork required to open Account;
- Facilitate Account transactions;
- Conduct annual Account reviews;
- Answer questions regarding your Account or the Program;
- Explain investment decisions and why rebalancing may be necessary;
- Deliver and review Quarterly Performance Reports;
- Rebalance Account as needed; and
- Periodic review of your investment objectives, trading activity, and portfolio.

Summary of services provided by HDVAS for *VestAdvisor* includes:

- Open Account upon receipt of paperwork;
- Provide Quarterly Performance Reports to Advisory Consultant;
- Calculate and collect the Program Fee;
- Facilitate disbursement requests and performing administrative and middle office functions;
- Maintain registrations of HDVAS and Advisory Consultants with the SEC and state securities regulators;
- Prepare and update required registration forms, disclosure forms and this Disclosure Brochure;
- Supervise investment activities of Advisory Consultants conducted through HDVAS; and
- Arrange for execution of trades and custody of assets in your Account.

## *VestAdvisor* Program Services

HDVAS will, in its sole discretion, delegate or contract with third parties for the performance of all or a portion of the services provided to clients participating under the Program, including without limitation calculation of performance history, preparation of quarterly performance reports, billing calculations, and the implementation of securities trading decisions, to one or more affiliated or unaffiliated third parties.

## **VestAdvisor Asset Selection and Evaluation**

*VestAdvisor* accounts are managed by your Advisory Consultant, either with or without discretion. Your Advisory Consultant will make recommendations and assist you in determining the investment portfolio. Advisory Consultants recommend Approved Securities consistent with your investment objective set forth in the SIS. Recommendations are made on the basis of research the Advisory Consultant deems to be reliable. Advisory Consultants utilize a wide variety of information and methodologies to formulate recommendations with respect to investment portfolios.

As more fully described in the “Expense Sharing” disclosure in the “Fees and Compensation” section, our affiliate, HDVIS has agreements with Educational Partners to provide HDVIS with payments to help defray the educational, training, recordkeeping and other costs associated with bringing these products to Clients. Educational Partners may invite Advisory Consultants and HDVAS portfolio management staff to attend due diligence conferences to meet portfolio managers, portfolio analysts, and other key staff in order to learn about their products, investment processes and portfolio management techniques. Educational Partners generally pay all expenses associated with travel, lodging and business meals for HDVAS staff. Educational Partners also contribute toward and participate in our Firm conferences.

## **Alternative Investments**

HDVAS has the option of offering certain products with limited liquidity and other inherent risks, often known as alternative investments (“Alternatives”). These investments are not suitable for every investor and will have strict suitability requirements that an Advisory Consultant must adhere to before the investment can be offered to a Client. In some cases, Clients will pay imbedded fees or commissions for these products in addition to the quarterly Program Fee although it is the intent of HDVAS to choose Alternatives designed for managed account programs in an attempt to reduce the imbedded costs. These products are often sold by way of subscription documents so Clients will need to sign required paperwork before the purchase can be made; this prohibits your Advisory Consultant from buying or selling most Alternatives using discretion.

Alternatives typically have restrictions on the frequency of liquidation thus limiting the ability to sell these products and are typically designed for long-term investments. Alternatives will often be excluded from the rebalancing done for other securities in your Account. Only certain types of risk tolerance levels will be allowed to participate. Examples of Alternatives that may be available include private equity and hedge funds, market-linked investments, and real estate investment trusts (REITs).

## **Rebalancing**

*VestAdvisor* rebalancing is available and will occur quarterly, semi-annually or annually according to Advisory Consultant’s particular approach to asset management. Accounts are reviewed on a periodic basis, based on a variety of factors. For example, market conditions or an upturn or downturn in a particular investment may cause “drift” away from the appropriate long-term risk level associated with the Account. On the Envestnet platform, notification will be made to your Advisory Consultant if market fluctuations, withdrawals or additional deposits cause your Account to deviate more than a pre-determined amount for the model linked to your Account. Your Advisory Consultant will have the option of rebalancing to the model or making other adjustments as needed. Whether or not rebalancing is needed is reviewed at the interval chosen by your Advisory Consultant (monthly, semi-annually, or annually) but the need to initiate trades for a rebalance will occur far less frequently and in some cases, rebalancing may not be needed during the year.

## **Information About Your Account**

To ensure that you remain informed about your Account, NFS delivers trade confirmations and monthly statements to you when there is activity in the Account; otherwise, statements are sent quarterly. You should promptly review all account statements and transaction confirmations to ensure that your Account is being handled in accordance with your instructions, and immediately inform HDVAS in writing of any discrepancies. If you have questions or need additional information regarding your Account, you should contact your Advisory Consultant or HDVAS. Because your Advisory Consultant is most familiar with your financial situation and other important considerations, we recommend that you contact your Advisory Consultant prior to contacting HDVAS. *VestAdvisor* Accounts are held through HDVIS, an affiliated broker-dealer, which in turn introduces assets to, and clears transactions on a fully-disclosed basis through NFS. HDVIS directs all transactions related to the Program to NFS for execution and confirmation.

## **Solicitor Arrangements - Referrals to Third Parties**

### **Symmetry Partners**

HDVAS offers advisory services by referring Clients to a third-party money manager, Symmetry Partners, LLC (“Symmetry Partners”) offering asset management and other investment advisory services. The third-party managers are responsible for monitoring Client accounts and making trades in Client accounts when necessary. As a result of the referral, HDVAS and your Advisory Consultant are paid a portion of the fee charged and collected by the third-party money managers in the form of solicitor fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Under this Program, HDVAS will assist you with identifying your risk tolerance and investment objectives. We recommend third-party money managers in relation to your stated investment objectives and risk tolerance, and you may select a recommended third-party money manager or model portfolio based upon your needs. You must enter into an agreement directly with the third-party money manager who provides your designated account with asset management services. We are available to answer questions that you have regarding your account and act as the communication conduit between you and the third-party money manager. The third-party money manager will take discretionary authority to determine the securities to be purchased and sold for your account. We do not have any trading authority with respect to the designated accounts managed by the third-party money manager.

## **The Pacific Financial Group**

HDVAS offers Clients with a self-directed brokerage option under their employer’s retirement plan, the ability to utilize The Pacific Financial Group’s (TPFG’s) managed account programs. Your Advisory Consultant serves as a solicitor in this arrangement and all account management is done by TPFG and their related entities, including Pacific Financial Group’s RiskPro® Funds. Investing in RiskPro Funds is a conflict of interest for TPFG since TPFG earns direct and indirect fees from your investment. For a complete explanation of the funds’ costs, fees and risks, please refer to the RiskPro Funds’ prospectus.

## **Quick(k)**

HDVAS offers Clients who sponsor qualified retirement plans such as profit sharing and 401(k) plans (e.g., employers) a program called “Quick(k),” which is offered through ePlan Services, Inc. (“ePlan Services”) and its affiliated registered investment adviser, ePlan Advisors, LLC (“ePlan Advisors”) (collectively, “ePlan”). ePlan is not affiliated with HDVAS. Clients who participate in the Quick(k) program must contract with ePlan, as well as with the third-party money manager(s) serving as investment manager(s) to the Client’s qualified retirement plan. ePlan pays HDVAS and your Advisory Consultant solicitor fees when Clients participate in the Quick(k) program in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations. HDVAS and your Advisory Consultant will not receive any other compensation from your participation in the Quick(k) program.

Clients in the Quick(k) program are charged an annual investment advisory fee which is calculated as a percentage of the value of plan assets. The advisory fee is negotiable subject to the maximum annual fee listed in the table in Item 5 Fees and Compensation. The exact fee schedule and fee arrangements will be detailed in each Client's agreement with ePlan Services. ePlan Services collects the advisory fee in arrears on a monthly calendar basis. It then pays a portion of the advisory fee to ePlan Advisors as the investment adviser for the program; to HDVAS and your Advisory Consultant as solicitors of the program; and to the third-party money manager as investment manager to the plan.

ePlan Advisors and/or the third-party money manager will make all investment recommendations for any qualified retirement plans included in the Quick(k) program. HDVAS and your Advisory Consultant do not make or implement investment recommendations, provide management services, or serve as administrator, custodian or trustee of the plans. Clients may not participate in the Quick(k) program unless they work with a solicitor such as HDVAS.

**Enrollment Meetings and Participant Education.** Clients enrolled in the Quick(k) program have the option to request the help of their Advisory Consultant for participant education and enrollment meetings with their employees. These services are provided at no additional charge to the Client or the participant. The Advisory Consultant will adhere to the guidance provided by the Department of Labor (DOL) in their Interpretative Bulletin 96-1 when providing educational services so Advisory Consultant is not deemed to provide investment advice under the DOL's definition.

## Financial Planning

HDVAS offers financial planning and consulting services to both prospective and existing Clients. The Financial Planning Program services include one or more meetings, via any means of communication, between the Advisory Consultant and Client. The Client will then provide financial data that is used to prepare a financial report. This report constitutes the "financial plan" for purposes of the Financial Planning Client Agreement. The financial areas of consideration for these services may include some or all of, and are not necessarily limited to: your overall financial position, including cash flow; asset protection and risk; income tax strategies; retirement; education funding; investments; legacy and/or estate planning; and other topics depending upon your specific financial situation. The extent to which you engage in examining some or all of these financial areas will depend upon your specific financial situation and goals that you provide in the Financial Planning Questionnaire.

Financial Planning Program services involve general recommendations that are appropriate for your risk tolerance and investment objectives. These may include information regarding asset classes (e.g., equities both domestic and foreign), debt (both long-term and short-term), government securities, municipal securities or general types of investment vehicles (e.g., mutual funds, variable annuities, variable life insurance, partnerships, tax-advantaged retirement savings and education savings vehicles), concentrated equity strategies, stock option analysis, private money management alternatives, retirement planning strategies, estate planning strategies, philanthropic planning, margin transactions, and education suggestions in which Client can choose to invest. Investment techniques and strategies recommended in a financial plan generally will involve long-term or short-term holdings of securities or other investment products, and insurance and trust strategies, depending on Client's financial goals, objectives and desires. HDVAS is under no obligation to update the financial plan after it is delivered to the Client.

Some or all of the following factors may be analyzed:

- Risk Tolerance
- Income Requirements
- Tax Implications
- Liquidity Needs
- Investment Objectives
- Time Horizon
- Investment Experience

The Financial Plan incorporates some or all of the following standard modules:

- Summary of Financial Goals
- Summary of Action Plan
- Analysis of Personal Net Worth, including Balance Sheet
- Education Planning
- Debt Management / Cash Flow Analysis
- Asset Allocation
- Retirement Planning
- Insurance Needs Analysis, and
- Estate Planning, including estate valuation estimates, federal estate tax estimates, and explanation of estate planning strategies.

The following sections outline the responsibilities of the Advisory Consultant and HDVAS.

Services offered by the Advisory Consultant for the Financial Planning Program may include:

- Educate clients
- Gather data to be used in the preparation of the plan
- Create and present the Financial Plan
- Present the portfolio recommendations and allocations based on the information provided, and
- Research and recommend specific asset classes for investment consideration.

Services provided by HDVAS for the Financial Planning Program may include:

- Collect fees
- Maintain the registrations of HDVAS and all Advisory Consultants with the SEC and appropriate state agencies, and
- Supervise activities of all Advisory Consultants.

Unless otherwise specifically agreed to, HDVAS shall have no duties or obligations with respect to the implementation of Client’s financial plan and shall have no duty or obligation to provide investment advisory or investment management services to Clients that are outside the scope of the services discussed above. The advisory relationship can only begin upon Client’s written acceptance (through a separate written agreement) to engage in financial planning and ends upon delivery of the financial plan to Client. By providing a financial plan, neither HDVAS nor your Advisory Consultant is acting as a fiduciary for purposes of the Employee Retirement Income Security Act of 1974, as amended (ERISA) or section 4975 of the Internal Revenue Code (“the Code”) with respect to any ERISA-covered employee benefit plan or any individual retirement account in either the planning, execution or provision of this analysis.

Although this is a detailed list of possible topics, not every item is applicable to all Clients, and the Advisory Consultant and Client will agree to the topics/modules to include in the financial plan.

## Educational Services Programs

Educational services may be provided to ERISA accounts by certain Advisory Consultants. The services provided vary depending on the Client but usually include general investment education. The specific services are provided in detail in a separate document called the Retirement Plan Services Agreement.

Neither HDVAS nor your Advisory Consultant will provide legal or accounting advice, and any fees payable by Client under the Financial Planning Client Agreement or Retirement Plan Services Agreement cover only the services rendered by HDVAS and Advisory Consultant. HDVAS and Advisory Consultant are not responsible for drafting or providing any legal or other documentation, or taking any action relating to or arising from implementation of Client’s financial plan (subject to the considerations set forth in the following paragraph).

Each of the advisory services we offer is tailored to the Client and designed to work toward their individual investment objectives, financial needs and tolerance of risk. They are drawn from research and analysis we believe to be reliable and appropriate to your financial circumstances.

## Item 5: Fees and Compensation

### VestAdvisor Program Fee

You pay an annual Program Fee for *VestAdvisor*. The Program Fee is negotiable subject to the maximum annual fee (by tier) listed in the table below. HDVAS and your Advisory Consultant price their services based on the total compensation they expect to receive from the Account, including expense sharing from certain mutual funds and Educational Partners. Clients should make sure that they fully understand the services provided by HDVAS and the Advisory Consultant and all fees and compensation associated with the Account. The Program Fee as agreed upon between you and your Advisory Consultant will be documented in your SIS.

The Program Fee is automatically deducted from your Account, and you will not receive separate invoices for the Program Fee deducted from your Account but it will be identified on your NFS account statement. The Program Fee is charged only one quarter in advance, therefore, there is no long-term commitment or contractual obligation to continue using *VestAdvisor*.

The Program Fee you pay includes your custodial and safekeeping fees, investment advice, reporting and, in some cases, the execution of trades in your Account. If execution costs are included, you do not pay separate ticket charges. If, however, you do pay ticket charges as indicated in your SIS, your Advisory Consultant has taken this into account when determining your Program Fee. If your ticket charges are included in your Program Fee, this is often considered a wrap-fee program. HDVAS is not providing a Part 2A, Appendix 1 for these Accounts simply because your ticket charges may be included in your Program Fee. In all other areas, the Program is treated the same whether it is considered “wrap” or “non-wrap”, and HDVAS believes this Disclosure Brochure is a better representation of the services, fees and other disclosure requirements you should review when making your decision.

The Advisory Consultant recommending *VestAdvisor* receives compensation as a result of your participation in the Program. The amount of this compensation may be more or less than what the Advisory Consultant would receive if you participated in other available HDVAS Programs or paid separately for investment advice, brokerage and other services. *The Advisory Consultant has a financial incentive to recommend VestAdvisor over other Programs and services* (see also “Conflicts of Interest”). HDVAS will retain a portion of the Program Fee (between 0% and 0.48%) of the Account value and the remaining portion of the fee is run through the HDVAS commission grid. The commission grid determines the percentage of the fee paid to your Advisory Consultant (usually between 50% and 94%). The commission grid varies between 6 and 50 % which is also retained by HDVAS.

The Program Fee is a tiered or incremental fee based on the amount of Billable Securities you have in the Program and Related Accounts. The following table represents the *maximum* Program Fee per tier. (Advisory Compliance can make exceptions to the maximum by tier if the maximum fee charged to the client overall does not exceed 2.30%. These exceptions must be made in advance.) These Program Fees are effective 09/24/2018 for new *VestAdvisor* Program Accounts. Existing *VestAdvisor* accounts are “grandfathered” under their existing Program Fees until a new account is opened (in any HDVAS Advisory Program) or a change is made to your existing Account.

| Portfolio Increments    | Maximum Annual Fee by Tier |
|-------------------------|----------------------------|
| \$0 - 100,000           | 2.30%                      |
| \$100,001 - 250,000     | 2.00%                      |
| \$250,001 – 500,000     | 2.00%                      |
| \$500,001 – 1,000,000   | 1.75%                      |
| \$1,000,001 – 2,000,000 | 1.50%                      |
| \$2,000,001 – 5,000,000 | 1.25%                      |
| >\$5,000,000            | 1.00%                      |

If your Account has a Billing Market Value of \$250,000 for example, you will pay a maximum of 2.30% of the first \$100,000 (or \$2,300) and a maximum of 2.00% on the remaining \$150,000 (or \$3,000) for a total maximum *annual* Program Fee of \$5,300 (or 2.12%). This will be billed quarterly in advance as explained in more detail below.



The initial Program Fee (“Inception Fee”) is calculated as of the date the Account Value reaches the Program’s minimum amount or the Account’s Start Date as listed on the SIS and trading in the Account can begin (“Inception Date”). The Inception Fee is prorated for the balance of the calendar quarter.

If a “Start Date” is entered on the SIS, billing and performance reporting can start before the Program minimum is met, especially in the case of accounts awaiting asset transfers from other custodians or banks. If the Program minimum is not met within 6 months of Account opening date, the Account will be closed and converted to a commission-based brokerage account (a “Retail Account”). The actual implementation of trading in the Account may begin before the Program minimum is met and the date will not always coincide with the date billing and performance reporting begin. This is not expected to be a regular occurrence but is a possibility. Client is responsible for any Program Fees charged even if Account is never fully funded.

Subsequently the Program Fee is billed in advance on a quarterly basis and is calculated based on the balance of the billable securities in the Account as calculated on the last business day of the prior calendar quarter. The Program Fee will not be adjusted during the quarter for changes in value (appreciation or depreciation) of the securities held in the Account. However, the Account will be charged or refunded a supplemental prorated Program Fee on a monthly basis if there are significant net additions or net withdrawals in the Account during the month. Any additions or withdrawals have a prorated fee applied for the days remaining within the quarter and all additions and withdrawals are netted daily. This prorated adjustment will only occur if the net addition or withdrawal is at least \$10,000. A prorated Program Fee will be assessed in the month following the net addition or net withdrawal. This is based on Account additions and withdrawals and is not aggregated for “Related Accounts” as defined below. Securities that transfer into the Account that are considered “Unapproved” (i.e., not an HDVAS Approved Security) will be included in the Program Fee calculation for approximately 30 days after receipt in the Account. At or near 30 days, these “Unapproved Securities” will be marked as “Unbillable” and will no longer be included in Program Fee calculations or Quarterly Performance Reports.

For the purposes of calculating the Program Fee, the value of the Account is calculated as the sum of the long and short market value of all Billable Securities held in the Account, plus accrued interest, minus any margin loan balances, as of the last day of the prior quarter. For mutual funds, we will use the fund’s net asset value, as computed by the mutual fund company. NFS prices Approved Securities based on information we believe to be reliable. If any prices are unavailable or believed to be unreliable, we will determine prices in good faith to reflect our understanding of fair market value.

Related Accounts can be linked together upon Client request to reduce the Program Fee. To be eligible for linking, you must affirmatively notify HDVAS of the Accounts that are to be linked and provide HDVAS written information on any forms designated by HDVAS for this purpose. Related Accounts are accepted by HDVAS in HDVAS’s sole discretion. Each Related Account should individually and separately meet the respective advisory Program requirements but should have an account balance of at least \$5,000. Exceptions can be made in the sole discretion of HDVAS. Together the Related Accounts must meet the Program minimum of \$25,000. Individual or Related Accounts that fall below the minimums are generally subject to termination from the Program at HDVAS’s sole discretion.

If the Agreement is terminated prior to the end of the quarter, you will receive a pro rata refund of the prepaid, unearned fees from the date the Account is removed from the Program through the end of the quarter. Please see the “Termination of Agreement” section of this Disclosure Brochure for additional information.

The *VestAdvisor* Program includes account management, certain brokerage services, reporting, custody and administrative services. In addition to the Program Fee, HDVAS and its affiliates will indirectly earn compensation from other sources, including fees and expense sharing paid by NFS, Educational Partners, or sponsors of other Approved Securities held in the Account. The Program Fee is used to offset the costs of the Program and to compensate HDVAS and your Advisory Consultant. A portion of the Program Fee is used to cover expenses associated with trading in the Account, custody of assets, platform fees to Envestnet and the other services described in this Disclosure Brochure. The Program Fee does not include certain dealer markups or markdowns on odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic), certain transaction fees or any other fees required by law.

Depending upon the amount of the Program Fee, the level of assets and trading activity in the Account, the value of custodial and other services provided, and other factors, the Program Fee can exceed the aggregate cost of these services if they were obtained separately. Accordingly, the Program Fee is more or less expensive than if you selected separate brokerage services, without the additional Program services provided. You should consider the importance and value of these additional Program services to you when comparing various options for obtaining advice, reporting and execution services. You should also consider the amount of anticipated trading activity when selecting among Programs and assessing the overall cost. If there are prolonged periods of inactivity or an asset allocation with significant cash or cash equivalents, the Program Fees will usually result in higher overall expenses than if commissions were paid separately for each transaction outside a fee-based advisory Program. There will be times when an account is deemed ineligible for an advisory program. At that time, the account will be moved to a retail account, and Program fees will no longer be charged to the client.

You have the option of purchasing the investments we recommend through other firms, brokers or agents that are not affiliated with HDVAS. If you purchased investments through a brokerage account at NFS within one year of transferring them to an advisory account, the amount of commission you paid that exceeds an average advisory fee will be refunded directly to your account. If the purchase was within thirty (30) days of transferring to an advisory account, the full amount of your commission will be refunded directly to your advisory account.

When fees are calculated, certain assets are excluded from the market value of the Account. These are called “Unbillable Assets” and will not be included in the “billable” Market Value. Unbillable Assets are generally securities that are not considered approved for the Program or that the Advisory Consultant and Client have agreed should be held only and not included in Account rebalancing and management of Account. Cash and cash equivalents are included in the Program Fee calculations unless invested in HDVAS’s selection of a cash reserve fund that is not included in billing or reporting.

## **Margin in Fee-Based Accounts**

The use of margin is permitted in some fee-based investment advisory programs. Within the *VestAdvisor* program, the margin balance is deducted from the market value of all Eligible Assets held in the Account and will not increase your asset-based fee. Therefore, your Advisory Consultant has no financial incentive to recommend the use of margin in these accounts.

The use of margin is not suitable for all investors, since it increases leverage in your account and therefore its risk. Please see the Margin Disclosure Statement and HD Vest Disclosures’ Packet for more details on the risks of margin use. These documents are provided at account opening.

## **Solicitor Arrangements**

Third-party money managers have account minimum requirements that vary. For a complete description of third-party money manager’s services, fee schedules, information on the custodian used and account minimums will be disclosed in the third-party money manager’s disclosure brochure which will be provided to you prior to or at the time an agreement for services is executed and the account is established.

The actual fee charged to you will vary depending on the third-party money manager. All fees are calculated and collected by the third-party money manager who will be responsible for delivering our portion of the fee paid by you to HDVAS.

Under this Program, you may incur additional charges including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges and IRA and qualified retirement plan fees HDVAS does not share in any of these commissions, fees, or transaction charges, nor do its affiliates.

## Symmetry Partners

|                                      |   |
|--------------------------------------|---|
| HDVAS and your Advisory Consultant * | Maximum fee is 2%   |
| Symmetry                             | 0.50% for 1 <sup>st</sup> \$1,000,000<br>0.45% for next \$2,000,000<br>0.40% for next \$2,000,000 |
| <b>Total Maximum Fee</b>             | 2.5% per year   |

\*This is an additional fee charged as a result of the referral of your account. Additional details are included in the Solicitor's Disclosure Statement signed by the Client.

## The Pacific Financial Group

Under the Managed Strategists Program offered by TPF, HDVAS receives 0.75% annually for its role as a solicitor. This fee is paid to HDVAS by TPF. No other fees are charged directly to the Client in the Managed Strategists Program, but the Client does pay advisory fees indirectly through their investment in the RiskPro Funds.

### Core Retirement Accounts: Maximum Annual Fees Paid by Client

| Assets Under Management     | Fees Paid to Solicitor (HDVAS) | Fees Paid to TPF       |
|-----------------------------|--------------------------------|------------------------|
| \$0 to \$500,000            | 1.00%                          | 1.00%                  |
| \$500,001 to \$3,000,000    | 0.75%                          | 0.75%                  |
| \$3,000,001 to \$5,000,000  | 0.50%                          | 0.50%                  |
| \$5,000,001 to \$10,000,000 | 0.40%                          | 0.40%                  |
| \$10,000,001 and above      | Subject to Negotiation         | Subject to Negotiation |

Your Advisory Consultant does receive a portion of the fees received by HDVAS for both the Managed Strategists' and the Core Retirement Programs.

## Quick(k) Program

The maximum annual fee payable is:

|                                    |                         |
|------------------------------------|-------------------------|
| HDVAS and your Advisory Consultant | 75 basis points (0.75%) |
| ePlan Advisors                     | 57 basis points (0.57%) |
| Third-party Money Managers         | 5 basis points (0.05%)  |
| <b>Total Maximum Fee</b>           | 1.37% per year          |

In addition to the investment advisory fee, ePlan Services, the custodian for the plan and/or other third-party providers may bill Clients additional fees and costs related to the investments made through the Quick(k) program. These fees are outlined in the Form ADV Disclosure Brochures for the applicable investment manager, and these should be read carefully before investing. HDVAS and your Advisory Consultant do not receive any portion of these fees nor do we have control over the fees that are passed along to clients. Exact fees paid to HDVAS are stated in the SIS. Advisory Consultant may earn up to 100% of the maximum annual fee paid to HDVAS but it is typically 50-94%.

## Financial Planning Fees

All fees for financial planning services are fixed and are negotiated between the Client and the Advisory Consultant. The Advisory Consultant can choose to provide the financial plan at no charge to the Client. For the typical financial planning engagement, the maximum annual charge for a financial plan is \$7,500. The agreed upon amount for the Financial Planning Program services is disclosed in the Financial Planning Client Agreement. Fees for very complex, comprehensive engagements can exceed \$7,500 but will be agreed upon in advance between the Client and Advisory Consultant. Should there be an instance where the Client and Advisory Consultant agree that a fee will exceed \$7,500, pre-approval must be granted by Advisory Compliance.

You are under no obligation to act on the financial planning recommendations of your Advisory Consultant. You may elect to implement the financial plan in whole or in part through HDVAS or through other individuals or firms. In the event Client elects to implement a financial plan through HDVAS, Client is responsible for all fees and expenses (such as investment management fees and/or brokerage expenses) incurred in connection with the implementation of a financial plan. Client will also be provided with an appropriate disclosure document and a Client agreement describing the nature and extent of the services provided by HDVAS and/or its affiliates and the applicable fees charged for those services and other related matters. The fees charged by HDVAS, such as asset management or program fees, in connection with the implementation of a financial plan are in addition to the fees incurred by Client in connection with the formulation of that plan. Some recommendations may be for investments, services or insurance products sold through our affiliates, HDVIS and HD Vest Insurance Agency, LLC (HDVIA). These products and services pay reasonable and customary compensation in the form of commissions which will be shared between HDVIS, HDVIA and the registered representative on your account. The registered representative may also be your Advisory Consultant.

## Educational Services' Fees

All fees for educational services are negotiated and agreed upon between the Client and the Advisory Consultant. The fees are disclosed in the Retirement Plan Services Agreement and may be based on assets under management or a flat annual fee. The assets under management fee shall not exceed 1% of the market value of the Account and the flat fee shall not exceed \$7,500, unless pre-approved by Advisory Compliance.

## Approved Securities Compensation and 12b-1 Fees

The *VestAdvisor* Program uses Approved Securities including mutual funds, closed-end funds, exchange-traded funds and exchange-traded notes, stocks, bonds, options, and sweep investments among others. You should refer to the "Sweep Compensation" section for more information on sweep investments. Allowable

securities are purchased with no sales commissions, but Clients will pay their proportionate share of ongoing mutual fund, closed end fund, ETP or money market management and administrative fees. HDVAS will disclose an investment's expenses upon request and these fees are also disclosed in the applicable product prospectus or statement of additional information. Clients who transfer securities into the Program bear the expense of any contingent or deferred sales loads incurred upon selling the product.

With the *VestAdvisor Program*, no-load, load-waived class A and Advisory or Institutional Share Class mutual funds are used. Although there are no sales commissions, some funds pay HDVIS a marketing, distribution or client service fee. 12b-1 Fees are considered an operational expense and are paid out of fund assets, thus they increase the expenses you pay as a fund shareholder. You do not pay these fees directly; they are deducted from the total assets in the fund and reduce your investment returns creating a conflict of interest for HDVAS and your Advisory Consultant. The amount of the 12b-1 Fee is determined by the mutual fund company and is disclosed in the mutual fund's prospectus. Funds that pay a 12b-1 fee may be allowed in *VestAdvisor* portfolios only if there is no share class offered by the fund that does not pay a 12b-1 fee. However, any 12b-1 Fees received by the Custodian are refunded back to the Account. Often allowable securities (including Advisory Share Class mutual funds) pay a separate shareholder service fee, which is paid out of fund assets. Some 12b-1 Fees include shareholder service fees. HDVIS accepts and retains some shareholder service fees paid by Allowable Securities for some accounts. The shareholder service fees are paid based on the assets held in the fund (including your investment) and are capped at an annual fee of 0.25%.

HDVAS and the Advisory Consultant take into consideration shareholder service fees and payments from Educational Partners when establishing the fees associated with the *VestAdvisor Program*. Information about shareholder service fees is contained in the prospectus of the individual mutual funds. You should contact your Advisory Consultant with questions about the fees or how they affect the investments or the compensation earned by HDVIS, HDVAS and your Advisory Consultant.

Some fund companies offer Advisory Share Classes designed for fee-based investment advisory programs. The availability of Advisory Share Classes is determined by the fund company. In general, what differentiates Advisory Shares from traditional mutual fund shares is that Advisory Shares have reduced or eliminated the 12b-1 Fees paid to firms that sell the fund, and in some cases also have lower ongoing expenses. Accordingly, Advisory Share Classes generally have lower costs associated with them, and HDVAS and its affiliates earn less compensation from Advisory Shares as compared with other share classes of the same fund. Advisory Share Classes pay shareholder service fees, which HDVAS and/or HDVIS have the option to accept and retain these fees. This is a conflict of interest.

As Advisory Share Classes become available, your Advisory Consultant has the option of using them in your portfolio, or recommending a conversion of your existing mutual fund positions to Advisory Share Classes if your Account is eligible. Utilizing Advisory Shares can result in you paying more or less total overall expenses (it is usually less), it results in a clearer delineation between fees charged for mutual fund management, servicing and distribution, and fees charged for the services you receive from HDVAS and your Advisory Consultant. Depending on the negotiated fee arrangement and the amount of existing non-Advisory Shares in your Account, conversion to Advisory Share Classes is not always advantageous for you in terms of the overall expenses you will pay. You should discuss with your Advisory Consultant the fees and expenses associated with your mutual fund investments to determine the right approach for your Account.

HDVAS and its affiliates earn revenue sharing (additional compensation) for certain IRA accounts in the *VestAdvisor* program which is a conflict of interest. The amount of compensation paid by the mutual fund companies ranges from 4 to 13 basis points (or 0.04% to 0.13%). It is not shared with Advisory Consultants. Neither HDVAS, its affiliates or its Advisory Consultants earn 12b-1 Fees on discretionary or non-discretionary ERISA accounts or on non-discretionary Individual Retirement Accounts ("IRAs") in its Advisory programs. These additional fees are considered a conflict of interest and increase the fees you pay, which can negatively affect your return.

## **Sweep Program**

The Standard Bank Deposit Sweep Program ("Sweep Program") is a core account investment vehicle option, which if either selected by default or affirmatively elected, will be used to hold your cash balance before it is invested. The cash balance in your *VestAdvisor* Account(s) will be automatically deposited or "swept" into interest-bearing FDIC insurance eligible Program Deposit Accounts at one or more FDIC-insured financial institutions ("Program Bank"). You should consult your Advisory Consultant to learn which core account investment vehicle option is your default option. For information about any of the money market mutual funds that may be available to use as your core account investment vehicle, including all charges and expenses, ask your Advisory Consultant for a free prospectus. You have the option of choosing another money market selection at any time. Money invested in the Program Deposit Account will be included in calculation of the Program Fee.

Your cash balance will be eligible for FDIC insurance once it is deposited into a Program Deposit Account held by a Program Bank. Your cash balance while held by NFS and/or HD Vest is not FDIC insured, but is covered by the Securities Investor Protection Corporation (the "SIPC"). For additional information on how FDIC insurance works, please visit [fdic.gov/deposit/deposits/index.html](http://fdic.gov/deposit/deposits/index.html). For additional information on SIPC coverage, please visit [sipc.org](http://sipc.org).

The Sweep Program creates financial benefits for HD Vest and NFS. We will receive a fee based on the amount of cash in the Program Deposit Account from each Program Bank in connection with the Sweep Program and a portion of these fees may be paid to your Advisor. We will also pay a fee to NFS. The revenue generated by the Sweep Program may be greater than revenues generated by cash sweep options at other brokerage firms, and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles options that you have used in the past or may consider using in the future.

For Individual Retirement Accounts ("IRAs") subject to Section 4975 of the Internal Revenue Code in the *VestAdvisor* (with discretion) Program, HDVAS will earn a flat fee per Program Deposit Account in the Sweep Program and not a fee based on the amount of cash in the Program Deposit Account.

The Sweep Program is an interest-bearing bank deposit account that pays interest on your swept funds and is covered by FDIC insurance up to applicable limits. By participating in the Sweep Program, HDVAS and/or its affiliates receive additional compensation based on Client holdings. This increases the fees you pay, which can negatively affect your return. Please see the Cash Sweep Disclosure Statement for more information. It is located at [hvest.com/cash-sweeps-program/](http://hvest.com/cash-sweeps-program/) or you may ask your Advisory Consultant for a copy.

A money market mutual fund generally seeks to achieve a competitive rate of return (less fees and expenses) consistent with the fund's investment objectives, which can be found in the fund's prospectus. It is possible to lose money by investing in a money market mutual fund. The rate of return will be impacted by the fees imposed by the particular class of shares designated for the money market sweep. Rates will vary over time and will be higher or lower than the rate paid on other sweep options (including the Sweep Program) or other money market mutual funds. HDVAS earns more by designating the Sweep Program as the sweep option for Accounts. HDVAS has a conflict of interest in selecting the sweep options available for the Program.

The rates of return for sweep options vary over time. Current rates can be obtained from your Advisory Consultant. There is no guarantee that the yield on any particular cash sweep will remain higher than others over any given period. The rate of return on any sweep option is usually lower than that of similar investments offered outside the Sweep Program.

Mutual fund companies typically offer multiple share classes with different levels of fees and expenses. When selecting the share class for the Money Market Fund used in the Sweep Program, we do not, in all instances, select the share class with the lowest fee that is available from the fund company and these decisions are influenced by the additional compensation we receive. The selection of a more expensive share class of a Money Market Fund will negatively impact your overall investment returns.

### Expense Sharing Arrangements

Within the universe of mutual funds, exchange-traded funds and other investments used in *VestAdvisor* a select group of companies (referred to as “Educational Partners”) have agreements with HDVIS to provide payments to help defray the educational, training, record-keeping and other costs associated with offering these products to Clients. These payments, which are in addition to the fees and expenses disclosed in the fund prospectus fee table, are calculated as a percentage of assets under management, a percentage of initial sales, or a combination of assets and sales. The amount paid by Educational Partners can be up to 0.13% (13 basis points) on assets under management and 0.04% to 0.10% (4 to 10 basis points) on sales. For example, for every \$10,000 investment, HDVIS receives up to \$10 in additional compensation on the sale and up to \$13 annually as long as the assets stay invested. HDVIS also receives additional lump sum payments from Educational Partners, which in total are significant in amount.

HDVAS and the Advisory Consultant are likely to recommend and use Approved Securities offered by Educational Partners. Although the expense sharing payments received from Educational Partners are not shared with the Advisory Consultant and are not directly tied to the expenses applied to your Account, a conflict of interest exists for HDVAS in the selection and recommendation of Approved Securities sponsored by Educational Partners. In addition, Advisory Consultants separately receive reimbursement for marketing expenses, Client functions and attendance at due diligence, training and education meetings sponsored by HDVAS, HDVIS or the product sponsors. The reimbursement is paid by the product sponsors. For more information, you should ask your Advisory Consultant which product sponsors, if any, provided expense reimbursement or additional compensation to the Advisory Consultant.

The following Educational Partners made additional payments to HDVIS during the past year:

|                               |                            |   |
|-------------------------------|----------------------------|---|
| AEI Securities, Inc.          | Delaware Investments       | Deutsche Asset Management /DWS                  |
| FS Investments                | John Hancock Funds         | The Hartford Funds                              |
| Inland Securities Corporation | Invesco                    | LaSalle Investment Management Distributors, LLC |
| Legg Mason                    | MFS Investment Management  | Oppenheimer Funds                               |
| Putnam Investments            | Virtus Investment Partners | Wisdom Tree                                     |

HDVAS or their service providers collect revenue in the manner outlined above from many of the securities in which you invest. The additional compensation received varies by product sponsor, and sometimes by security within the same product sponsor. As a result, HDVAS has a financial incentive to recommend one security over a similarly situated security due to the compensation we receive from one over another. This also results in an increase in your costs as a result of the recommendation of a more expensive security. HDVAS intends to make all recommendations independent of such financial considerations and based solely on our obligations to consider your objectives and needs. These direct and indirect payments from our Educational Partners are in addition to the quarterly Program Fee you pay and are imbedded in the security’s pricing. In the case of ERISA Accounts, the payments described above that are paid to HDVAS or an affiliate will be waived or credited against your Account.

### Transaction, Clearing and Custodial Fees

Transaction, clearing and custodial fees are assessed by NFS as noted in the Schedule of Fees in Appendix 1. These fees are separate from any Program Fee or mutual fund fee outlined previously. In the *VestAdvisor* Program, you agree whether you will pay the Ticket Charges assessed to your Account in addition to the Program Fee, by checking the appropriate box in the Fees section of the SIS. When considering this election, you should consider the Ticket Charges identified in Appendix 1 that are assessed as applicable and who is responsible for paying them. If there is active trading in your Account the Ticket Charges could be significant, and Ticket Charges are a significant aggregate expense for an Advisory Consultant overall when considering the number of Accounts serviced by the Advisory Consultant. This creates a conflict of interest for an Advisory Consultant who is responsible for paying Ticket Charges in Client Accounts as they receive a smaller percentage of the Program Fee you pay. Please see the “Conflicts of Interest” section in this brochure for additional information about Ticket Charges. Advisory Consultant has the option of paying Ticket Charges on behalf of the Client on some transactions. The choice is at the sole discretion of the Advisory Consultant.

**By entering into the SIS, Client consents to HDVIS, HDVAS and the Advisory Consultant retaining their respective share of any other fees or payments that are made to HDVAS or HDVIS in connection with the use of specific Approved Securities.** These fees include but are not limited to sweep fees, transaction fees, networking fees and expense sharing paid by Educational Partners and other product sponsors and are disclosed in detail throughout this Brochure.

### Termination of Agreement

Clients who want to terminate their Agreement should notify their Advisory Consultant or HDVAS verbally or in writing. Program Fees are paid in advance; therefore, HDVAS will provide a pro rata refund of unearned, prepaid fees if the contract is terminated prior to the end of the quarter. You will incur any gain or loss in your Account for any period it was invested.

HDVAS reserves the right to terminate the advisory relationship if the market value of Approved Securities in the Account falls below the minimum level. At the end of the quarter, HDVAS will review and terminate Accounts that no longer meet the Program’s minimum qualifications. Each Related Account should individually and separately meet the respective advisory Program requirements but should have an account balance of at least \$5,000. Exceptions can be made in the sole discretion of HDVAS. Together the Related Accounts must meet the Program minimum of \$25,000. Individual or Related Accounts that fall below the minimums are generally subject to termination from the Program at HDVAS’s sole discretion.

If you terminate the Agreement, the Account will be converted to a Retail Account for which you are obligated to pay commissions for each transaction you direct. In a Retail Account you are subject to an annual maintenance fee imposed by the Custodian (in most instances). If you elect to close your Retail Account you may be assessed a termination fee imposed by the Custodian. Please refer to the HD Vest Disclosures Packet for a description of brokerage fees. This document is provided by the Custodian at Account opening. It is important you understand this distinction since any transactions you request once the account is no longer in the Program will incur fees over and above the Program Fee paid while the Account was in the Program.

Upon moving to a Retail Account, you are required to convert advisory mutual fund share classes to a retail share class. Please see the fund’s prospectus and consult your tax advisor for additional details. Instructions to terminate *VestAdvisor* accounts can take up to two business days to process once notification is received by HDVAS.

If you purchased investments through a brokerage account that was later converted to an advisory account at NFS within the previous year, the amount of commission you

paid that exceeds the Firm's average advisory fee will be refunded directly to your account. If the purchase was within thirty days of transferring the securities to an advisory account, the full amount of your commission will be refunded directly back to your account. No fees are refunded if less than \$5.

Client has the option to terminate your Financial Planning Client Agreement or Education Services Agreement at any time with written notification. If fees are paid in advance, unearned, prepaid fees will be refunded.

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

HDVAS does not charge performance-based fees or engage in side-by-side management of accounts.

## **Item 7: Types of Clients**

All Programs are designed for individuals, pension and profit sharing plans, charitable organizations, corporations or other businesses with investment portfolios valued at \$25,000 or more, although exceptions can be made in the sole discretion of HDVAS. There is no account minimum for Financial Planning or Educational Services' clients. Account minimums for Symmetry, Quick(k), and The Pacific Financial Group are outlined in their Form ADV Brochure.

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

HDVAS and its Advisory Consultants use various methods of analysis and investment strategies when formulating investment advice. Methods and strategies will vary based on the Advisory Consultant providing advice. Methods and strategies used by one Advisory Consultant are often different than methods and strategies used by other Advisory Consultants. In the *VestAdvisor* Program your Advisory Consultant will be responsible for making investment recommendations, in some cases without your prior approval.

Some Advisory Consultants may use just one method or strategy while other Advisory Consultants rely on multiple methods or strategies. We do not require or mandate a particular investment strategy be implemented by our Advisory Consultants. Further, we have no requirement for using a particular analysis method and our Advisory Consultants are provided flexibility (subject to supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that may be used by our Advisory Consultants.

### **Methods of Analysis**

When developing recommendations for you, your Advisory Consultant compares your financial goals with your investment risk tolerance and the risk and potential of a specific product. Your Advisory Consultant uses current asset values, current and projected return information, and other information you provide, as well as historical return analysis provided by third parties. Your Advisory Consultant has the option of using one or more computer software packages that take a needs-based approach to analyze your goals using one or more methods of analysis, including deterministic and probability modeling. The analysis and projections generated by these types of tools or other methods of analysis described in this section of the Disclosure Brochure includes information regarding the likelihood of various potential investment outcomes. The information generated is hypothetical in nature, will vary depending on a number of different factors, do not reflect actual investment results and is not a guarantee of future results. The probability of success also varies based on differing assumptions, on different tools and from one year to the next based on changing circumstances and market information. Results reflect one point in time only and are only one factor you should consider as you determine how best to plan for your future. If your Advisory Consultant's recommendation includes an asset allocation analysis designed to assist you in allocating your funds, the recommended portfolio allocation will be determined based on a variety of factors, including your personal financial information and the historical and anticipated performance of different asset classes. The analysis is meant only to illustrate the relative experience among asset classes and portfolios. The asset allocation analysis does not provide a comprehensive financial analysis of your ability to reach other financial planning goals you have, and it does not identify the impact of your investment strategy on certain tax and estate planning situations. The principal source of information used by your Advisory Consultant is the data provided by you, such as your personal data, assets and liabilities, income expectations, short-term and long-term financial goals, risk tolerance associated with goals, and other relevant information. Asset allocation does not guarantee a profit or protect against loss.

Sources for research your Advisory Consultant may consult include: Morningstar, product sponsor materials, corporate press releases and annual reports, SEC filings, corporate rating services, prospectuses and financial industry periodicals as well as additional information published or provided by HDVAS or independent third parties. You should discuss your Advisory Consultant's investment process to ensure it is consistent with your investment objectives and expectations.

### **Investment Strategies**

Your Advisory Consultant will often recommend long-term strategies, such as dollar-cost averaging, reinvestment of dividends or other proceeds on investments, and asset allocation. Recommendations can also be made to help you realize capital gains or losses on securities or investment products that you own. Before implementing the recommendations made by your Advisory Consultant, you should carefully consider the implications of purchasing investment products or services, and you will want to seek further advice from your lawyer and/or accountant, particularly in connection with estate planning or taxes issues.

### **Risk of Loss**

In choosing any advisory services through HDVAS, you should be aware that all investments are subject to risk, and you must understand that we do not guarantee any return on the investments or investment strategies recommended or advised upon. There is no guarantee that the advisory services provided by us will result in meeting your goals and objectives. Investing involves risks, including the risk of loss of principal, and investment decisions made for your account may be subject to numerous risks, such as market, interest rate, currency, economic, political and business risks, among others. Past performance is no guarantee of future results. Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services, strategies and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. Investing in securities involves the risk of loss which you should be prepared to bear.

### **Risks of Relying on Information Provided by Others**

Analysis methods rely on the assumption that the companies whose funds and securities are recommended for purchase and sale, the rating agencies that review such funds and securities, and other available sources of information about such funds and securities, are providing accurate, reliable and unbiased data and information. HDVAS cannot guarantee that analyses and recommendations will not be compromised by or free from any inaccurate, incomplete, or misleading data and information provided by such other third parties.

## Approved Securities

Securities for your Account are recommended or selected based on your investment objective and risk profile as contained in the SIS and other information you provide your Advisory Consultant. This section discloses the details regarding assets that are eligible for the Program.

HDFAS maintains a list of Approved Securities for the *VestAdvisor* Program. The lists change periodically and HDFAS has sole discretion to add or remove a security from these lists. You should consult with your Advisory Consultant if you have questions regarding the Approved Securities in your Account. Approved Securities offered through HDFAS are *not* guaranteed by the FDIC or any other governmental agency and may lose value. However, the bank deposit sweep alternative is FDIC insured up to applicable limits. Please see the Cash Sweep Disclosure Statement for additional detail.

## VestAdvisor Approved Securities

Most types of securities are eligible for purchase in a *VestAdvisor* Account including, but not limited to, common and preferred stocks, exchange-traded funds or other exchange-traded products, unit investment trusts, corporate and government bonds, certificates of deposit (including market linked certificates of deposit), options and certain mutual funds. Certain investments excluded from the Program include annuities, most limited partnership interests, and new issue securities including bonds on the primary market. In some cases, mutual funds that cannot be purchased in an advisory share class or load-waived A shares will be considered ineligible.

While new-issue bank certificates of deposit (CDs) are Approved Securities, the yield of new-issue CDs takes into account a sales concession in order to compensate the firms which sell the CDs. Within advisory accounts, HDFAS does not receive this sales concession since it is retained by the underwriter. Although we do not receive the sales concession, the overall yield on the CD to the Client is still impacted. Since HDFAS charges a Program Fee on all Approved Securities within an Account, you are effectively charged both the sales concession (retained by the underwriter) and the Program Fee on the CD. These charges reduce the overall yield on the CD and, in some cases, result in a negative return. You should be aware that you can obtain the same CDs without being subject to the Program Fee if it were purchased in a non-advisory brokerage account or directly from the bank. However, securities purchased outside of your Account will not be monitored or supervised by HDFAS as part of the Program.

Unapproved securities (i.e., not an HDFAS Approved Security) can be held in a *VestAdvisor* Account but additional buys of the unapproved security are prohibited; only sell orders are allowed. The Firm determines which unapproved securities can be held in the Account and can revise or amend its determination at any time as it deems appropriate. Unapproved securities are excluded for purposes of calculating the Account's performance. Unless they are waived or subject to another arrangement, you will incur fees for transactions related to unapproved securities pursuant to the HD Vest Disclosures Packet. Securities that transfer into the Account that are considered unapproved will be included in the Program Fee calculation for approximately 30 days after receipt in the Account. Unapproved Securities that transfer in to the Account will be moved to Unsupervised Securities after thirty (30) days. These are included in "Unbillable Securities" and will no longer be included in Program Fee calculations or Quarterly Performance Reports at that time.

## Item 9: Disciplinary Information

In the past 10 years, HDFAS has not been involved in any material disciplinary events as an investment adviser. To obtain information about HDFAS's disciplinary history, or to verify HDFAS has not been involved in any material disciplinary event, you may visit [adviserinfo.sec.gov](http://adviserinfo.sec.gov). For information on any broker-dealer related disciplinary events of HDVIS or NFS you may visit: [brokercheck.finra.org](http://brokercheck.finra.org).

## Item 10: Other Financial Industry Activities and Affiliations

HDFAS is a national investment advisory firm providing advisory and other financial services to individuals, pension and profit sharing plans, charitable organizations, corporations or other businesses. Companies affiliated with and/or under the same control with HDFAS include HD Vest, Inc., the parent company of HDFAS, HDVIS and HD Vest Insurance Agency, LLC ("HDVIA"). HDFAS may recommend that Clients use HDVIS or HDVIA to implement investment strategies. HDVIS, a registered broker-dealer and member of FINRA and SIPC, provides brokerage services to HDFAS Clients.

Your Advisory Consultant is, in most cases, an independent contractor of HDFAS solely for the purpose of providing investment advisory services as described in this Disclosure Brochure. In addition to the investment advisory services provided through HDFAS or securities brokerage services through HDVIS, he or she may provide legal, tax, accounting, audit, payroll or other products or services that are not affiliated with HDFAS. HDFAS does not endorse or supervise any of your Advisory Consultant's activities conducted outside of HDFAS. The responsibilities of HDFAS and its affiliates relate specifically to offering approved securities and investment advisory services. Some of these outside services present a conflict of interest with services provided by HDFAS or its affiliates. To the extent that is the case, by entering into the Agreement you acknowledge and agree that you have considered any such conflicts and have decided to proceed despite their existence. Please ask your Advisory Consultant and refer to the Form ADV Part 2B (Brochure Supplement) for more detailed information.

Any securities investments recommended by your Advisory Consultant must be made through HDFAS or its affiliates, and all checks related to a *VestAdvisor* account must be made out to "National Financial Services LLC". You should immediately contact the HDFAS Compliance Department at (800) 821-8254 if you are asked by your Advisory Consultant to make any investments outside of HDFAS or its affiliates or if you are asked to make an investment payment to your Advisory Consultant's outside business or any other third party.

## Privacy Statement

HDFAS will not sell Client information to other companies for marketing purposes. HDFAS employs reasonable security standards and safeguards to protect our Client's personal information and prevent fraud. In addition, HDFAS will continue to protect our Client's privacy even if they cease being our Client. For more information, please read our Privacy Statement on [hdvest.com](http://hdvest.com) or refer to the HD Vest Disclosures Packet you will receive from NFS shortly after Account opening.

## Conflicts of Interest

HDFAS endeavors to provide *VestAdvisor* to Clients at a cost that is reasonable in relation to the services provided. In evaluating an investment in *VestAdvisor*, you should be aware that HDFAS and its affiliates earn compensation from a number of sources related to your Account in addition to the Program Fee. The choice of Approved Securities affects the compensation HDFAS, its affiliates and Advisory Consultants earn as a result of your investments and thus poses various conflicts of interest. This section of the Disclosure Brochure is intended to describe significant conflicts of interest you should consider in making an investment decision. You should refer to the "Fees and Compensation" section for additional information on the compensation HDFAS and Advisory Consultants receive. If you have any questions about compensation or conflicts of interest, please contact your Advisory Consultant.

## Sweep Compensation

As discussed in the "Fees and Compensation" section, Program Accounts have a sweep account to automatically invest free credit balances. Clients elect whether to  
Reserved KP VestAdvisor Part 2A

participate in the Sweep Program and/or periodically invest cash balances directly in available money market mutual funds or other products offered as direct investments outside of the sweep program by providing instructions to your Advisory Consultant.

## Expense Sharing Arrangements (Educational Partners)

The Firm's affiliate, HDVIS, receives payments from Educational Partners in exchange for providing these Educational Partners opportunities for enhanced access to HDVIS's and HDVAS's sales force during training events, conference calls and meetings. Educational Partners also receive heightened visibility through the distribution of sales literature, newsletters and training materials accessible through HD Vest intranet pages. Educational Partners pay HDVIS amounts that are in addition to the sales charges and expenses disclosed in the fee tables found in the product prospectus. Although these payments are not shared with the Advisory Consultant and are not directly tied to the expenses applied to your Account, a conflict of interest exists in the recommendation of Approved Securities sponsored by Educational Partners since these products result in additional compensation for HDVIS.

## Use of Educational Partners

Most transactions in mutual funds and other types of securities are subject to Ticket Charges. You agree whether you or your Advisory Consultant will pay the Ticket Charges assessed to your Account when completing the Fees section of the SIS. If no election is made, the default is that the Advisory Consultant will be assessed Ticket Charges. When considering this election, you should consider the Ticket Charges identified in Appendix 1 that may be assessed and who is responsible for paying them. If there is a lot of trading activity in an Account the Ticket Charges could be significant, and Ticket Charges are a significant aggregate expense for an Advisory Consultant overall when considering all of the Accounts the Advisory Consultant services. This may create a conflict of interest for an Advisory Consultant who is responsible for paying Ticket Charges in Client Accounts.

## Restricted Equity Awards to Certain Advisors

In 2019, HDVAS will award restricted stock units in its ultimate parent company, Blucora, Inc. (Nasdaq: BCOR), to 50 Advisors who achieve the highest dollar amount of advisory net flow over the period October 2018 through September 2019. Advisory net flow is defined as advisory inflow less advisory outflow. Inflows consist of new account assets and any contributions to existing accounts via asset transfer or cash contribution. Outflows consist of advisory accounts closed and withdrawals from existing advisory accounts. Specifically excluded from the calculation of advisory net flow are reinvestments of earnings and advisory fees. HDVAS expects to make similar equity awards in future years.

Calculation of advisory net flow, and an Advisor's receipt of an equity award, has no connection to any particular HDVAS advisory platform, program, product, product type, or product sponsor, nor to the amount of advisory fees HDVAS or the Advisor receives. This equity award program will not affect your account's performance or the costs you pay for participation in the Program. The equity award program may nonetheless create a conflict of interest for your Advisor to recommend that you transfer assets into the Program or not transfer assets out of the Program. HDVAS endeavors at all times to maintain supervisory and compliance controls to ensure that such recommendations are in the best interest of advisory clients, but you should be aware of this potential conflict.

## Qualified Plan Rollovers

If you are rolling over assets from an employer-sponsored Qualified Retirement Plan ("QRP"), such as a 401(k), to an Individual Retirement Account ("IRA") with us, you should carefully evaluate all choices which are typically available. These four options include: leaving your assets in your former employer's plan (if permitted), rolling over the assets to your new employer's plan (if permitted), rolling your assets to an IRA with us or another firm, or cashing out the account value. You should consider the following factors, among others, in deciding whether to keep assets in a QRP, roll over to an IRA or cash out: investment options, fees and expenses, the ability to make penalty-free withdrawals and differences in creditor protection. Of these options, HDVAS will only earn compensation if you open an IRA account with us. In addition, the costs of maintaining and investing assets in an IRA with us will generally involve higher costs than keeping the assets in your current QRP. While we typically offer a broader range of investment options and services than an employer-sponsored QRP, there are no guarantees that the additional investment options will outperform your employer-sponsored QRP.

## Item 11: Code of Ethics

HDVAS clients are entitled to expect high ethical standards of conduct in all of their dealings with us. HDVAS strives to foster a culture that supports our ability to meet our Clients' expectations. To assist us in minimizing potential conflicts of interest and prevent inappropriate activity, we have developed a Code of Ethics ("COE"). The COE defines "Access Persons" and describes standards of conduct, personal securities transactions, securities covered by the COE, insider trading, conflicts of interests and confidentiality. If you are a Client or prospective Client and would like to receive a copy of the current HDVAS Code of Ethics please contact your Advisory Consultant. Alternatively, you can send a written request to HD Vest Advisory Services Compliance, P.O. Box 142829, Irving, TX 75014 or call (800) 821-8254.

HDVAS and our Advisory Consultants recommend or effect transactions in securities in which an HDVAS director, officer, employee or other Advisory Consultant may also invest directly or indirectly. This poses a conflict of interest to the extent that transactions in such securities on behalf of HDVAS Clients may advantage such related persons. Advisory Consultants cannot recommend that Clients purchase securities of Blucora, Inc., the indirect owner of HDVAS. We monitor equity trading activity in Client accounts to ensure that Advisory Consultants' trades are not placed ahead of Client trades which may result in the Advisory Consultant receiving a better price.

## Item 12: Brokerage Practices

HDVAS requires *VestAdvisor* accounts be established and held through HDVIS as an introducing broker-dealer while trades are executed and cleared through NFS. Accounts managed by HDVAS Advisory Consultants must be established with HDVIS and cleared through NFS. Financial planning or consulting services are not directly relevant to brokerage practices; however, in the event you elect to open a brokerage account through HDVIS, the following brokerage practices would apply.

### Information about National Financial Services LLC

As custodian of your brokerage account, NFS, at the direction of HDVAS, is responsible for:

- The execution, clearance, and settlement of securities transactions
- Preparing and sending transaction confirmations and periodic statements of your account
- The custody (or safekeeping), receipt, and delivery of funds and securities
- The extension of margin credit upon approval

As a registered broker-dealer, NFS is subject to the rules and regulations of the SEC, FINRA, and other exchanges of which NFS is a member, and the MSRB. NFS is also a member of the New York Stock Exchange (NYSE) and SIPC.

HDFAS chooses to use NFS based on several important factors, including the fact that NFS and HDVIS have an agreement currently in place. Other factors are outlined below. The commissions to us and NFS may be higher or lower than those obtainable from other broker-dealers in return for the products and services offered. While we consider our rates competitive, they are not necessarily the lowest possible commission rates available for your account transactions. Not all advisors require their clients to use a specific custodian.

Through the relationship with NFS, we receive economic and non-economic benefits. These benefits include, but are not necessarily limited to:

- A dedicated service group and a Relationship Manager for HD Vest accounts on the NFS platform;
- Receipt of duplicate confirmations and bundled duplicate statements, Online Access for Clients to access their account information;
- Availability of third-party research and technology;
- Access to a trading desk and capital markets;
- Access to operational and platform solutions that are integrated with NFS' offerings;
- Trading and custodial experience;
- The ability to have advisory fees for HDFAS Sponsored Programs directly debited from Client accounts (in accordance with federal and state requirements);
- Electronic download of trades, balances and position information; and
- Access to an electronic communications network for Client order entry and account information.

## Brokerage Practices

In addition, some HD Vest affiliates receive compensation from NFS on Client debit and credit balances, i.e., the difference between what NFS receives in interest and what it actually pays the Client and what the Client pays on interest on margin accounts and what NFS's actual costs are.

NFS may receive additional compensation in the form of order-flow payments from options and other equity trades. In addition, NFS can receive compensation from one or more of the firms it routes equity orders to as a fee for providing execution services to those firms. Please refer to the "Fees and Compensation" section for a discussion of additional fees that you may incur.

NFS has the option of directing Client trades to one or more marketplaces, and they may employ an alternative trading system ("ATS") to execute fixed-income transactions. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, NFS uses its discretion in selecting these marketplaces or ATSs to enter or execute Client orders.

Client orders for over-the-counter equities and listed equity securities are routed to other execution venues by NFS as appropriate, with best execution being the highest priority. A number of factors are considered when determining where to send Client orders, including execution speed and price, price improvement opportunities, the availability of efficient and reliable order-handling systems, the level of service provided, and the cost of executing orders. NFS strives to execute all held orders at prices equal to or better than the displayed national best bid/offer price, up to the displayed size, at the time of execution. Not-held orders are worked for best price by the trading desk. NFS may utilize non-affiliated third party Authorized Participants ("APs") when transacting large blocks of ETFs. APs are typically large institutions like market makers or specialists who can create ETFs by trading the underlying securities.

Even though HDVIS is permitted by contract and by law to do so, as a matter of policy we do not execute principal trades or agency cross transactions. HDFAS does not, under normal circumstances, allow Clients to direct brokerage to other firms or custodians. Investing in the *VestAdvisor* Program requires the use of NFS as custodian.

## Fixed Income

As a result of the "over-the-counter" nature of fixed income securities, the available trading methods differ from that of equity securities. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements HDVIS has contracted with Advisors Asset Management, Inc. ("AAM") to execute trades for Clients in fixed income securities, unit investment trusts (UITs) and structured products, and Advisory Consultants have the option of placing these trades with either AAM, Fidelity Capital Markets or Bond Trader Pro. These firms consider a number of factors when determining where to execute orders including the type, size, supply, liquidity, and complexity of the order along with the prevailing market conditions.

## Best Execution

For both equity and fixed income securities, HD Vest regularly reviews transactions for quality of execution, and takes action, as appropriate, for Client price improvement and to fulfill our best execution obligations. HDVIS and its affiliates have a Best Execution Committee that reviews trading activity and the vendors and systems we use to process transactions, among other things. Client orders are treated with the same priority and procedural flow as non-advisory brokerage customer trades. HDFAS does not have soft dollar arrangements with its custodians.

## Trade Allocation

The ability to enter aggregate or bunched trades on the Envestnet platform allows for Advisory Consultants with discretion to utilize the feature. This allows an average price for Accounts included in the bunched trade if the entire order does not fill at one price. Average pricing will only occur for trades in the same security entered at the same time by the same Advisory Consultant and not among different Advisory Consultants and only for stocks and ETFs. It is possible that there will be two or more aggregate trades for the same security for the same Advisory Consultant on the same day, i.e., one bunched trade is entered in the morning and one or more are entered later that same day. HDFAS will not generally do an average price calculation across multiple aggregate trades (either among the same or different Advisory Consultants).

Bunched or aggregated trades are entered with specific details for the Client Accounts included in the trade and upcoming allocation of shares (i.e., the number of shares allocated to each Account that is included in the bunched trade) so the Advisory Consultant is not in a position to change the allocation based on execution. In the majority of cases, the complete order will execute at one time eliminating the need for an average price (i.e., the entire order will execute at the same price). If, however, the order does require multiple fills, the price of the different executions will be "averaged" and allocated as originally submitted. If the order does not execute in its entirety, the shares will be allocated on a pro rata basis based on the original aggregated trade. There will be occasions where the pro rata allocation is increased or decreased to avoid holding odd lot or small numbers of shares, especially for smaller accounts. This allocation is determined in good faith in an attempt to be fair and equitable.



## Trade Errors

The Firm endeavors to identify and correct trade errors as soon as possible. When a trade error has been identified by HDVAS, the Advisory Consultant or Client, HDVAS will correct the error promptly with the goal of restoring the account back to the same condition that would have resulted if the error had not occurred. Losses associated with trade errors that are not caused by the Client will be borne by HDVAS or the Advisory Consultant. Under some circumstances, our correction of an error could result in a gain. If the error correction results in a gain, HDVAS will retain the gain. For purposes of determining the gain or loss, related transactions will be corrected in the aggregate so that profits offset associated losses; a Client may not elect to ratify only those portions of a related transaction that are profitable. All trade errors will be reviewed at least quarterly by a designated employee in the HD Vest Compliance Department.

## Item 13: Review of Accounts

### Monitoring Accounts

Accounts and transactions are reviewed for adherence to criteria and guidelines on security selection, concentration, diversification and other restrictions that may apply. These reviews are performed by compliance and sales supervision personnel who provide these services to HDVAS and its affiliates, including HDVIS. The compliance and sales supervision personnel are assisted by various data processing exception reports. They do not review every individual transaction.

### VestAdvisor

Your Account is monitored by your Advisory Consultant on a periodic basis (at least annually) to ensure that your portfolio remains aligned with the current investment selections and consistent with your investment objective set forth in the SIS. If you and/or your Advisory Consultant determine that an Approved Security no longer meets your needs, the Advisory Consultant will recommend a replacement and all investment decisions will be made by you (except as specifically authorized by you in a written Discretionary Trading Authorization (“DTA”). Additional details provided in Item 16.

### Quarterly Performance Reports for VestAdvisor

HDVAS will provide Quarterly Performance Reports for your *VestAdvisor* Account to your Advisory Consultant who will then provide them to you. Individual or Related Accounts with a total market value equal to or less than \$500 will not receive a Quarterly Performance Report. Some clients may elect electronic delivery of their Quarterly Performance Reports through an electronic client portal. The pricing and performance figures included in the Quarterly Performance Report are believed to be accurate but are not guaranteed. Performance calculations are reported using a Time-Weighted Rate of Return, a method of calculating portfolio performance. Returns shown are after fees are deducted (*i.e.*, net of fees), and include the impact of dividends or capital gains in the calculations. Regarding fixed income, an accrual accounting method is used for billing and performance reporting for interest payments that have been accrued but not yet paid within the period. Regarding mutual funds and equities, a cash accounting method is used for billing and performance reporting, and therefore does not reflect dividends that have been declared but not yet paid within the period. These methods differ only in the timing of when transactions (*i.e.*, dividends and interest payments) are credited to your Account. The timing difference may result in an increase or decrease in the performance of your Account or the amount billed to your Account.

In addition to the Quarterly Performance Reports, the Custodian delivers statements to you on at least a quarterly basis. You should compare the information in the Quarterly Performance Report with the information in the account statement provided by the Custodian. There may be a difference in the values represented as a result of the different billing methods indicated above. The Custodian’s Account statement is the official record of the holdings and value of investments held in the Account.

Quarterly Performance Reports, and the Custodian’s Account statements and trade confirmations are provided to keep you informed of your Account performance and activity and to ensure that the Account is being handled in accordance with your instructions. *You should review all reports and statements on a timely basis, and notify HDVAS immediately if you believe that any investment or activity in the Account was not authorized or is inconsistent with your instructions. Please contact your Advisory Consultant or HDVAS if you do not receive your Quarterly Performance Reports or your Account statements. Transactions that are not challenged within ten (10) calendar days of confirmation will be deemed accurate. Also notify HDVAS immediately if you receive a statement at any time from your Advisory Consultant that does not match the QPRs or Account Statements.*

### Financial Planning and Educational Services

The services provided through Financial Planning represent a one-time financial plan and not ongoing advice. You have the option of requesting an updated plan by completing an updated Client agreement. In most instances, you will be subject to an additional fee. The services provided through Financial Planning or an Educational Services Agreement are reviewed by Advisory Compliance.

## Item 14: Client Referrals & Other Compensation

HDVAS generally does not provide compensation for referrals to the Program. Exceptions are made as approved by the Firm’s Advisory Compliance Department. In those limited instances, Clients will receive a separate disclosure regarding the referral compensation associated with their Account.

HDVAS and HDVIS have a referral relationship with one or more unaffiliated banks or credit unions (together “Institutions”) that allows for the payment of compensation to these Institutions. The compensation they receive is based on the advisory fee that you pay. If you are introduced to us through one of these arrangements, you will receive a separate written disclosure statement indicating that a referral fee is being paid to the Institution along with the amount of the referral fee. The Institution receives a pre-determined percentage of the fees earned by your Advisory Consultant, and you are not charged an additional amount to offset the referral fee paid to the Institution.

HDVAS does refer clients to unaffiliated third-party money managers as outlined throughout this Brochure and receives a fee for doing so. These relationships are currently Symmetry and Quick(k). Details are provided under Item 5 Fees and Compensation. Please refer to previous disclosures contained in Item 5 and Item 10 of this brochure explaining our other compensation arrangements.

## Item 15: Custody

For certain accounts, HDVAS is deemed to have custody of your funds, and in some instances, your securities, even though they are maintained at NFS, a qualified custodian. NFS sends account statements to you as outlined previously in this Brochure, which list your account holdings and account values. In the event of any discrepancy between your Quarterly Performance Reports and your NFS statements, you should rely on the statement from NFS. You should also rely on the NFS statements for the cost basis related to your account holdings.

## Item 16: Investment Discretion

The *VestAdvisor* Program can be either a discretionary or non-discretionary Program. For a non-discretionary Account, your Advisory Consultant is required to contact

you before entering trades on your behalf. You will be contacted and required to accept or reject investment recommendations from your Advisory Consultant, including: (i) the security being recommended; (ii) the number of shares or units; and (iii) whether to buy or sell.

Instead you may choose to sign a Discretionary Trading Authorization (DTA) granting your Advisory Consultant discretionary authority to rebalance or substitute mutual funds, ETPs, stocks, bonds, and a broader selection of securities without receiving specific permission from you before the trades are entered. Not all Advisory Consultants are eligible to manage *VestAdvisor* Accounts with discretion. All discretionary authority retained by your Advisory Consultant is limited by his or her securities registrations.

You may rescind this authorization at any time by providing written notice to Advisory Compliance at the address on the front of this Disclosure Brochure. Your Account will then be traded only on a non-discretionary basis. Your DTA does not grant discretionary authority to withdraw funds or securities (other than for payment of Program Fees) nor does it allow for any trading outside the Advisory Program you have chosen.

## Item 17: Voting Client Securities

In *VestAdvisor* you retain the right to vote proxies and handle notices of legal proceedings such as class actions and bankruptcies. Neither your Advisory Consultant nor HDVAS provide advice regarding proxies or legal proceedings for any securities held in the Account. Notices and materials will be mailed directly to you and not to HDVAS.

## Item 18 – Financial Information

HDVAS has no financial condition that will impair our ability to meet our contractual commitments to you nor do we require prepayment of fees more than 6 months in advance.

### Investor Resources

HDVAS and its affiliates want you to be an informed investor. Below are resources from the SEC and FINRA that can assist you in choosing an investment professional and making investment decisions. We encourage you to review the information and contact HDVAS or your Advisory Consultant if you have any questions or concerns.

- FDIC website for info on Sweep Program is [fdic.gov/deposit/deposits/index.html](http://fdic.gov/deposit/deposits/index.html).
- FINRA website for investors with information on investing as well as alerts about current issues and scams and investment tools and calculators available at [finra.org/investors](http://finra.org/investors).
- FINRA BrokerCheck – Check the status of your Advisory Consultant, HDVAS or HDVIS at [brokercheck.finra.org](http://brokercheck.finra.org).
- SEC website for investors with investor news and alerts; information on basic investment principles and investment products; an “Ask and Check” page with resources to research investments, firms and investment professionals available at [investor.gov](http://investor.gov).
- SEC Publication: “Investment Advisers: What You Need to Know Before Choosing One” available at [sec.gov/investor/pubs/invadvisers.htm](http://sec.gov/investor/pubs/invadvisers.htm).
- SEC Publication: “Invest Wisely: Advice From Your Securities Industry Regulators” available at [sec.gov/investor/pubs/inws.htm](http://sec.gov/investor/pubs/inws.htm).
- SEC Publication: “[How Fees and Expenses Affect Your Investment Portfolio](#)” available at [Sec.gov/investor/alerts/ib\\_fees\\_expenses.pdf](http://Sec.gov/investor/alerts/ib_fees_expenses.pdf).
- SIPC website for additional information on Securities Investors Protection Corporation is [sipc.org](http://sipc.org).

## Appendix 1 Schedule of Additional Fees

Effective September 20, 2018

Individual Retirement Account Fees ..... \$50.00

### Other Annual Account Fees

Self-Employed 401(k) (Premiere Select Retirement Plan)..... \$35.00

### Accounts with Check Writing or Debit Cards

Brokerage Access Check Writing Only – No Debit Card..... No Charge  
 Brokerage Access with Visa Classic Debit Card ..... \$75.00  
 Brokerage Portfolio with Visa Gold Debit ..... \$100.00  
 Brokerage Portfolio with Visa Platinum ..... \$150.00

### Ticket Charges

Mutual Funds Buy or Sell Ticket Charge..... \$6.95  
 Equities and ETFs ..... \$9.95  
 Bonds (all), UITs, CDs, Corporate Paper, Bankers Acceptance, Mortgage Back Securities ..... \$11.95  
 Options ..... \$11.95 + 0.75 per contract  
 Mutual Fund Exchanges..... \$2.95

### Transaction Charges

**Other administrative fees may apply to Brokerage Access/Brokerage Portfolio Accounts (check copies, checkbook orders, ATM fees, additional debit card, bounced check fee, stop payment fee, etc.)**

Physical Certificate Issuance<sup>1</sup>..... \$500.00  
 Physical Reorg Fee ..... \$150.00  
 Direct Registration Service (DRS) Transfer and Ship ..... \$15.00  
 Legal Transfer..... \$150.00  
 Legal Return..... \$75.00  
 Safekeeping Fee<sup>2</sup> (per certificate per month) ..... \$15.00  
 Outgoing Express Mail ..... \$15.00  
 Non-IRA Outgoing Wire Transfer – Domestic..... \$25.00  
 IRA Outgoing Wire Transfer – Domestic..... \$15.00  
 Bounced/Returned Check deposited to Standard Brokerage Account ..... \$25.00  
 Bounced/Returned Check issued from Brokerage Access/Brokerage Portfolio ..... \$15.00  
 Stop Payment Check issued from Standard Brokerage Account ..... \$25.00  
 Stop Payment Check issued from Brokerage Access/Brokerage Portfolio ..... \$10.00  
 Non-Retirement Outgoing Account Transfer Fee (ACAT)..... \$95.00  
 IRA Termination/Liquidation..... \$125.00  
 (waived for clients over 70 ½ or death/disability distribution)  
 Self-Employed 401(k) (Premiere Select Retirement Plan) Termination/Liquidation ..... \$125.00  
 Trade/Margin Extension Fee..... \$15.00  
 Mailgram Fee..... \$5.00  
 Alternative Investment Fees<sup>3</sup>  
 Sell..... \$50.00  
 Annual Custody & Valuation – Registered..... \$35.00  
 Annual Custody & Valuation – Non-Registered ..... \$125.00  
 Alternate Investment Transfer/Re-Registration Fee ..... \$50.00

*Some of the fees listed above include markups or amounts in addition to charges by HD Vest's clearing firm (National Financial Services LLC\*), which HD Vest uses to defray other costs associated with its business or that are retained by HD Vest for its own account.*

*Interest on any non-retirement cash account debit balances will accrue beginning on the day that the debit is posted to the account and will be charged to the account at 3.00% above the National Financial Base Lending Rate, NFBLR.*

*HD Vest Investment Services may change this fee schedule at any time. In addition to these fees, please note that certain other operational or other fees or charges may apply. If you have any questions regarding the applicability of these fees, please contact your Advisory Consultant.*

<sup>1</sup> Other charges may apply, such as rush delivery fees.

<sup>2</sup> Covers deposit, custody and withdrawal. Only charged on those securities eligible to be held in street name.

<sup>3</sup> Includes, but not limited to, Limited Partnership (non-exchange), Non-Traded REITS, and Private Equity/Debt. The Annual Custody & Valuation fee is charged per position but shall be capped at \$500 per account per year.

## Appendix 2 Important Definitions

**Advisory Consultant** means the HDVAS Investment Advisory Representative assigned to your Account.

**Advisory Share or Advisory Share Class** means a special share class of a mutual fund designed for fee-based investment advisory products which does not have a sales load and has eliminated the 12b-1 Fee, and therefore generally has lower expenses than other share classes of the same fund.

**Agreement** means the written *VestAdvisor* Client Agreement required to participate in *VestAdvisor* which governs the terms and conditions of the Program and associated services, as it may be amended from time to time. The Agreement is part of the Account Application and supplements the SIS.

**Approved Securities or Approved Investments** means investments HDVAS determines are eligible to be included within the quarterly performance calculation and are included in the Program Fee calculation.

**Billable Market Value** means the market value of the Account that is included in the Program Fee calculation or Approved Securities less Unsupervised Securities plus Unbillable Securities.

**Discretionary Trading Authorization Form or DTA** means written authority given by the Client to your Advisory Consultant authorizing the Advisory Consultant to execute trades on a discretionary basis without receiving specific permission from you before the trades occur.

**Educational Partners** means the mutual fund companies or their affiliates that have an agreement with HDVIS to provide additional payments to help defray the educational, training, record-keeping and other costs associated with offering products to Clients.

**Investnet Asset Management, Inc. or Investnet** means the platform manager for your advisory accounts.

**Fidelity** means Fidelity Clearing & Custody Solutions, which provides clearing, custody, or other brokerage services through its broker-dealer National Financial Services LLC, Member NYSE, SIPC.

**FINRA** means the Financial Industry Regulatory Authority, a self-regulatory organization that regulates broker-dealers ([finra.org](http://finra.org)).

**Flow Billing** means the Account will be charged or refunded a supplemental prorated Program Fee on a monthly basis if there are significant net additions or net withdrawals in the Account during the month. Any additions or withdrawals have a prorated fee applied for the days remaining within the quarter and all additions and withdrawals are netted daily. This prorated adjustment will only occur if the net addition or withdrawal is at least \$10,000. A prorated Program Fee will be assessed in the month following the net addition or net withdrawal. This is effective 10/1/2018.

**Form ADV Part 2A Disclosure Brochure, Disclosure Brochure or Disclosure Brochure** means this document, the Form ADV Part 2A Disclosure Brochure or Disclosure Brochure, which provides important information about the various programs offered by or through HDVAS and details regarding the *VestAdvisor* Program

**HDVAS, we, us** or the **Firm** means H.D. Vest Advisory Services, Inc. (d/b/a HD Vest Advisory Services), an investment adviser registered with the SEC, a wholly-owned subsidiary of H.D. Vest, Inc.

**HD Vest means H.D. Vest, Inc.** which is the holding company for the group of companies providing financial products and services under the HD Vest name.

**HDVIS** means H.D. Vest Investment Securities, Inc. (d/b/a HD Vest Investment Services), a broker-dealer registered with the SEC, and a wholly-owned subsidiary of H.D. Vest, Inc. HDVIS is an affiliate under common control with HDVAS, and serves as the introducing broker-dealer to NFS with respect to your Account.

**National Financial Services LLC, NFS or Custodian** provides clearing, custody, or other brokerage services to HDVAS clients. NFS is a Member of NYSE and SIPC and is part of Fidelity Clearing & Custody Solutions<sup>®</sup>.

**Related Accounts** means Program accounts grouped together for purposes of qualification, reduced pricing and, where requested, consolidated reporting, of advisory Programs offered by or through HDVAS.

**SEC** means the U.S. Securities and Exchange Commission (more information available at [www.sec.gov](http://www.sec.gov)).

**SIPC** means the Securities Investor Protection Corporation, a federally mandated, non-profit corporation that administers the federal program that protects brokerage account investors against loss in the event of a broker-dealer member's insolvency and liquidation by replacing missing securities and cash up to a maximum of \$500,000 per Client, including a maximum of \$250,000 on claims for cash. SIPC does not protect against losses from market fluctuations.

**Statement of Investment Selection or SIS means** the questionnaire that collects information about you and your investment objective, risk tolerance and financial situation (referred to as "Client Profile"), and which is required to open an Account.

**Ticket Charges** means the flat fee assessed for trade processing and execution specified under the heading "Ticket Charges" in Appendix 1 to this Disclosure Brochure. Some of the fees listed on Appendix 1, Schedule of Fees, include markups or amounts in addition to charges by HD Vest's clearing firm. HD Vest uses this additional compensation to defray other costs associated with its business or retains the compensation for its own account.

**Unapproved Securities** means investments that HDVAS has determined are not eligible to be included in the quarterly performance calculation and are not included in the Program Fee calculation.

**Unbillable Securities** means securities that are in the Account but are not included in Program Fee calculation (billing). Unbillable Securities means Unapproved Securities plus other securities or Account assets that Client and Advisory Consultant determine should not be included in the billing. We refer to these together as "Unbillable Securities".

## Appendix 3 Risks of Investing

As previously discussed, Advisory Consultants will manage each Account to a selection of investments based on your investment objectives and risk tolerance. However, Accounts with higher concentrations of equity have greater exposure to the risks associated with equity investments, such as stock market volatility and foreign exposure. On the other hand, Accounts that have higher exposure to fixed income will have greater exposure to the risks associated with bond investments, such as credit risk and bond investment risk and changes in interest rates. All Accounts are also ultimately affected by impacts to the individual underlying investments made by the mutual funds and ETFs held in the Accounts, such as changes in an issuer's profitability and credit quality, or changes in tax, regulatory, market or economic developments.

**Asset Allocation and Diversification.** The performance of Accounts is dependent on the allocation of securities among various asset classes and the selection of underlying Funds. There is a risk that Advisory Consultant's decisions regarding asset allocation and the selection of investments will cause an Account's performance to lag relevant benchmarks or will result in losses. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. Asset allocation and diversification do not guarantee a profit or protect against loss.

**Cybersecurity Risk.** With the increased use of technologies to conduct business, corporate and personal technology are susceptible to information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and arise from external or internal sources. Cyberattacks include, but are not limited to: gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment or systems; or causing operational disruption. Cyberattacks are also carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting HDVAS, its affiliates or Advisory Consultants, or any other service providers (including, but not limited to accountants, custodians, transfer agents, and financial intermediaries used by a fund or an account) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate net asset value ("NAV"), impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which an Account invests, counterparties with which an entity engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers), and other parties.

**Investing in Mutual Funds and ETFs.** Clients bear all the risks of the investment strategies employed by the mutual funds and ETFs held in their Accounts, including the risk that a mutual fund or ETF will not meet their investment objectives. For the specific risks associated with a mutual fund or ETF, please see its prospectus.

**ETFs.** An ETF is a security that trades on an exchange and may seek to track an index, commodity, or a basket of assets like an index fund. Some ETFs are actively managed and do not seek to track a certain index or basket of assets. However, ETFs used in the Program generally will be passive investment vehicles that seek to replicate the performance of relevant market indices. ETFs can trade at a premium or discount to their NAV and are affected by the market fluctuations of their underlying investments. They also have unique risks depending on their structure and underlying investments.

**Money Market Fund.** Cash balances in an Account are held in a money market fund. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. It is possible for a money market fund to lose money.

**Risks Relating to Underlying Funds.** In addition, the underlying mutual funds held within Accounts are subject to the following specific risks, although not every risk is applicable to every Fund:

**Quantitative Investing.** Securities selected in mutual funds using quantitative analysis can perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each factor, changes to the factors' behavior over time, market volatility, or the quantitative model's assumption about market behavior.

**Stock Investments.** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. In addition, stock investments are subject to risk related to market capitalization as well as company-specific risk.

**Foreign Exposure.** Foreign securities are subject to interest rate, currency exchange rate, economic, regulatory, and political risks, all of which generally are greater in emerging markets. These risks are particularly significant for mutual funds that focus on a single country or region or emerging markets. Foreign markets are often more volatile than U.S. markets and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile. Foreign exchange rates can also be extremely volatile.

**Bond Investments.** In general, the bond market is volatile, and fixed-income securities carry interest rate risk. As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer term bonds. The ability of an issuer of a bond to repay principal prior to a security's maturity can cause greater price volatility if interest rates change, and if a bond is prepaid, a bond fund may have to invest the proceeds in securities with lower yields. Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. In addition, investments in certain bond structures can be less liquid than other investments, which would make them more difficult to trade effectively.

**Credit Risk.** Changes in the financial condition of an issuer or counterparty and changes in specific economic or political conditions that affect a particular type of security or issuer can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's credit quality or value. Lower quality debt securities and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer.

**Derivatives.** Some mutual funds selected may contain derivatives, such as swaps and exchange-traded futures. Generally speaking, a derivative is a financial contract whose value is based on the value of a reference asset. Investments in derivatives subject these mutual funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some derivatives involve leverage and provide investment exposure in an amount

exceeding the initial investment. As a result, the use of derivatives causes these mutual funds to be more volatile, because leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio securities.

**Municipal Bonds.** The municipal market can be affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities. Municipal funds normally seek to earn income and pay dividends that are expected to be exempt from federal income tax. If a fund investor is a resident in the state of issuance of the bonds held by the fund, interest dividends are sometimes exempt from state and local income taxes. Income exempt from regular federal income tax (including distributions from tax-exempt, municipal, and money market funds) may be subject to state, local, or federal alternative minimum tax. Certain Funds normally seek to invest only in municipal securities generating income exempt from both federal income taxes and the federal alternative minimum tax; however, outcomes cannot be guaranteed, and the Funds sometimes generate income subject to these taxes. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, can result in a capital gain or loss for federal and/ or state income tax purposes. Tax code changes could impact the municipal bond market. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income may be removed or phased out for investors at certain income levels.

**Legislative and Regulatory Risk.** Investments in your Account may be adversely affected by new (or revised) laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries and individual issuers of securities. The impact of these changes is not always known for some time.

**Risks of Relying on Information and Data Provided By Others.** Advisory Consultant's analysis methods often rely on the assumption that the companies whose funds and securities are recommended for purchase and sale, the rating agencies that review such funds and securities, and other available sources of information about such funds and securities, are providing accurate, reliable and unbiased data and information. HDVAS cannot guarantee that analyses and recommendations will not be compromised by or free from any inaccurate, incomplete, or misleading data and information provided by such other third parties.

**Long-Term Purchases Risk.** Advisory Consultant often recommends that clients purchase investments with the intention of holding them for one year or longer. This recommendation is often because the Advisory Consultant believes the investments to be undervalued at the time of purchase and/or because Advisory Consultant chooses to recommend exposure to a particular asset class over time, regardless of the current projection for such class. A risk of a long-term investment strategy is that by holding an investment for a longer period of time, the client is not be able to take advantage of potential short-term gains. Moreover, if the analysis is incorrect, an investment can decline sharply in value before it is sold.

**Volatility and Correlation Risks.** Clients should be aware that Advisory Consultant's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes exhibit similar price changes in similar directions, which can adversely affect Client and become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns or probability projections do not reflect actual future performance.

**Clients should understand that investing in any security involves a risk of loss of both income and principal. There can be no assurance that Advisory Consultant's or HDVAS's investment advice and recommendations will be successful or that Client's investment objective will be achieved.**

## **Appendix 4 Applicable only to KP Clients with Assets Custodied at Schwab**

In September 2018, a small number of *VestAdvisor* clients were required to move their self-directed 401(k) accounts back to the original custodian, Charles Schwab & Co., Inc. ("Schwab"), as per their Plan requirements. HDVAS granted approval to the Advisory Consultant to continue working with these clients in the *VestAdvisor* program but on the Schwab trading and custodial platform. As such these assets are not custodied at NFS, the platform for other HDVAS assets.

Because of this change, some disclosures and procedures listed in this Form ADV, Part 2A are not applicable to these clients. These items include:

- Billing will be calculated by HDVAS and deducted from the client's Schwab account.
- Confirms, statements and performance reports will be made available by Schwab. Additional reporting is not provided by HDVAS.
- The billing procedures used by Envestnet (including flow billing) are not applicable.
- Trading, custody and transaction execution is done at Schwab. As such, the Schedule of Fees included in Appendix 1 is not applicable. For specifics on Schwab's trading practices, including execution services, order routing and execution, custody, aggregating of transactions and trades through other broker/dealers, please refer to Schwab's current Form ADV.
- References to Envestnet as a trading platform are not applicable for accounts at Schwab.
- The ability to deduct fees from another account may be restricted by Schwab's policies.
- Not all advisory programs offered by HDVAS will be available for accounts custodied at Schwab.
- These accounts will be discretionary or non-discretionary as decided by the client. If discretionary, a Limited Power of Attorney form, required by Schwab, must be signed by the client.
- Valuation of assets held at Schwab will be done by Schwab and not HDVAS. Fees will be calculated based on the asset value in your account at Schwab as of the last business day of the quarter, and the quarterly fees will be deducted in advance. The fee schedule has not changed.
- The Sweep Program disclosure (Item 5, page 11) is not applicable for accounts custodied at Schwab.
- HDVAS is not owned by, affiliated with, or supervised by Charles Schwab & Co., Inc.

*Effective 09.25.2018*